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Developing the Brand of Chinese Cars Abroad: The Case of the United Kingdom

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Abstract

Considering the increasingly interlinked international business environment, companies from emerging markets launching their brands in developed country markets is today's reality. In this context, Chinese car manufacturers are attempting to strengthen their yet not widely known brands abroad. The aim of this study is to investigate the rapid brand development from companies in the East making an effort to enter markets in the West. In order to achieve our aim, we carry out two empirical studies. First, a survey where we collected the data from consumers about Chinese car brand awareness and car performance in the UK. Second, we carried out interviews with car dealers about major challenges and strategies on how to develop Chinese car brands in the UK market. The results suggest that Chinese cars target the low-income (price sensitive) consumer segment, which, in turn, has fewer competitors and less advanced technology. The low quality associated with the Chinese car brand as well as the use of less advanced technology in cars were identified as the major problems with those brands. The favourable perceptions of consumers were linked to the low price and high safety performance. Current post-purchase services favourably enhance brand perceptions. Practical and theoretical implications are discussed.

Keywords: brand development, car dealers, Chinese cars, entry in Western markets, British consumers.

Health Branding and Promotion of Preventive Health Behavior:

A Conceptual

Framework in the Context of Emerging Markets

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Abstract:

While branding had long been an integral part of communication in business, healthcare, insurance and pharmaceuticals, it is less common in promoting public health services intended to change preventive health behavior (Evans, et al, 2008, Basu & Wang, 2009, Evans, et al 2015). Public health specialists have long been advocating a need to decouple the term “healthcare” as “health” and “care” as separate, but equal concepts (Bain & CO, 2014). This approach underscores the importance of empowering people with products, ideas, information, knowledge and services that are likely to protect them from health risks. Basu & Wang (2009) simplified the complex nature of all types of offerings concerning health protection by combining them under a common term “health product”; it is based on the premise that attributes of health market consist of products, messages and services which promise the benefit of health and well-being. In the context of a booming marketplace for health products, they are sold as a product and “where consumers call the shots” (Howgill, 1998).

Given the competitive nature of the marketplace, promoters of preventive health behavior could effectively use brand equity to build relationships between consumers and products, services and organizations (Evans, et al, 2015). As in the commercial sector, branded health messages could create identity with which consumers associate (e.g., fitness, energy, strength, youthfulness, happiness, etc) and also enhance the reputation, trust and credibility of the source of the message and of the messenger as well. Aligning public campaigns with the norms of business practices, providers of health offerings can leverage marketing skills and competencies to compete with corporations that promote tobacco, liquor, unhealthy foods, and even activities that cause health risks. Though there are several examples of branding in public health campaigns in the USA (e.g., VERB, Truth, 5-A-Day, etc), the emerging markets are yet to catch up.

During the past decade, the UN Millennium Development Goals (MDGs) have advanced the “Right to Health” and actively promoted preventive health behavior through communication, persuasion and economic incentives and improved response efficacy. A number of local and multinational NGOs like Melinda & Gates, Clinton Foundation, World Economic Forum, Bloomberg, etc. have been working in consonance with multilateral agencies, governments, corporate, business and other interest groups to improve health status through behavioral change.

Moreover, UN and its agencies promote public health campaigns as part of the MDGs identified DAYS in the calendar to think, talk, and participate in programs that deal with Sanitation & Hygiene, handwashing, TB eradication, HIV/Aids, Diabetes, Diet & Nutrition, Physical activity, etc.; and these initiatives have the potential to partner with corporate brands. Now businesses (e.g., Lifebuoy, Colgate Palmolive, Nike, McDonald, Wholefoods, Discovery Health, etc) are also redefining their mission around health.

But it should also be noted that the organizations committed to engage in health and life style changes have to compete with companies that enjoy a strong customer base, brand equity and product identity. Hence developing a brand for organizations that fight against drug abuse, tobacco use, alcohol abuse, unhealthy foods, etc. will certainly be a challenge. In view of changes in demographics, technology and media it is possible for organizations to explore innovative ways to markets the “value” and “benefits” of behavioral change. For example, the young and educated population is very much linked to social media, engage in networks and blogs using internet and messaging; the branded VERB campaign used the new media and successfully engaged tweens to pursue physical activities.

Currently, some of the emerging markets (China, India, Brazil, among others) have launched a number of initiatives in the area of sanitation & hygiene, handwashing and diarrheal control, diet & nutrition, diabetes, TB, malaria, polio, etc. These massive public health programs undertaken in collaboration with multilateral and NGOs will take generations to have a sustainable impact. In view of the long term perspectives of these programs and promotion of other health products to suit the needs of people at all phases of life cycle, it is appropriate to study the role of brand and its efficacy in promoting awareness and consumer response.

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**Comparative Study on the “New Silk Road” Strategy
Between China and the U.S.**

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Abstract

This article focuses on compare the Sino-US “Silk Road” strategies, in order to comprehend the efficiencies of both plans. Also the paper analyzes how these two plans affect the China-U.S. relationship under the international context. Finally, the authors call on Sino-US strengthen strategic communication and cooperation in the future.

Key words: New Silk Road; Political purposes; Economic Impact; Strategic Contrast

Comparative Study on the “New Silk Road” Strategy Between China and the U.S.

Preface

The world’s pattern is rapidly changing. All countries are experiencing rise, prosperity and recession. Only by constantly making proper policies according to the changes in the situation and implementation of improvement, a country can continue to move forward, striving to super over. In the age of globalization, mid-Asia's geopolitical value has been replaced by the huge potential of China and the United States, and the two countries have proposed a plan - the "New Silk Road".

In 2011, U.S. Secretary of state Hilary Clinton clearly put forward the “New Silk Road” plan, in order to strengthen the economic ties in South Asia, and the recovery of the relationship with Afghan.

2013, Chinese President Xi Jinping have proposed to build the strategic idea of the “Silk Road Economic Zone” and “Maritime Silk Road” in the twenty-first Century. The “Silk Road Economic Belt and the 21st-Century Maritime Silk Road "initiative is the main content of the strategy, namely, China's “New Silk Road”.

In recent years, China's economic power strengthened, the international status gradually increased, but as the world's only superpower, the United States, in recent years, demonstrates its weaker domestic economic situation. She is trying to restore the economy through various measures, adjust the strategy in the Asia Europe region, and consolidating her existing position. The roles of China and the United States have attracted the world's attention in the world’s stage, especially when both countries have proposed the “New Silk Road” strategy almost at the same time. Due to their similar range, the two countries coexist in both competition and cooperation. From the aspect of intention, forms and attitude, what are the differences between these two countries on this strategy? What kind of cooperation between the two countries in the “New Silk Road” plan will be carried out?

Literature Review

In 2014, Wang Zhuoyi has introduced the areas included in China's “New Silk Road”, which included across the Eurasian continent and more than 30 countries. Then Wang analyzed comprehensively the China’s “New Silk Road” plan from the economic, political, and cultural aspects, summarizing up the value of the plan is to transfer the pressure of current trade routes ^[1]. In 2012, Zhao Huasheng systematically expounds the concept of the “New Silk Road”, using facts to proof that the impacts of the “New Silk Road” strategy will be brought to Afghanistan and neighboring countries, as well as United States itself, and clarifying the reality of the plan ^[2].

Other experts compares the China and U.S.' "New Silk Road" plan in three aspects—the strategic scope, intent and implementation of strategic advantages and disadvantages. In 2013, Zhu Feng introduced the scope of China's "New Silk Road" and its function from shallow to deep. Zhu illustrated that the Silk Road Economic Zone of China could be interpreted to the China's hope to establish the diplomatic ideas with the surrounding countries^[3]. In 2012, Zhao Zhen has analyzed the strategic intent of United States to establish a "New Silk Road", the first point is to consolidate the results of the counter-terrorism war in the past ten years; the second point is the development of the northern transport line (NDN); the third is to weaken Russia's influence in Central Asia, but also to curb the power of Iran and China^[4]. In 2013, He Maochun stated meaning of the revival of the Silk Road, as for our country, and compared it with Silk Road projects of the other countries, drawing the conclusion that China's Silk Road Project occupied more advantages^[5]. In 2012, combining with the reality of the current situation to analysis, Wu Zhaoli has stated that the United States is having the time advantages in the implementation of the "New Silk Road" Project, but lack of funding and public support, also its strategy was a bit over-ambitious.^[6]

In 2013, Xu Tingyu introduced the different demands between the two countries on the "New Silk Road" plan, both mainly through economic cooperation organization form, combined with the characteristics of the two countries plan to come to the forecast: China's "New Silk Road" plan is more successful due to its better political foundation, the more stable economic and trade cooperation, and possess more advantages than the United States' "New Silk Road" in situation (mainly because the situation in Afghanistan is not stable security)^[7]. In 2007, Liu Fenghua has assessed the strategy through a positive and negative way, for short-term goals, the promotion of regional economic ties in the next few years is visible, but for the ultimate goal, the United States tries to expand the impact of the United States in Asia, it still need to break through tons of political barriers, which is a long process.

Over the long run, due to the two countries' "New Silk Road" plan are related to Central Asia, so as for the two countries, there exists both cooperation and competition. Wang Tian stated that USA Silk plan is the replica of "Great Central Asia" strategy, Chinese suspects are excluded^[8].

According to the actual situation to analyze the Silk Road and the Maritime Silk Road's cooperation will encounter difficulties^[9]. In this situation, we must to understand China's response: in 2013 Dong Feng tiger has proposed four suggestions on China's measures to deal with in details, according to the offensive about U.S. "New Silk Road", mainly through the SHANGHAI COOPERATION ORGANIZATION's advantage and stable Pakistan and Kazakhstan relations. The whole article is clear, and the argument is very powerful^[10].

China's "New Silk Road" Plan

The Belt and Road Strategy

Along the way is the "Silk Road Economic Belt" and "21st Century World Maritime Silk Road" two strategies, the Silk Road Economic Zone strategy covers the Southeast Asian economy, Northeast Asia economy, and integrated together, and eventually integrated into Europe, the formation of the economic integration of Europe and Asia, the global economic belt strategy from the sea China Unicom three continents and Silk Road Economic Belt strategy to form a sea, land. Enough to combine the rapid development of China's economy with the interests of the country along the line^[1].

Background of the Economic Belt of the “New Silk Road”

The silk road began in ancient China, ancient trade route, from the rise and flourish to decline across more than 2000 years of history. In nearly a hundred years for the re development of the "Silk Road" has made unremitting efforts.2013 in September, General Secretary Xi Jinping at the University of Kazakhstan Tanner Zalba Jef for speech expounds the idea of the “New Silk Road” Economic Belt. This idea not only inherited the idea of the construction of the past of the Silk Road, and filled with the changing characteristics of the times. Silk Road Economic Belt covering the Northwest China, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and other five provinces, southwest Chongqing, Sichuan, Yunnan, Guangxi And other four provinces in the urban area, the construction of this economic belt to narrow the economic ties between China and the Asian countries, political and cultural ties, for the future cooperation has laid the foundation.

Background of the Silk Road on the Sea in 21st Century

Ocean is a natural link between the economic and cultural exchanges among countries, has a long history of Maritime Silk Road starting from Qin and Han Dynasties is the cultural exchanges between China and the West produced great and profound changes. Since the reform and opening up, China and the Southeast Asia regional exchanges have become increasingly close, and an important part of Southeast Asia is 21st century maritime silk Lu, in the current global political and trade pattern changing situation, China Construction of new trade routes, thereby gradually to link up the various regions of the world, which the core value is the channel value and strategic security. Especially the in China become the world's second largest economy, the global political and economic pattern of vertical and horizontal In the context of the "21st Century World Maritime Silk Road" will undoubtedly greatly enhance China's strategic security.

Relationship with the Asian Infrastructure Investment Bank.

Asian infrastructure Investment Bank, referred to as the Asian Investment Bank, is a government based Asian regional multilateral development agencies, focusing on supporting infrastructure construction.2014 in October, President Xi Jinping proposed to build the Investment Bank, as of April 2015, the Asian Investment Bank has

reached 55 countries, including the major countries, such as the United States and Japan^[11].

"The Belt and Road" initiative is to strengthen the cooperation between the European and Asian countries, to promote trade and trade, to achieve mutual benefit and win-win situation. Asian Investment Bank focused on solving the problem of infrastructure, while stimulating the rapid development of economy.

"The Belt and Road", the Investment Bank will provide a strong financial support for the implementation of the "The Belt and Road", while the development of "The Belt and Road" will lead to more opportunities for the future development of the Asian Investment Bank and the development of the "New Silk Road", the two plans will jointly promote the development of Asian and European countries and even the global economy, a broad prospect.

The United States' "New Silk Road" Plan

Strategy in order to make Afghanistan in after rehabilitation exercise after smooth transition, the United States government proposed the Eurasian version of the "New Silk Road" strategy, although mainly in Afghanistan, but it is for the United States itself has strategic significance." a safe, stable and prosperous Afghanistan needs a security, stability and prosperity of the region is the "New Silk Road" starting point. However, the focus is not limited to this. Ambon research team's findings, the United States government on the "new Silk Road" was conceived early in 2009 have been prototype, 2009 October 6th, the United States Department of state for Political Affairs William Burns had to the American Chamber of Commerce published a speech, the theme is "the Silk Road trade and Investment: new path of the United States and Central Asia economic ties, he in his speech referred to the establishment and strengthening economic ties with Central Asia for several purposes: energy. The second is central Asia's economic and political modernization. The third is security issues, the United States hopes to keep partners together to maintain security in Central Asia. The fourth is linking local people and society^[2].

Domestic background

(1) The United States government in maintaining great economic expenditure of the war in Afghanistan the U.S. economic recovery more difficult, the expenditure of international studies, Watson, released in June 2011, the report, in 2011 dollars fixed value calculation, the federal government of the United States of America in the war in Afghanistan has spending war costs at about \$2.6 trillion, far higher than the official figures. If the tremendous pressure from the Obama administration together with the United States for veterans set of social security costs, expenditures will be as high as 3.7 trillion - \$4.4 trillion^[2]; (2) Due to the long war on terror brought miserably heavy casualties, and the domestic economy is not Boom, people weariness high, people started by a 88% support of troops to then only 39% support rate; (3)

Obama to cash once the commitment, in order to obtain the re-election of the people support rate, in order to reflect their own political transcripts, strive to develop a strategic plan for the “New Silk Road”.

External Environment

Afghanistan after years of war, the economy has been severely damaged, a substantial decline in the gross national product, many people in exile. Although the United States has invest some resources in the economic reconstruction and humanitarian projects, but with anti-terrorism military input apart huge, that to the people of Afghanistan and the region of the left "only anti-terrorism is not people's livelihood, the negative image. And in adjusted its global strategy, since the " 9.11 ", the United States has been concentrated energy to deal with the war in Iraq and Afghanistan war on terror that in a certain extent, ignored the development in the Asia Pacific region dealings. In the United States engaged in counterterrorism, Asia Pacific area quietly Jue On the two level of economic and political power, the world powers from the west to the East. In order to solve this situation, the United States should not immediately change strategy, the strategic focus shifted to the Asia Pacificregion.

“New Silk Road” Strategic Contrast

China and the United States as the world's superpower, chasing each other on the world stage, each of which has their own advantages, then on the plans to implement the “New Silk Road”, the two countries have what advantages and disadvantages?

Strategic Scope

China and the United States "Silk Road" strategy is involved in Central Asia

United States: Afghanistan has been the center of the Central Asian region and the South Asia region, plans to form a United States in Central Asia and South Asia to the United States as the leading geopolitical plate.

China: the scope of China's “New Silk Road” strategy than the scope of the Silk Road wider, land "Silk Road Economic Belt" relates to Central Asia, China, western provinces. And in the 21st century "maritime Silk Road", relying on the construction of China ASEAN Free Trade Area, the economic belt along the coast of China and Southeast Asia, South Asia and Africa port city relationshiptogether.

Strategic Intent

The United States Introduced the “New Silk Road” Plan.

Primary purpose is to restore the economic situation in Afghanistan, through to Afghanistan as the center, building and the surrounding area and South Asia trade networks, improve infrastructure construction and the legal system, parties attract investment and construction to achieve transformation and upgrading of economic success, achieve national the smooth transition of economic sustainable development

and social and consolidate its up to ten years of victories. To improve America's position in the minds of the people of the region, to enhance the prestige, so that it can better establish long-term dominance. Furthermore, weaken Russia in Central Asia, China in Southeast Asia's potential force. Finally, to strengthen the comprehensive national strength, enhance the international status, expanded in the United States in Southeast Asia and even the whole The influence of the Asia Europe region, "the New Silk Road" strategy is more like a foreign policy vision for Central Asia and South Asia.

China Introduced “The New Silk Road” Plan

The establishment of land on the Silk Road Economic Belt and the maritime Silk Road Economic Zone, plans through economic and trade means to achieve economic exchanges, political union, the establishment of a peaceful environment for common development, is the heritage and development of the ancient Silk Road.

Strategic Advantages and Disadvantages Contrast.

Time: the United States than in China earlier proposed the “New Silk Road” plan.

The United States in 2011 proposed the “New Silk Road” strategy, take advantage of the time, the development and implementation of the relevant agreement can go ahead.

Area: China is close to Central Asia and Southeast Asia region, but also has the geographical advantage.

The United States is far from Asia, and China is the Asian countries, the West and the southeast coast is the implementation of the economic open area. At the same time, the international voice pointed out that "the Silk Road should be the leading Asian, western countries should not be too much". This shows that China's implementation of "New Silk Road" plan than the United States more than³¹.

Funding: China than the United States in the “New Silk Road” plan funding more advantages.

Table 1 Comparison of China and the United States "New Silk Road" plan funds

Country	U.S.A	China
Funding Situation	1. Dependent on Asian banks, foreign investors, private sector capital injection; 2. Domestic financial downturn; 3. Has invested a lot of money to the war in Afghanistan and Iraq, it is difficult to independently support the recovery of Afghanistan's economy; 4. A large number of national	1. Southeast Asia and Central Asia also have a lot of investment in Chinese enterprises, with a large economic complement; 2. China announced that the government will invest \$40000000000 to set up the Silk Road fund; 3. Using a large foreign exchange reserves, to inject \$62000000000 into the state-owned policy banks, to create a connection to the overseas market

	foreign exchange reserves.	infrastructure projects; 4.Asian Investment Bank's financial support.
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Source: The information is compiled by the author of the paper

Politics: China is Advantageous in political Aspects than the U.S.

With the heart of Central Asia, has always been a strategic area of the Eurasian continental competitions in the world, China and the five Central Asian countries have united to form a strategic partnership of friend relationship, trust degree due to the good neighborly and friendly relations, non-interference in each other's foreign policy, has also been an unprecedented increase. This is after bilateral cooperation has laid a good foundation, achieve the win-win cooperation of the situation^[4].

In the United States to Afghanistan for military war this ten years, its influence in the Asia Pacific region is also greatly enhanced; but under the situation compelled, the United States had to withdraw its troops in Afghanistan and Iraq, then through plans to use the "New Silk Road", continue to Afghan control, continuation of the interests of the occupation, it is conceivable that the Central Asian region know the actual intention, preparedness and vigilance is essential. Therefore for the U.S. version of the “New Silk Road” cannot completely open and equal were strategic cooperation.

Table 2 Comparison of oil production and import volume in 2014

	Petroleum Production	2011 -2014 Annual rate of rise	Net Imports of Crude Oil	Compared to 2012
China	4300000 barrels / day	6%	28900 tons / day	Fall 20.6%
U.S. A	13000000 barrels / day	28%	33500 tons / day	Rise 7.5%

Source: (Liu Fenghua, 1994)

As can be seen from table 2, the United States to reduce oil dependence on the Middle East at the same time, China's dependence on the region's oil is increasing, which will have a significant impact on the geopolitical.

Tolerance: the United States “New Silk Road” Strategy is Relatively Low

America's "New Silk Road" in Afghanistan as the center, the scope exclude opponents of Russia and China, its essential purpose is to safeguard its own interests; and China's strategic plan for the “New Silk Road” open in most parts of Eurasia, with greater inclusiveness. The reason is that China occupies the center of the Asian continent, starting from the Chinese border, will run through the entire continent of Asia, so China's position determines China's “New Silk Road” strategy will have the biggest inclusion.

Strategies: China "New Silk Road" Strategy is More Feasible than the American's

Under the cooperation and support to get the United States "New Silk Road" program of domestic public support rate is low, mainly military plans expected value is too high, the financial, to support Afghanistan's infrastructure construction plan to carry out power obviously insufficient, and Afghanistan and neighboring areas of the situation is not stable, the regime problem is severe, the environment is not conducive to economic development, but the United States did not pay attention to this, insist on not so clear, the complex relationship between the background of implementation of the silk road project, is undoubtedly overestimated their own strength and ignore the environment. Also, the United States "New Silk Road" strategy exclude Iran, Iran does not but Afghanistan's neighbors, and communication Very close trading partners, lack of participation in Iran, the United States of America's "New Silk Road" strategy is also more difficult to achieve ^[5].

China's "New Silk Road" line is clear, from easy to difficult, one by one, the planned economy and the foundation of a good political foundation, as well as the country's strong support for the plan to eliminate many uncertainties, plus possible future cooperation mechanism, the Chinese version of the "New Silk Road", a bright future.

Sino-US "New Silk Road" Strategy Implementation Forecast

The propose and implementation of the "New Silk Road" strategy for both China and the United States demonstrated great economic, political and cultural development opportunities. But the implementation of the strategy needs to be carried out according to the comprehensive national strength and the status quo of the two countries.

China's "New Silk Road" Strategy Implementation Forecast

Chinese version of the "New Silk Road" get the country's attention, the establishment of special funds to invest in the construction, and its strategy itself is in line with China's current national conditions.

From the following four aspects of China's "New Silk Road" strategy for the implementation of forecast:

Geographical Advantages

China aims to promote exchanges and cooperation in the political, economic and cultural aspects of the three aspects of political, economic and cultural exchanges, China and the "New Silk Road" along the country's good relations, deepen regional cooperation to achieve win-win results are willing to see each country.

Existing Geographical Position and Transport Network Advantages

Only the development of a good connection between countries, such as China and Central Asian railway facilities, in order to better implement the “New Silk Road” plan.

Public Opinion Supports

The development of China's West has been relatively backward areas. There, people live in poverty, the economy of a single source, the industry is relatively backward, and the implementation of the “New Silk Road” will greatly improve its regional environment, promote the positive development of various industries, increase employment rate, change the life of the region, there is a way to reduce terrorism, I believe people are very happy to accept.

High Ethnic Tolerance

China's "New Silk Road" strategy is the revival of the “Silk Road” in history, which is conducive to the integration of Chinese and Western culture, the high degree of national tolerance, the situation of economic globalization, a new way of regional cooperation will not only promote economic development, but also promote political exchanges between different ethnic groups, so that people can be expected to get the support of most countries in the region.

The United States "New Silk Road" Strategy Implementation Forecast.

Although America's "New Silk Road" initiative surface won the response of the countries of Central Asia and South Asia, but due to various reasons, the development or to face a variety of difficulty. The strategic significance of the development with high-profile return to the United States in the Asia Pacific region Hongyuan target, is conducive to the consolidation of the America's war effort in Afghanistan, but the strategy of high starting point, need to solve the problem.

From the following four aspects to analyze the implementation of the United States, the “New Silk Road” and the future implementation of the forecast:

Strategic plan was established earlier

Some basic facilities have been completed, especially in the construction of Cross railway construction has made gratifying progress, which is conducive to the development of some of the plans.

Low level of Tolerance

Strategy with its own interests as the center, the program is low, with the United States known as the "World Police" title, and most of the South Asian countries in a tense state, Afghanistan's neighbors, to connect good Central Asia to South Asia's economic and political channels, the establishment of regional cooperation organization, good relations with Pakistan, Iran, India and other countries is an additional important, foreign war is the first step in the United States to address the task^[9].

Afghanistan's Domestic Instability

Due to the withdrawal of NATO troops, Afghanistan's domestic environment is still in a period of turmoil, which makes investors prohibitive, economic development is blocked, so the short-term economic development in Afghanistan is impossible.

Public Support Low

In the United States, the military is a major supporter of the strategy, the State Council the prospect to doubt that the attitude of the.2014 there are plenty of people who years later, America's interest in Central Asia will decline sharply, the United States, political will and economic strength and resources to implement this strategy, these problems are still unknown^[10].

"New Silk Road" Strategic Competitive Analysis

Because of the "New Silk Road" between China and the United States involved in the Central Asian region, there is a certain degree of competition and conflict between the two sides.

Position and Attitude of the United States

And recover the influence of formation control strategy is actually in a very long time ago, the United States government launched the "Great Central Asia strategy. The U.S. version of" New Silk Road "program" Central Asia "plan of the remastered version, the name of reviving Afghanistan region economy under the banner of the withdrawal after the transformation, the development of geo economic, connecting the South and Central Asia Economic Cooperation Organization, following the expansion of the Middle East, to the exclusion of power in Russia and China. Finally, the large and medium-sized sub capsule. Among them, the United States government deal with the external media said," China has for the Silk Road as a contribution to the ", there is no clear pointed out that China in the U.S. version of the "New Silk Road" of the position Role play how, which also may indicate that the US intends to avoid the sensitivity of this topic. In recent years, according to the U. S. President Barack Obama's diplomatic moves are hidden high-profile return to the Asia Pacific, and America's biggest rival is increasingly powerful China, the United States has always been like to the bottom line of military exercises to challenge the enemy, for example by in the southwest Pacific, to contain the coastal areas of China, affects our country through between the Pacific Ocean and the Indian Ocean trade routes.

China's Attitude and Response Measures

The face of the United States, China's attitude is friendly, should be correct attitude, active and positive, based on the long-term to deal with. The main energy through the following six ways:

Support Afghanistan become Shanghai Cooperation Organization member

This is conducive to Chinese more involved in the process of revitalizing the country to go to Afghanistan.

Develop Good Sino-India and Sino- Kazakhstan Relationship

China and India in the world stage to develop rapidly, economic strength has gradually improved, good Sino-Indian relations are conducive to the development of bilateral economic and political fields, India is the most important country in South Asia, its strategic position is not to be ignored, China and India to establish a good ally, deepening interoperability, India has always insisted on independent foreign policy, not to worry about its dependence on strategic measures. Location (after I owned two already built the railway, oil and Tim popularity pipeline also through this country), belong to our country on the west gate! Plus China has, for a long time and Kazakhstan relations more closely, with good political relations, trade turnover is the five Central Asian countries the highest, making it become the land Silk Road Economic Belt of the west a breakthrough, but the most suitable. If continued good momentum of development in bilateral relations, China's implementation of the "New Silk Road" program have a big advantage^[7].

Take Advantage of China's Historical Influence

China is one of the construction of the Silk Road in history, and she has a long history. China should seize this point and increase the history of the construction of the "New Silk Road".

Planning more Funds

China should be called for more organizations establish Silk Road Fund, rely on bank and private units, obtain more funding, along the construction of the "New Silk Road", along the region's people and improve the strong financial backing.

Better Sino-Pakistan Relations

China and Pakistan is the name of "good friends", Pakistan is one of the key points of America's "New Silk Road" breakthrough, just us Pakistan Relations in tension and historical issues seriously. Deepen the affairs of China and Pakistan cooperation, can effective against the United States in China in the Western military containment.

Strengthen Regional Cooperation with Shanghai Cooperation Organization

America is not the Shanghai Cooperation Organization members, at present, the United States to weaken the influence of China in Central Asia, a series of threats to political security strategy deployment, so China should use wisely the Shanghai Cooperation Organization, clearly opposed to everything in the Middle East are likely to occur the threatened action and deepen the cooperation between the members of the Organization^[8].

Conclusion

All the signs indicate that the relationship between China and the United States in a profound strategic mutual trust, and China's "New Silk Road" strategy will bring what kind of impact, the current assertion is too early. China's "New Silk Road" plan with China's rise, its influence in Asia and Europe is also expanding, China's "New Silk Road" plan proposed early, but the doping is too much because it has no clear implementation plan, to address the treatment of spear Shield is also more, its strategic prospects relative to China's "New Silk Road", it seems not so bright.

"the Belt and Road" plan has strong radiation and leading role and inclusive, along a road construction necessity and the United States "New Silk Road" strategic plan to cooperate with the complementary to reach win-win results. On the other hand, now in the United States strategic center of gravity from west to East and near section time terrorism spree under the background of Chinese western regional security problem becomes particularly severe. The United States in the south area of the implementation of the "New Silk Road" plan is conducive to the stability of China's western region situation and economic and cultural development, to create a good international ring Environment. And the government of the United States also understand China's influence in East Asia, and Middle East Bureau as chaos, the funds invested in the South Asia region more reduced, seek China's economic support and cooperation is essential^[16]. So the Sino US strategic plan for the "New Silk Road" package development, between China and the United States in the reconstruction of Afghanistan and formed new areas of cooperation, conducive to the two countries to develop a new type of relations between major countries. I hope new field in addition to the traditional economic ties between the two countries to cooperate, together played the world song!

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**Study on the Chinese Carbon Emission Trading Market Development under the
Globalization**

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Abstract

This paper starts by describing China's carbon emissions trading market development history, reveals the existence of its development problems, then, analyzes the successful establishment of the European and American national carbon emissions trading market experiences. At last, this paper recommends for a call of unified effort to improve domestic carbon emissions trading market system.

Key words: Carbon Emissions Trading Market; Kyoto Protocol; Emissions

Study on the Chinese Carbon Emission Trading Market Development under the Globalization

Preface

The relationships between climate and human beings are closely related. In recent year, climate situation becomes more and more serious. Excessive emissions of greenhouse gases, lead to global warming and seriously damage the normal circulation of the natural ecological system, which bring many unimaginable catastrophe to us. China as a responsible developing country, actively respond to the “Kyoto Protocol” in the face of severe problems of climate warming, try to reduce greenhouse gas emissions. And in November 2011, the State Council approved the "Twelfth Five working plan for controlling greenhouse gas emissions "clearly put forward to explore and establish carbon emissions trading market to further control of greenhouse gas emissions. Under the increasing pressure to reduce emissions, China as the world's first big country of carbon emissions, impels to develop a resource-saving and environment-friendly road. In fact, carbon emissions trading market is both opportunities and challenges.

The opportunities are that the low carbon economy has increasingly become a development road of various countries economic and China is committed to the development of carbon emissions trading market that is to cater to the trend of the development of the times. China early enter into this new market, which is conducive to China to get rid of "pollution first, treatment later" ,the old road of development and through technical exchanges between countries to reduce the cost of carbon emission reduction. China's resource gift of carbon emissions is superior and current carbon emissions reduction have been around the world's 1/3, only next to the United states. Beside, China timely access to carbon emissions trading market is conducive to better establish the relevant trading system, to standardize the relevant laws and regulations, to attract the relevant talent and to do a good job related to the supervision, which improve the entire carbon emissions trading market system. However, the challenge of building carbon emissions trading market should not be ignored. Due to the fact that China is a developing country, carbon emission reduction technology compares with Western European country that have a relatively large gap, which led to a higher cost of carbon emissions reducing in China and the carbon emissions trading market in the bargaining power is not high, so China’s discourse power suffer a severer challenge in other countries.

Classification of Carbon Emissions Trading and Carbon Trading

To understand the carbon emissions trading market, we must first understand the classification of carbon emissions trading and carbon trading. Only by understanding the classification, can we, according to the different types of carbon trading, make the correct methods to improve.

2.1 Carbon Emissions Trading

Analysis of carbon emissions trading in China based on the theory of property rights trading.

The specific content of the theory of property rights is: without property rights, society is a Society of low efficiency, absolute invalid resource allocation. Property right of ensuring high effective economy should include the following characteristics:

(1)Clarity, it is a complete system including the rights of property owners and the punishment of restricting and breaking these rights.

(2)Proprietary, it makes one kind of behavior produce all the rewards and losses which can be directly linked to the person who has the right to take action.

(3) Negotiability, these rights can be lead to the worthiest value way.

(4)Operability

The theoretical basis of the carbon emissions trading market is the property right theory, the property right theory illustrate that if one kind of resource use a specific way, such as the law and regulations set its ownership, which will make this resource is scarce. And in the trading market, the industry or enterprise with carbon emissions right can control the range of carbon emissions within the emission limitation and then can transfer its emissions right, so that the original value of resources (here refers to the emission right) is fully regulated by the market. Through the above elaboration, we know that carbon emission right is indeed consistent with four specific content of the property rights theory.

At present, in view of the status quo of China's carbon trading market system, I think how to solve the fair and efficiency of the distribution of carbon emissions is the key to change the status quo. There are two kinds of initial distribution in the western countries: (1) paid distribution (2) free distribution. Paid distribution reflects the effect of emission reduction and enterprises which in accordance with the emission standards can transfer excess emissions to other enterprises to obtain income. It also can encourage enterprises to better do emission reduction work to create greater value for the enterprise.

Free distribution has a strong policy, so that it loss the regulation of the markets and don't reflected the value of decentralization. But its advantage is quickly promote carbon trading system. However, after nearly a few years of development, international gradually showing the main direction of the carbon trading market - paid distribution. Therefore, our country in carbon trading right should follow the international trend to adopt compensation distribution form and let enterprise mutual transfer of carbon trading right to get what they really need.

Carbon Trading

There is a lot of classification of carbon trading. According to the different properties can be divided into various categories, I choose three main classifications to introduce carbon trading

Compulsory Carbon Trading and Voluntary Carbon Trading

Compulsory carbon trading, which is commonly known as “compulsory emission reduction”, the most influential carbon trading system in the world today are mainly used in this form, such as the EU emissions trading system, Australia New South Wales greenhouse gas emissions reduction system and Tokyo, Japan, the total control and trading system, etc. ^[1].

Voluntary carbon trading is divided into two types: pure voluntary carbon trading and consultative carbon trading. Pure voluntary carbon trading can be summarized as “voluntary participation, voluntary emission reduction”, which requires the double parties should make voluntary as principle to participate in the emission reduction. Once involved in the reduction will be subject to legal constraints, and be punished according to the provisions of the law if you do not follow the law. Japan's emissions trading system is this typical form of carbon trading.

Multi Trade Carbon Trading and Single Trade Carbon Trading

Multi trade carbon trading general includes many industries such as steel, paper pulp and metal, etc. the typical representative is the EU emissions trading system. Single trade carbon trading is just one industry, such as the United States of the regional greenhouse gas emissions reduction action (RGGI) which is mainly trade in the power industry. In general, the resistance of the single trade to carry out carbon trading is much less than the resistance of many industries carbon trading.

Regional Carbon Trading and Non-regional Carbon Trading

Depending on the geographical range of carbon trading, it can be divided into regional carbon trading and non-regional carbon trading. Regional carbon trading is the carbon emissions trade conducted in a certain area, such as Australia's New South Wales greenhouse gas emission reduction system.

Non regional carbon trading refers the carbon emissions trading of a region area, a typical example are the EU emissions trading system.

International Carbon Trading Market Development for China's Reference

General Situation of International Market

Carbon emissions trading market is a new commodity market and has been rapid development after the “Kyoto protocol” in 2005. At present, the international carbon trading market is mainly conducted in the regional market, while the various financial institutions play an important role in this market. Due to the responsibility and the specific conditions of different regions, there is not yet a unified trading system in the world and

all the regions are actively exploring their own carbon emissions trading patterns. According to the world bank's data report, during 2005-2011 years, the international carbon trading market turnover of account and trading volume of the average annual basic has maintained a good momentum which the total turnover respectively reached 1.08 billion, 3.12 billion, 6.4billion, 12.63billion, 14.37billion, 15.92billion and 17.6billion. Besides, the U.S. official data forecast that in 2020 the global carbon market transactions will reach \$2500 -3000 U.S. dollars and the market development gradually mature ^[6].

Successful International Carbon Trading Market Model

EU Carbon Emissions Trading System

The EU carbon emissions trading system (EU ETS) plan is divided into two stages: the first three years of the system is the first phase of the system from 2005 to 2007. This stage achieves 45% of “the Kyoto Protocol” commitment to emission reduction targets. The second phase will achieve will achieve the Kyoto Protocol, the commitment of all the emission reduction targets of the Kyoto Protocol commitment during 2008 to 2012.

The trading system is a decentralized governance model; the EU member has a great deal of autonomy on the setting of total emission, distribution and transaction registration. EU ETS adopt the "limited and trade" trading system that the EU Member States must submit to the country's total carbon emissions quota plan to the EU audit, in the total carbon emissions, the enterprises of each member should in strict accordance with the indicators after the total amount of carbon emissions. If the enterprise still has surplus total amount of carbon emissions under the premise of the total amount of carbon emissions restrictions, it can transfer their carbon trading rights in the carbon trading market. EU ETS's punishment system is that the relevant corporate will be punished by 40 Euros if its carbon dioxide emissions more than 1 tons per year. And from 2008 year the penalty upgrade to 100 Euros and the enterprise' emissions permit reduce by corresponding number in the following year ^[6].

Chicago Climate Exchange

Under the Kyoto Protocol, Chicago Climate Exchange (CCX), the world's first legal emissions trading platform, came into being. CCX emission reduction plan divided into two stages: The first stage (2003 -2006) all commitment member annually reduce 1% based on the baseline emission level. The second stage all commitment members make emission level down to 6% of baseline. These commitments member can reduce emissions through internal, buy a license from other company, who has savings emission permit, or purchase credit line which is produced by specific quota emission reduction projects. In addition, it also developed an electronic trading platform for its members of commitment emission reduction make online transactions, which all transactions process information is not disclosed and supervised by the United States National Securities Dealers Association.

Current Situation of China's Carbon Trading Market

Development of Carbon Trading Market in China

The construction of carbon trading market is the new direction of the global economic development. In order to meet this challenge and opportunity, China has already actively promote the construction of domestic carbon trading platform, August 5, 2008, the Shanghai environmental and energy exchange and the Beijing Environmental Exchange was established on the same day; in September 25, 2008, Tianjin Emissions Exchange listing was set up [2]. Despite China's positive response to the trend of carbon trading market of international construction, but the domestic carbon trading volume is small. This is because the international carbon trading market downturn in 2008 and the domestic intellectuals know little about carbon trading so this result. However, our country didn't give up the idea of building carbon trading market. In November 2011, the national development and Reform Commission issued "About the carbon emissions trading pilot working" that promised Tianjin City, Beijing City, Chongqing City, Guangdong Province, Hubei Province, Shenzhen city and other seven provinces and cities to carry out carbon emissions trading experimental unit which took a big step toward establish a unified carbon trading market system. June 18, 2013, Shenzhen carbon trading Gong opened; during November to December, Shanghai, Beijing, Guangdong, Tianjin have started carbon trading pilot work [3].

Table 1: Characteristics of Domestic Carbon Trading Pilot in China

	Beijing	Shanghai	Tianjin	Guangdong	Shenzhen
Performance date	Submitting the initial carbon emissions report before 31 March each year, before April 30 submitting last year's carbon emissions and verification report to the national development and Reform Commission and to completing the performance	Submitting carbon emissions reports before March 31 each year, April 30 submitting verification report before April 30 th , completing during the June 1st -30th	Submitting last year's carbon emissions and verification report before April 30 th each year and completing the performance before May 31 th .	Submitting last year's carbon emissions and verification report before May 15 th and completing the performance before June 20 th .	Submitting last year's carbon emissions report before March 31 th and Submitting verification report before April 30 th completing the performance before June 30 th .

	before June 25th				
Maximum CCER usage	The annual quota of 5%, of which 50% CCER from the project in Beijing	The annual quota of 5%	The annual quota of 10%	The annual quota of 10%, of which 70% CCER comes from Guangdong Province	The annual quota of 10%

(Data source: National Bureau of Statistics)

For the actual emission limits of various experimental unit of carbon emissions, China has also made the corresponding punishment mechanism. If the pilot place exceeds the agreed amount of emissions, we must accept the quota price of 3 to 5 times the fine, . For example , when the quota price of 60 Yuan / ton, the fine is 300 Yuan / ton.

At present, the main form of domestic carbon trading is the quota transaction. The government set the corresponding emissions for the relevant industries or enterprises and enterprises can accord their own situation to sell or purchase the emission rights. All in all, the emissions of enterprises should meet the requirements of the country. Although, compared with the western countries, China's carbon trading market has a obvious gap, China is developing countries. According to the "Kyoto Protocol", we have not been forced to fulfill the obligations of emission reduction and the western developed countries have been constrained, so their emission reduction costs higher than China's, which will attract the developed countries to actively cooperate with us to save emission reduction cost under the premise in common to achieve emission reduction targets.

Around the world, China is already the world's second largest economy so developed countries have asked China to take greater responsibility on emission reduction work. In the international appeal, how can we do both to ensure the smooth development of the domestic carbon trading market and does not affect the growth of GDP, which has become a more important issue in our country. As China is in the process of industrialization and urbanization, many industries in China are second industries. Many domestic industries' development rely on raw materials which still produce a lot of greenhouse gas, such a soil, coal; which is a big problem to complete the international requirements of China's emission reduction work.

Problems in Development of Carbon Emissions Trading Market in China

Carbon emissions trading market has many problem in Chinese development. In order to better integrate into the international carbon emissions trading market, we need to do enough attention. In general, I think there are six important problems in our country's carbon emissions trading market:

Carbon Financial System Development not Perfect, Transaction Risk

A sound legal protection can regulate and restrict the orderly development of carbon emissions trading, the European Union and the United States of the trading system has a strict law as the guarantee of its development. Carbon emissions have a distinct characteristic of financial products and carbon index trading involves bank loans, Options and Future, etc. The subjects of carbon emissions trading abroad mainly deal by investment banks and other financial institutions and these institutions minutely understand the carbon trading. Due to fact that our country development of carbon trading market in is late, domestic enterprises is not clear about the value of carbon finance, the operation mode while the financial market is not perfect. There is a huge security risks in such a platform under the transaction.

Gas Emission Right Initial Distribution Unfair

This situation is mainly due to two reasons: firstly, enterprises unwilling to premature undertaken many emission reduction work, therefore in the provisions of the total carbon emissions in the form of lease to borrow carbon emissions from other relevant enterprises, which leading to a more powerful enterprises can guarantee accord quantity to complete the emission reduction work ,meanwhile some small businesses just shell companies which just matching carbon emissions for large companies. So market regulatory role is not apparent. Secondly, the regulation of carbon emissions trading is regulated by the relevant departments of the country for managing the total carbon emissions, which may cause carbon emissions trading under the control of the relevant departments.

China's Cleaner Production Technology Restricted the Development

Because our country's cleaner production technology than the European and American countries have a more obvious gap. Because our country "s cleaner production technology has the obvious gap, compared to the European and American countries. Therefore, the higher cost of our country" s production product make the price of carbon emissions right deviate the real price of the product and influence the market mechanism fully play the function. Clean production technology has a great impact on the efficiency and fairness of carbon emissions trading mechanism.

Carbon Emissions Trading Policy Planning not Appropriate

Carrying out carbon emissions trading involves many aspects, such as total amount, clearing and settlement system, market supervision system and so on, but our country has no unified regulations, policy disorders, which lead to the development of carbon trading market can not be smooth and fast, which seriously affect the implementation of carbon

emissions trading.

Carbon Emission Pricing Mechanism Missing

Price can reflect the value of the product; the real price can effectively promote the rational development of the market. In China, the value of the product is generally measured in accordance with the foreign pricing mechanism which ignores to establish our own pricing mechanism. In addition, due to the country's initial emissions share, under the interests of the government and enterprises, the price of carbon emissions trading is distorted by man-made, which result in the market transaction price is not standardized.

Government's Supervision on Trading Market not Strict Enough

At present, China's carbon emissions trading market trading mechanism is not perfect. There are still many problems in the environmental monitoring and monitoring facilities for technical development and how to establish a supervisory authority with prestige has become a guarantee for the development of carbon trading market in the future.

China's Carbon Emissions Trading Market Countermeasures Suggested

This paper puts forward the following suggestions:

Increasing Technical Input of CDM Project

When foreign buyers of CDM project cooperate with China, most of case is that the funds instead of technical output. A large part of the reason is worried about their production technology has been stolen, even if the introduce production technology; the technology has been eliminated in foreign country. Therefore, improving the protection of domestic intellectual property rights ensure that foreign countries provide more technical assistance to China, so China's enterprises can improve production efficiency and increase economic benefits. However, this approach is not always the long-term plan, our country should get technical assistance and continue to develop their original production technology as far as possible to closer the foreign advanced production technology to develop belongs to the cleaner production technology of Chinese characteristics.

Actively Chang the Position of China's Carbon Trading Industry Chain

China is the world's largest supplier of CDM carbon emission. Due to the small number of words in the international carbon emissions market, our country has been in the lowest part of carbon trading industry chain in a long-term. And Chinese CER is usually purchased by developed countries with very low price, while developed countries sell it to in second market with a high price to get huge profits , which make our government lost a lot of economic interests. Therefore, our country strive to cultivate more talents of carbon trading market, accelerate the transformation of industrial structure and improve the clean production technology, to obtain the right to speak in the international carbon trading market and rid himself of the lowest part of the carbon trading industry chain.

Improving Legal System of Carbon Trading Market

The perfect legal system is an important measure for the smooth development of the carbon trading market. However, there are no clear legal provisions on the confirmation of the legal status of carbon emissions trading, and the settlement of the problems in the process of carbon trading. Therefore, China should expedite the construction of the legal system of carbon trading market, and make detailed provisions on the formulation, distribution, transaction and punishment rules in carbon trading process. In addition, it should clearly show that how to deal with the bankrupt enterprises in carbon trading market, so that domestic enterprises have laws to go by.

Strengthening Carbon Trading Market Supervision

The intangible nature of carbon trading rights makes the supervision of the domestic relevant departments of the carbon trading market have a relatively large loss. Because of the intangible nature of carbon trading, the relevant departments are difficult to accurately identify the different stages of corporations 'carbon emissions, which affect the confirmation of the carbon volume and finally influence the normal operation of carbon trading market. In order to solve this problem, I think that the relevant departments should strictly audit the qualification of the emissions of carbon dioxide emissions market requirements and then to establish a compliance reporting system which the report includes the condition of carbon emissions, the condition of carbon trading, etc. finally, relevant departments should set up a specific regulatory system to monitor whether the enterprise in accordance with the requirements of the carbon emissions quotas and to monitor the Legal compliance of domestic carbon trading market requirements.

Establish a Carbon Emissions Trading Market based on "Limited and Trade"

"Limited and trade" is an important factor for successful establishment of EU ETS, which reveals that we can accord the development of domestic enterprises to buy or sell carbon emissions right in carbon emissions trading market. According to the condition of our country and city, we can consider the mode of the separation of powers. The industrial structure of each province is different, which is destined to be different in the carbon emissions trading market. In the future development, I think that different provinces can report to the central provinces about its province's emission reduction targets and then the relevant departments in the province will be required to the corresponding carbon emissions to the enterprise, which is conducive to the full exercise of autonomous decision-making power, to reconcile the profits of the province and the province.

Vigorously Promoting the Application of High and New Technology

At present, when Chinese carbon emissions technology is relatively backward, we should actively learn from foreign advanced cleaner production technology and encourage enterprises to introduce advanced production technology, improve the utilization rate of fuel, which can reduce emissions and increase economic benefits. At the same time, China should actively call for industry restructuring, adjust the industrial structure and further improve China's carbon emissions trading market system, which achieve the goal of Chinese energy-saving emission reduction and sustainable development

Establishment of the Market of Carbon Finance Mechanism

Carbon emissions trading market is developing to the direction of the financial market, during the time, China needs to use financial markets to achieve the economic benefits of carbon industry, while China should strengthen the development of banking, securities, insurance and other financial institutions, forming a variety of carbon finance market.

Establish Legal and Punishment System

China should take into account the national conditions and formulate the laws and regulations, which the development of the total carbon trading market need to follow, and then let the provinces according to their own actual situation to add some of their own laws and regulations, at the same time, the government should set strict penalties

Conclusion

The development of carbon emissions trading market is a great impact on the development of China in the future. With the development of the times, people's awareness of environmental protection is gradually improving, and the development of low-carbon economy is imperative. In this opportunity and challenge coexist; China should intensify its own cleaner production technology, try hard to reduce the cost of production of carbon products, which make our own get higher international discourse to get rid of the lowest position of the carbon trading market. In addition, in the process of development, our country should try to learn from foreigner successful experience, develop a set of carbon trading market theory that accord our country specific condition and cultivate more talents of carbon trading, to enhance the competitiveness of our country in the international carbon trading market.

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**When Does Innovation Orientation Matter to Performance of New Ventures? The
Moderating Role of an Entrepreneur's Social Capital**

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Abstract

This study examines the relationship between innovation orientation and performance of new ventures, considering an entrepreneur's social capital conduits (degree centrality, betweenness centrality, and their interactions) as a moderating variable in the relationship. With original data from 174 new ventures in the manufacturing sector in the context of a geographic high-tech cluster, the results reveal that a combination of an entrepreneur's social capital conduits can interpret both positive and negative effects of a new venture's innovation orientation on its performance. For new firms with more central network positions, their positions strengthened the positive relationship between innovation orientation and performance. For new firms with less central network positions, their positions strengthened the negative relationship between innovation orientation and performance. Overall, these results provide a better understanding of when network centrality represents an asset or liability for new firms.

Keywords: Innovation Orientation, Entrepreneur's Social Capital, Performance, New Venture

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Introduction

New ventures characteristically face poor performance because of the liability of their newness (Atuahene-Gima and Li, 2004; Katila and Shane, 2005). Some studies have found that a firm's innovation orientation may help it overcome this problem and improve its performance (Govindarajan and Trimble, 2005; Schoonhoven et al., 1990). However, others have revealed that, although a strong innovation orientation is increasingly considered necessary, it is not sufficient for improving a new venture's performance (Zhang and Li, 2010). That is, a better understanding of the relationship between a new venture's innovation orientation and its performance requires a contingency perspective (Martins and Terblanche, 2003). Although many management studies have focused on moderating effects of environmental and organizational factors, surprisingly few have considered how a new venture's social capital influences the relationship between innovation orientation and performance.

An entrepreneur's social capital derives from the entrepreneur's social network (Inkpen and Tsang, 2005). The more central the entrepreneur's network position (e.g., its central and/or bridging positions), the more the social capital that the entrepreneur can gain (Ibarra, 2011; Tsai, 2001). Empirical evidence suggests that, although a network position may influence the performance of entrepreneurial firms, not all positions do so equally (Peng and Luo, 2000). That is, the question of what network position is most conducive to the performance of a new venture remains unanswered (Ahuja, 2000). Some studies have proposed that the more central the position in a network, the more beneficial it is (Tsai, 2001), whereas others have emphasized that a bridging position within or beyond a network is the most important factor for a new firm's performance (Tiwana, 2008). Therefore, identifying the conditions under which a particular network position enhances or constrains a new venture's performance has important research value.

By integrating and reconciling these perspectives, this study suggests that a new firm's optimal performance results from the interaction between the new firm's innovation orientation and its network centrality and bridging position, both of which offer the firm with access to key information and other important social resources (Gulati). However, the role of such access is contingent on the need for resources associated with a new firm's innovation orientation.

Using original data from China-Singapore Suzhou Industrial Park, this study empirically examines how a new firm's network positions, namely its network

centrality and bridging position, moderate the relationship between the firm's innovation orientation and performance. Holding and maintaining network centrality and bridging positions simultaneously may involve a considerable trade-off, which raises the question of whether moderating effects of these factors are complementary or redundant. This study also examines the moderating effect of the interaction between a firm's network centrality and bridging position.

Theory development and hypotheses

According to previous research, innovation orientation can be defined as openness to new ideas as an aspect of a firm's culture (Hurley and Hult, 1998). Essentially, innovation orientation implies that a firm deals with problems or future uncertainty by exploring new opportunities instead of merely exploiting current strengths (Menguc and Auh, 2006). Innovation orientation may strengthen performance by improving a firm's capacity to identify innovation opportunities with potentially higher returns (Stam and Elfring, 2008). In addition, a firm with innovation orientation is likely to pursue risk-taking and creative activities, which can enable employees to feel safe and make efforts to find new "best practices."

However, recent studies have found that new ventures are often unsuccessful in translating their innovation orientation into superior performance because of a lack of strategic resources (Hitt et al., 2001; Li and Atuahene-Gima, 2002; Zhang and Li, 2010). Accordingly, innovation orientation may result only in superior performance if a firm strategically acquires, develops, and leverages its resources that foster both advantage- and opportunity-seeking behaviors (Ireland et al., 2003). Strategic resources are heterogeneously distributed across firms, and they have certain value and rareness and inimitability, substitutability, and mobility (Barney, 1991). In addition, the entrepreneur's social capital embedded in his or her network may be a strategic resource unique to the firm, largely invisible to competitors, and difficult to imitate, substitute, and move (Galaskiewicz and Zaheer, 1999). This social capital can be important in dealing with suppliers, obtaining new customers or employees, and navigating regulations relevant to a new venture (Bamford et al., 2006). This study examines the moderating effects of two salient dimensions of an entrepreneur's social capital, namely its centrality and bridging role. Network centrality is defined as the extent to which an entrepreneur (the founder or CEO of a new venture) has quick and independent access to others in a particular network through the fewest possible links (Powell et al., 1996; Stam and Elfring, 2008). The bridging position is defined as the extent to which an entrepreneur maintains ties with others with no ties to one another (Burt, 1992).

The moderating effect of an entrepreneur's network centrality

Network centrality refers to an entrepreneur's position in the whole pattern of ties comprising a network and indicates the entrepreneur's structural proximity to all other

entrepreneurs and firms in the network (Stam and Elfring, 2008). An entrepreneur with a central network position may gain several advantages that contribute to better performance. High network centrality indicates that the entrepreneur has access to many alternative sources of valuable information and other resources (Tsai, 2001). Entrepreneurs in central positions are first to learn about new technologies, market opportunities, and strategies of competitors (Powell et al., 1996). This central position is particularly beneficial to new ventures because innovation orientation requires strategic resources. An entrepreneur's high network centrality facilitates the firm's innovation orientation to be implemented by increasing the firm's capacity to quickly identify, access, and mobilize external resources.

In addition, entrepreneurs located in central network positions are perceived as leaders, which can make them more legitimate and trustworthy to potential resource providers. External partners are more likely to cooperate with central entrepreneurs and offer access to their resources (Stam and Elfring, 2008). By integrating outside resources, entrepreneurs with high network centrality can leverage their productivity based on their internal resources and capability (Florin et al., 2003). Therefore, new firms with a strong innovation orientation can obtain benefits from their leadership status from high centrality, leverage their internal capability to integrate external resources, and successfully commercialize their innovation. Based on this discussion, the following hypothesis is proposed:

Hypothesis 1. The higher the network centrality of an entrepreneur, the stronger the relationship between the firm's innovation orientation and performance is.

The moderating effect of an entrepreneur's bridging position

Although network centrality is a source of social capital, a firm's bridging position in the social network is another important source of social capital. Burt (1992) argued that firms occupying the favored network position of bridging structural holes, which can be defined as gaps between actors otherwise disconnected in the network, can enhance their performance because of their superior access to a diverse range of information. In a bridging position, the relationship between actors is usually weak (Burt, 1992; Granovetter, 1973), which is sometimes referred to as a bridging tie (Hargadon, 2002; Stam and Elfring, 2008). An entrepreneur occupying a bridging position may obtain a novel and diverse range of information through weak ties, a concept referred to as "the strength of weak ties" in Granovetter (1973). Bridging ties of entrepreneurs is particularly important for new ventures with a strong innovation orientation because it facilitates access to complementary, diverse, and new sources of information not readily available in central positions but necessary for new firms to innovate. For example, Hargadon (2002) stated that bridging ties are crucial for new ventures because these ties may stimulate exposure to diverse approaches, perspectives, and ideas that are not well established.

Although new ventures with a weak innovation orientation can make use of common industry knowledge to help improve products and services, their strong innovation orientation can lead to new routines, technologies, and competencies to better serve customers. Therefore, they need networks rich in bridging ties to gain a more diverse range of information. In this regard, strong bridging positions allow innovative firms to find more new technological and management trends. Based on this discussion, the following hypothesis is proposed:

Hypothesis 2. The stronger the bridging position of an entrepreneur, the stronger the relationship between the firm's innovation orientation and performance is.

The moderating effect of the interaction between network centrality and bridging positions

Recent studies of social capital have suggested that a better understanding of the moderating effect of social capital can be gained by integrating different social capital conduits (Mehra et al., 2006; Stam and Elfring, 2008). Following this perspective, this study suggests that integrating an entrepreneur's network centrality and bridging position with their interaction effects can maximize the new firm's performance.

In this study, an entrepreneur's social capital derived from the firm's network centrality and bridging position is complementary. The former can benefit new firms to deepen existing knowledge (Stam and Elfring, 2008), and the latter can help them broaden new knowledge (Zaheer and Bell, 2005). Therefore, a new firm with a strong innovation orientation may strongly influence its performance when this orientation is combined with both highly central and strong bridging positions. On the one hand, firms with bridging positions can obtain opportunities to access a diverse range of knowledge to broaden their knowledge base and get new ideas and non-redundant information (Vanhaverbeke et al., 2009), which may outweigh and overcome old industry norms. On the other hand, high centrality can facilitate new firms to obtain more industry-specific information to deepen their knowledge base and increase their absorptive capability to appreciate, assimilate, recombine, and use new knowledge (Cohen and Levinthal, 1990) obtained through their bridging positions. In addition, firms with high network centrality and strong bridging positions are more likely to have resources needed by their partners, which can improve their bargaining power to access to resources controlled by those partners (Stam and Elfring, 2008). Therefore, if entrepreneurs have both high network centrality and strong bridging positions, then they can not only gain innovation opportunities but also obtain other resources to realize those opportunities. In this regard, the following hypothesis is proposed:

Hypothesis 3. For a strong bridging position, the higher the network centrality of an entrepreneur, the stronger the relationship between the firm's innovation orientation and performance is.

Although network centrality implies opportunities to access and control valued resources that have significant positive effects on innovation and performance (Ibarra, 2011; Tsai, 2001; Zaheer and Bell, 2005;), these resources are redundant and lack diversity, which is necessary for innovation. Stam and Elfring (2008) noted that “Although prior research has often equated network centrality with positive performance outcomes, entrepreneurial firms may in fact suffer from high centrality when they have few bridging ties.”

If entrepreneurs occupy weaker bridging positions, then their high network centrality may prevent them from new knowledge and information, leading to pressure to conform to norms prevailing in their network. That is, they may lack willingness and diverse knowledge to obtain innovation opportunities. Therefore, strongly innovative new firms with high network centrality and weak bridging positions may fail to pursue innovation and face weak performance. Based on this discussion, the following hypothesis is proposed:

Hypothesis 4. For a weak bridging position, the higher the network centrality of an entrepreneur, the stronger the relationship between the firm's innovation orientation and performance is.

Methods

The sample and data collection

Data were collected in China-Singapore Suzhou Industrial Park (SIP), Jiangsu Province, China. SIP, founded by the Chinese and Singaporean governments in February 1994, has become one of the largest high-tech clusters in China after many years of development. All new ventures (eight years old or younger) were selected for the sample from a list of manufacturing firms provided by China-Singapore Suzhou Industrial Park Development Co. Ltd., the lead SIP firm. All these ventures met the three criteria used to define a technology firm in China (Li and Atuahene-Gima, 2002; Zhang and Li, 2010): (1) engineers or scientists in the firm, (2) technical workers accounting for more than 30% of all employees, and (3) the allocation of more than 3% of total sales to R&D. All 80 firms fit these criteria.

A questionnaire originally derived by an English journal was translated into Chinese by two scholars on the team. To reduce cultural bias and improve content validity, the Chinese version was back-translated into English, and special attention was paid to any misunderstanding because of culture- and translation-related factors (Zhang and Li,

2010). The questionnaire was then pretested with six representative entrepreneurs of new firms. Items identified as being problematic were revised. To maximize response rates, a letter stating the purpose and importance of the research project was sent to new firms. In addition, the authors called and sent e-mail messages to remind them to complete the questionnaire.

Data on network centrality and bridging positions were collected using the whole network. In the whole-network analysis, actors with clearly defined boundaries were considered qualified in testing the hypotheses (Marsden, 2005). In this analysis, network boundaries were limited to the manufacturing sector at SIP. All 104 entrepreneurs (founders or CEOs) at SIP were listed, and then each entrepreneur was asked to identify the relationship with other entrepreneurs in the questionnaires. Then those answering "yes" to more than 80% of all entrepreneurs for all items of questionnaire (i.e., he or she had relationships with almost everyone in everything) were eliminated. Eventually, a total of 87 usable responses were obtained.

To reduce potential common method bias (Podsakoff et al., 2003), the questionnaire included two separate parts. Part I contained the scales for innovation orientation and the ego network position. Part II contained items for performance and control variables. For each venture, founders or CEOs were invited to finish part I, and finance managers or CFOs were asked to complete part II. This design required the respondent to fill out a shorter version of the questionnaire, thereby reducing their response burden and improving their response accuracy (Zhang and Li, 2010).

The subjective questionnaire was distributed to those firms with usable data in the whole network. Excluding data with missing values, a total of 174 usable whole-network and subjective questionnaires were used in the final analysis (an 85% response rate).

Measures

Dependent variable

Performance. Based on previous research, subjective performance measures were used to evaluate performance at the firm level. Subjective measures are particularly suitable for evaluating broader, nonfinancial aspects of firm performance and tend to be more accessible than objective measures because of strong reliability and validity (Dess and Robinson, 1984). On the other hand, objective performance measures often have difficulty collecting data and can be hard to interpret in the context of new ventures (Chandler and Hanks, 1993). In this analysis, therefore, the performance of new ventures was measured using 10 items adapted from Stam and Elfring (2008). Each respondent was asked to select the extent to which he or she agreed with the 10 statements relative to competitors, including those about their sales growth,

employment growth, market share, gross profits, net profit margin, innovation in products and services, speed in developing new products and services, product/service quality, cost control, and customer satisfaction. All these perceptual measures were rated based on a five-point Likert-type scale ranging from “much worse” (1) to “much better” (5).

Independent variable

Innovation orientation. In this analysis, Dobni's (2010) four-dimension scale was used to measure innovation orientation. Dobni (2010) viewed innovation orientation as a multi-stage construct including intentions to be innovative, infrastructure to support innovation, operational behaviors necessary to influence market/value orientation, and environments to support the implementation of any innovation. Therefore, the four dimensions of innovation orientation were innovation intentions, innovation infrastructure, innovation influence, and innovation implementation. Innovation infrastructure and implementation were considered to require more resources than innovation intentions and influence. In addition, an entrepreneur's social capital was considered to bring external resources necessary to realize these two dimensions of innovation orientation. In this regard, this analysis reduced the dimensions of innovation orientation from four to two. Further, to facilitate data collection, the original scale was revised, and these two dimensions of innovation orientation were integrated into a single dimension. Then, through an exploratory factor analysis (EFA), the items were reduced from 33 to 6. The measure was rated based on a five-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (5).

Moderating variables

a) *Degree centrality.* Degree centrality was used to represent the total number of firms from which a focal entrepreneur exchanged information and other resources such that the higher the entrepreneur's degree centrality, the more sources of resources available to the focal firm. Tsai (2001) used degree centrality as a measure of network centrality and argued that “degree centrality is the most suitable centrality measure for capturing an individual actor's information or knowledge access.”

Degree centrality was used to calculate network centrality (Ibarra, 2011; Luo, 2005; Stam and Elfring, 2008). First, entrepreneurial networks were developed using a roster method in which the respondents completed a list of all firms at SIP. As mentioned earlier, this approach was taken to enhance the reliability of the measurement method and better capture weak ties with the potential to be ignored in studies using a free-recall design (Marsden, 2005). Here the item was “Please tick those firms with founders, CEOs, or others with whom you regularly exchanged information in the past year.” Then a 174x174 data matrix was constructed such that the cell ij was coded as 1 if respondents of both firms i and j had regular communication with each other. Second,

from the symmetrized data matrix, each entrepreneur's degree centrality was calculated using UCINET6.0 (Luo, 2005; Stam and Elfring, 2008).

b) Betweenness centrality. Burt's (1992) structural hole theory suggests that an actor-spanned structural hole in his or her embedded network is likely possess a more diverse range of information that can enhance the likelihood of finding novel ideas (Burt, 1992). In this analysis, betweenness centrality (Freeman, 1979) was used to measure the bridging position. Betweenness centrality views an actor as being in a favored position to the extent that the actor falls on a geodesic path between other pairs of actors in the network. The more the actor depends on the focal actor to make connections with other actors, the more power the focal actor has (Wasserman and Faust, 1994). Here the item was "When you encounter difficulty at your firm, from whom do you seek help?" In addition, each entrepreneur's betweenness centrality was calculated using UCINET6.0 based on the 174x174 data matrix (Luo, 2005).

Control variables

Following previous research, the analysis controlled for the following variables: venture size (calculated by the natural logarithm of the number of full-time employees in 2009) and venture age (calculated by the natural logarithm of the number of years since a firm was founded). In addition, environmental uncertainty was controlled for. The measurement items of environmental uncertainty were based on Miller (1987): (1) "It has been difficult to forecast how technologies may change this industry"; (2) "Competitor's actions have been highly unpredictable"; and (3) "Product market conditions have been changing very fast." Each respondent was asked to rate the extent to which they agreed with these three items based on a five-point Likert-type scale ranging from "strongly disagree" (1) to "strongly agree" (5).

An assessment of measures: reliability, validity, and common method variance

To ensure reliability and validity, several steps were taken based on the aforementioned discussion. First, to ensure the content validity of the measures, a previously validated scale was employed. In addition, the English version of the questionnaire was translated into Chinese, and then the Chinese version was back-translated into English to ensure scale validity. Further, the scale was pretested with six entrepreneurs. Second, the reliability of the multi-item scale was evaluated using Cronbach's alpha, and all constructs exceeded the recommended 0.7 (zhang and Li, 2010).

To assess the convergent and discriminant validity of the multi-item constructs, a confirmatory factor analysis (CFA) was conducted using SEM. According to Anderson and Gerbing (1988), convergent validity can be tested with a measurement model by examining the significance of path coefficients from latent variables to their corresponding indicators ($t > 2.0$). Based on this approach, the measurement model was estimated using SEM. The CFA results indicate that the measurement model provided a

good fit to the data ($\chi^2 = 120.28$, $p = .00$; $\chi^2/df = 1.83$, the goodness-of-fit index (GFI) = 0.93, the comparative fit index (CFI) = 0.95, the incremental fit index (IFI) = 0.95, the root mean square error of approximation (RMSEA) = 0.07). All indicators loaded significantly on their corresponding latent constructs ($t > 5.34$), providing evidence of sufficient convergent validity.

Discriminant validity was evaluated by examining whether the estimated path coefficients between constructs and their indicators were significant (Hoskisson et al., 1993). According to the results, the measures loaded well on three latent variables (performance, innovation orientation, and environmental uncertainty) in the model. All loading coefficients were significant at the 0.05 level, providing support for sufficient discriminant validity.

Several perceptual scales were used to collect data, which may raise some concern over common method variance. Common method variance is often a problem in behavioral research, and researchers take measures to control for it (Podsakoff et al. 2003). Based on Podsakoff et al. (2003), both procedural methods and statistical techniques were employed to reduce and test for common method variance. For the procedural methods noted earlier, the questionnaire was divided into two separate parts, and two respondents were allowed to complete them. In addition, each respondent was assured of their confidentiality and no right or wrong answer to any question in the questionnaire. These procedures were employed to reduce common method variance in the data collection process.

In terms of statistical techniques, one-factor test was conducted to check for the degree of common method variance (Podsakoff and Organ, 1986). If one general factor accounts for most of covariance in variables, then there is significant common method variance. Here a factor analysis of multi-item constructs was conducted. According to the results, there were three factors with eigenvalues greater than 1, and the first factor accounted for only 29.8% of the total variance. These results suggest that common method variance was not a serious concern.

Data analysis

To test the moderating effect, a hierarchical moderated multiple regression analysis was conducted to test the hypotheses. Aiken and West (1991) noted that, to reduce the potential problem of multicollinearity, independent and moderating variables must be mean-centered or standardized prior to the formation of interaction terms. In addition, variance inflation factor (VIF) values were evaluated to test for multicollinearity, but no significant multicollinearity was found ($VIF < 3.38$).

Results

Table 1 shows the means, standard deviations, and Pearson's correlations for the variables. The average firm was 4.5 years old and had 80 employees. As noted in Table 1, there were significant positive correlations between degree centrality and betweenness centrality ($r = 0.465$, $p < 0.01$), indicating that firms with central positions in the network were likely to bridge structural holes (Stam and Elfring, 2008).

(Insert Table 1 about here.)

Table 2 reports the results of the hierarchical regression analysis estimating the moderating effect of entrepreneurs' social capital on the relationship between their innovation orientation and performance. Model 1 had control variables only, and there was a significant relationship between a firm's age and performance. Models 2 and 3 added main effects of innovation orientation, degree centrality, and betweenness centrality. Noteworthy is that innovation orientation had no significant direct relationship with performance ($\beta = -0.067$, n.s.). In addition, degree centrality and betweenness centrality had no significant relationships with performance ($\beta = -.098$, n.s.; $\beta = -.099$, n.s.).

Model 4 added two-way interaction terms to test the contingency hypothesis. The results for Model 4 indicate that the two-way interaction terms increased the percentage of the variance explained for performance (R-square = 0.116, $p < 0.05$). Hypothesis 1 proposed a moderating effect of degree centrality on the relationship between innovation orientation and performance. According to the results for Model 4 in Table 2, degree centrality and innovation orientation had a positive interaction effect on performance, but the effect was not significant ($\beta = 0.154$, n.s.), providing no support for Hypothesis 1. Hypothesis 2 proposed a moderating effect of betweenness centrality on the relationship between innovation orientation and performance. According to the results for Model 4, betweenness centrality and innovation orientation had a significant positive interaction effect on performance ($\beta = 0.252$, $p < 0.05$), providing support for Hypothesis 2.

Hypotheses 3 and 4 proposed interactive effects of innovation orientation, degree centrality, and betweenness centrality on performance. To test these hypotheses, a three-way interaction term (innovation orientation \times degree centrality \times betweenness centrality) was included as an independent variable. According to the results for Model 5 in Table 2, the addition of this term significantly increased the percentage of the variance explained for performance (R-square = 0.027, $p < 0.10$). The results for Model 5 in Table 2 show that the three-way interaction term had a significant positive effect on performance ($\beta = 0.278$, $p < 0.10$), suggesting a significant moderating effect of the interaction between degree centrality and betweenness centrality.

(Insert Table 2 about here.)

To further interpret the effect of the three-way interaction term, Figures 1a and 1b plot this effect (Dawson and Richter, 2006). As shown in Figure 1a, for high betweenness centrality, innovation orientation and performance had a significant positive relationship. According to the test of slope differences ($t=2.31$, $p=0.024$) in Figure 1a, for high betweenness centrality, the positive relationship between innovation orientation and performance was significantly stronger for high degree centrality than for low degree centrality. As shown in Figure 1b, the relationship between innovation orientation and performance was negative and significant for low betweenness centrality. However, according to the test of slope differences ($t=-1.35$, $p=0.18$), for low betweenness centrality, there was no significant difference in the relationship between innovation orientation and performance between high and low levels of degree centrality. These results provide support for Hypotheses 3 and 4.

(Insert Figures 1a and 1b about here.)

Discussion and conclusions

This study examines the moderating effect of entrepreneurs' social capital on the relationship between their innovation orientation and performance. Overall, the results reveal that a combination of an entrepreneur's social capital conduits can interpret both positive and negative effects of the new venture's innovation orientation on its performance. Based on data from a sample of new ventures in a technology cluster at SIP, new firms with stronger bridging positions and higher network centrality were more likely to show a positive relationship between their innovation orientation and performance. For new firms with weaker bridging positions, their network centrality also strengthened the relationship between their innovation orientation and performance, but innovation orientation had a negative effect on performance. That is, for weaker bridging positions, ventures with a stronger innovation orientation were more likely to show poor performance. These results highlight that the interactions between degree centrality and betweenness centrality significantly moderate the effects of innovation orientation on performance.

The nonsignificant moderating effect of degree centrality on the relationship between innovation orientation and performance deserves further analysis. One possible explanation is that the use of an aggregated measure of innovation orientation, although supported by the factor analysis, may shelter the interaction effect of network centrality and innovation orientation.

Contributions

This study contributes to the literature by providing a better understanding of how a combination of different social capital conduits affects the relationship between innovation orientation and performance in the context of new ventures. The results provide empirical evidence that optimal network configurations may reconcile seemingly conflicting elements of both network centrality and bridging positions (Levin and Cross, 2004; Reagans and Zuckerman, 2008; Stam and Elfring, 2008; Tiwana, 2008). These results provide support for the findings of recent studies demonstrating the contingency of the innovation-performance link (Li and Atuahene-Gima, 2002) and arguing that social capital has some contingent value (Burt, 1997).

Managerial implications

The results have several important practical implications. The results indicate that an entrepreneur can improve the performance of his or her venture by stimulating its innovation orientation and building its social capital. However, entrepreneurs should recognize that a strong innovation orientation does not necessarily increase firm performance. For example, strong innovation behaviors may constrain performance if the entrepreneur is in a weak bridging position and has high network centrality.

The results highlight the importance of balancing different social capital conduits of entrepreneurs. Entrepreneurs must make efforts to build not only their central network positions but also their bridging positions. For example, entrepreneurs may obtain access to central network positions by attending business meetings and conferences and becoming members of industry associations.

Limitations and future research

This study has some limitations. First, this study employs a cross-sectional design. Using cross-sectional data do not allow for a causal analysis of variables. For example, it is difficult to capture dynamic interaction effects of innovation orientation and social capital on performance. Although previous studies have provided support for the contingent value of social capital and a contingent relationship between innovation orientation and performance, future research should employ a longitudinal design to better evaluate causal relationships.

Second, the study employs perceptual scales to measure innovation orientation by revising Dobni's (2010) four-dimensional scale into a two-dimensional scale and integrating two dimensions into a single dimension. To address this limitation, future research should operationalize innovation orientation as an integrative construct. For example, the four dimensions of innovation orientation, namely innovation intentions, innovation infrastructure, innovation influence, and innovation implementation, may have differential effects on performance.

Third, the sample included only new ventures at China-Singapore Suzhou Industrial Park. However, the role of an entrepreneur's social capital is highly context-specific. For example, this role may be different between China and the West, where personal relationships must not be part of extensive long-term networks (Zhang and Li, 2010). In this regard, future research should examine the theoretical model in different contexts.

Finally, the performance measure used only a subjective scale. However, a subjective measure may mask important relationships that can be significant for objective performance. Although indicators of financial performance may not always be appropriate for new ventures (Zahra, 1996), future research should employ both subjective and objective performance measures of a new firm's key business processes.

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Table 1. Descriptive statistics and a Pearson correlation matrix

Variable	Mean	s.d.	1	2	3	4	5	6
1. Performance	3.00	0.62						
2. Innovation orientation	3.16	0.55	-.057					
3. Degree centrality	0.01	0.00	-.056	-.020				
4. Betweenness centrality	0.80	0.30	.060	-.264*	.465**			
5. Environmental uncertainty	3.11	1.00	-.155	.034	-.049	-.038		
6. Venture size ^a	1.90	0.21	.182	-.190	.053	.126	-.170	
7. Venture age ^a	0.65	0.20	.554**	.063	-.030	-.041	-.066	.075

* Correlations are significant at the 0.05 level (two-tailed).

** Correlations are significant at the 0.01 level (two-tailed).

^a Log-transformed.

Table 2. Results of the hierarchical regression analysis

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Control					
Environmental uncertainty	-.098	-.097	-.100	-.111	-.063
Venture size	.126	.113	.109	.062	.072
Venture age	.539***	.544***	.543***	.531***	.531***
Main effects					
Innovation orientation		-.067	-.043	-.085	-.223+
Degree centrality			-.098	-.156	-.079
Betweenness centrality			.099	.042	.016
Two-way interaction					
Innovation orientation×degree centrality				.154	-.047
Innovation orientation×betweenness centrality				.252**	.343***
Degree centrality×betweenness centrality				.122	.071
Three-way interaction					
Innovation orientation × degree centrality × betweenness centrality					.278+
F-value	11.84***	8.92***	6.03***	6.21***	6.14***
R-squared	.337	.341	.351	.466	.494
Increased R-squared	.337***	.004	.010	.116**	.027+

Significance: + p<0.1, * p<0.05, ** p<0.01, *** p<0.001.

^a Standardized coefficients are reported.

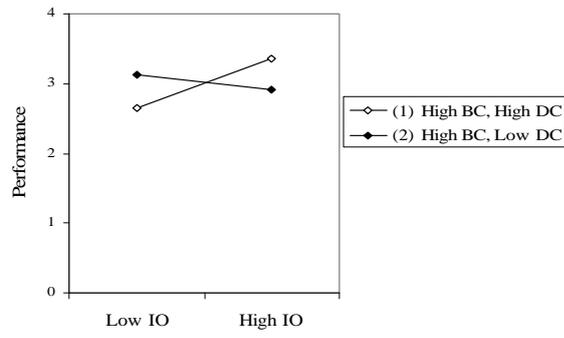


Fig. 1a High betweenness centrality

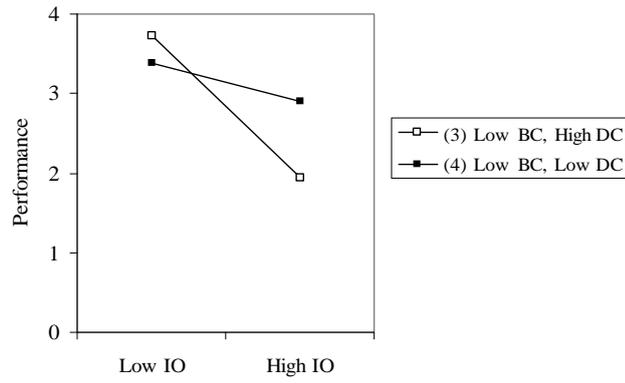


Fig. 1b Low betweenness centrality

Brand UAE and Its Super Brands

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Abstract

The business world is full of brands, from the ordinary to the extra ordinary or brands to super brands. The case of the UAE is quite interesting in brand building . The nationals, expatriates, investors, events, history, culture, heritage, and businesses are some of the aspects that creates the Brand UAE. With the believing in the best , the UAE brands are considered super or quite superior. The UAE's strongest homegrown brands are from diverse categories such as technology, finance, lifestyle, retail and fast moving consumer goods brands makes Super brand UAE a fascinating and accurate reflection of the Emirates way of life. The UAE's business development is of a short duration of less than 50 years. But, in a short span of time the UAE had built up a fairly developed economy with dynamic business sector. Believing as does in the 'best' principle, the UAE has number of business brands of quite superior kind for example, Eros Group, Aswaaq, ADNOC, DULSCO, Mashrik Bank, Sharaf DG, UAE Exchange, RAK Ceramics, Al Ansari Exchange & ENOC etc. The UAE brands are Super brands, following the best business principle of delivering best business goods, services and institutions.

Key words: Country Branding, Destination Image, Global City, United Arab Emirates

Brand UAE and Its Super Brands

Introduction

This seems an age of branding of nations and their products and services. In this, developed countries are well known to be well established with their national brand images and international product and service brands. It would be an interesting exercise to know what factors are behind branding and brand development, for the developing countries or emerging market economies to learn from the exercise. Brands, it is needless to say, are eminent products and services that stand out among the goods and services of their class. They are the most loved products in great demand, standing for quality and consumer satisfaction and value for money. People may feel that money spent on them well spent. Brands are first rate products and services, with a name and fame.

A brand is of 'a distinctive kind', All said, it/they are a class of products identified as products of a particular firm or producer (Webster, 2004) which for all practical as well as theoretical purpose makes clear the nature and importance of brands and brand building. Brands and brand building, by nature and implication, it is needless to say, considerable effort and expenditure, following which the brands are very closely guarded against infringement and duplication. They are legal personalities that confer a privileged and monopoly position on brand holders. The Superbrands book by Knobil explores the history, development and achievements of many of the strongest brands in the world (Knobil, 1998). Needless to say, there are great brand and branding stories that are interesting to pursue and learn from.

The United States of America appears to hold prime place in brand holding, with many US brands like, say, Coca-Cola holding an international place. There are famous European, Japanese, South Korean brands too. China is a fast emerging on the international brand scene with brands like Alibaba. What of India and other developing countries. India has good brands in the field of IT like TCS and Infosys. In cars, it has export quality Maruti. Its seems to be good at mini-brands like lifebuoy, a soap which claims to fight 10 types of diseases causing germs and packaging it small packs of Rs. 5 for the purpose of the common man. So also mini-packing and mini-branding of well branded shampoos and teas, etc., for the purpose of the poor.

The Arab world is well known to be resurgent in the past 50 years or so, not only following oil boom but also entrepreneurial factors. There is a business Renaissance/Spring in the Arab lands from, say, the ancient Egypt to the new nation of the United Arab Emirates (UAE). The new UAE appears to be more business forwarding, and it is to the brand UAE and its branding and brands this note is devoted. Many UAE brands Union National Bank (UNB) are Arab and world renowned. How could this small, new nation accomplish this?

In what follows, first, the Objectives, Data and Methodology of the Study are cleared and the brand UAE and its brand are taken up and lessons drawn from them.

Objectives, Data and Methodology (Os, D & M)

First, the Os.

- i. to know the historical and contemporary background of the new nation of the UAE,
- ii. to learn about the economic and business development strategies of the budding country'
- iii. to view the results or outcomes the economic and business strategies of development,
- iv. to examine the brand building of the nation in its diversified economic and business fields, and
- v. to draw lessons from the building of the UAE and suggest any policy measures for greater brand building.

D&M:

Needless to say, the data used for the study is economic and business data of national income, economic and business diversification and development, foreign trade, etc. The Branding calls for blooming of business condition and national and international demand for biz products and services.

The Methodology is to know what sort of eco-biz development is aimed at. For, it is only optimum or first class economic and biz development which is conducive to emerging of world-class biz brands, not economic and biz development of the run-of-the mill or ordinary. In everything it does, it is important to note, the UAE aims at the best, which is a unique feature or the UAE.

Methodologically, the hypothesis of the exercise is that the United Arab Emirates is basically a business state devoted to the economic and business development to give its populace a happy life (Al Maktoum, 2013).

New State

The United Arab Emirates, make up of small principalities of varying size Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Ajman, Fujirah, and Umm Al-Qaiwain , from its nomadic and colonial past of long years, had emerged, it seems a forward business state since its foundation. It is a bright star on the Arab & global horizon. Perhaps, no other in the present time had made such a phenomenal development. There is, of course, the fantastic biz story of China, which from nowhere, had claimed to be no. 2 position in global economy. But, today, the Chinese economy is known to be somewhat struggling, which however may be a passing phase in the great Chinese development journey. Among other things, it is doubtful whether any country, at any time, had such fabulous forex reserve (\$ 3.5 trillion). No doubt, china is a big and ancient country, with a controlled economy. Yet, the real development journey of China is known to have commenced in 1978 with the 'opening' of the Chinese economy. The result, to day, the Chinese economy and Chinese lifestyles seem ultra-modern or more Western. In any case, the Chinese development and business journey is nothing short of a 'miracle'.

Not to say of the Indian developmental and business story. India's deliverance from a long period of British colonialisms which commenced in 1757 was in 1947. It's a democratic story. Interestingly, India and UAE share similar colonial past. They are good 'neighbors'. India is a significant player in both the internal and external sectors of the UAE, where it jostles with the

world economic trade giants-from the USA to China-and still appears to hold its ground, quite uniquely, as in no other country, meaning the UAE is a ‘fair dealer’. For many Indians, the UAE is an Arab dream land, and natural shopping and tourist destination to hordes of Indians every year, who are rich and so rich. The UAE holds a great business and shopping fascination for many, many Indians. In Indian, the ‘brands’ of UAE are as valued as any western brands. There are Chinese shops or shops selling Chinese goods, but the general opinion about the Chinese goods is of transitory value, price-wise, Chinese goods hold a sway, explaining China’s forever trade surplus and burgeoning forex reserves.

The Indian development story yet could not get rid of wide-spread poverty, which is a drag on India’s development. No doubt, today, India is a very much changed country with a vibrant consumer market. Far more, it is in a continuous trade deficit, the deficit with China appearing to be unbridgeable.

Thus, the Indian case appear not to have common to a fruition. Meanwhile, the biz world is shaken by global financial crisis of 2008. It is against this giant background the UAE case is to be judged, against the developed giants of the USA, the old colonial master England and the emerging and emerged titans-China, Russia, India and so on.

The founding of the state of UAE itself is quite unique, not as a war state or state against anyone. It is no belligerent state, but one for holistic development and human happiness. No doubt about it, being guided by the principles of Islam. The UAE was intended to be an Arab renaissance state, standing for Arab Pride, Arab Identity and the Arab world standing . It is a state of brotherhood . In the age of breaking up of the states, such as the birth of the breakaway Bangladesh in 1971, a new Arab state was born that had proved to be enduring nature and rapid global strides. It is visionary state, founded by two visionary and charismatic statesman leaders of world history, Sheikh Zayed bin Sultan Al Nahyan of Abu Dhabi and Sheikh Rashid bin Sayeed Al Maktoum of Dubai, who had also guided the destiny of the new state for quite a long time for the UAE to establish its regional and global in economic and biz development (Ahmed & Al Rashad, 2015).

Due to its great vision of nature-friendly public welfare and amity the new ‘tiny’ state appears to have turned out to be a big economic and biz hit and the ‘trailblazer’ in the greater Arab World. It has blossomed into a liberal state with the great ease of doing business (Rehman, 2008). For, the state of affairs in the UAE at its founding, just out of colonial protection but at the beginning of an unprecedented oil boom, can be well imagined.

Table-1
UAE Economy in 1971

Area	77,700 Sq Km
Coastline	1318 km
Currency	Dirham
Population	309243 (1972)

GDP	AED 6.5 billion (1971)
Per Capita real GDP	AED 92333 (1972)
Exports (fob)	\$ 21.25 billion (1990)
Imports (fob)	\$11.69 billion (1990)

Sources: http://www.uaeinteract.com/uaeint_misc/pdf/perspectives/12.pdf

MoP (Ministry of Planning, UAE), Annual Economic Report 1999. CPC (Crown Prince Court, UAE), Development Indicators in the UAE (1999)

Among the above factors of the young UAE, land is constant and the others are moving. Area and population might have seemed constraints of the UAE in its path of development, but not much of a constraint. No doubt, land and rental values are quite booming but they have not been any deterrent to the new nations' development. ADIA- Abu Dhabi Investment Authority- is quoted as a classical example, as the great global banker CEOs are said to deem it a privilege to strike a deal with the ADIA (Rehman, 2008, p. 1030). The Emirati are very careful counters of Money (M). What other trait is required for biz success?

So, the new nation had a modest start, but rapid and mighty strides since then. "Historically, the UAE's core economic activities have been modest, consisting mainly of pearl diving, fishing, and commodity trading along its coasts, small-scale agriculture in the oases, and animal herding in the deserts. Facilitating trade between the Arab world and South Asia allowed many local merchants to accumulate wealth as brokers." (Congress of Library, 1993). From this modest beginning, the present state of the Emirates is really a quantum jump, or a great leap forward, one of the greatest leap forwards of modern economic and business developments.

Is it all due to oil wealth and the oil boom? The UAE's oil reserves are known to be about 8 per cent of the global reserves, and within the UAE it is Abu Dhabi has almost an exclusive share of the reserves (BP, 2006). If oil is the only criterion, the Kingdom of Saudi Arabia should lead global economic tables. There is something unique about the business of the UAE as a result of which the small new state excels even the new unprecedented giant China in many respects, clocking, among other things, a growth rate near to China's unprecedented double-digit growth rate of 10 per cent and more, which is a laudable rate of growth (CIA, 2006). What is more, there is nothing growth destruction or nature and social degradation and tensions commonly associated with economic growth of the developing countries in a hurry to 'catch up' and even exceed the developed world. Modern economic growth is proving to be increasingly costlier. For example, India laden as it is with a high rate of poverty and massive population and under-and-unemployment, is driving hard for a 8-9 per cent long term growth rate, but the vast farming community of the country is against this hard drive as being at a high cost of its much valued scarce land and means of livelihood and environmental beyond repair degradation. The community virtually is up against this at the cost of agricultural and environmental growth (Ahmed, 2013). Of course, one may argue that the UAE's is a small principalities growth, but it

is not a small growth but a mighty one that has attracted global admiration and attraction. By 2021, the Golden Jubilee Year of its foundation, the UAE, say, has golden heights of growth to peak (Ahmed, 2015).

UAE’s Rocketing Growth and Transformation

The UAE’s economic growth and transformation, quite un-exaggeratingly, is well dream-like and miraculous-a great modern growth and economic and business transformation story, which has made the UAE a great business brand competing East-West. In recognition of the arrival of the UAE on the global economic and business scene, Dubai was the first Arab destination for a prestigious Bank-Fund meet in 2003. These prestigious conferences conferment’s apart, the measuring macro-economic and business data speaks volumes about the great economic transformation of the UAE.

A high growth rate would result in a larger GDP and a higher and higher of per capita income and more expenditure and higher lifestyles and a booming business sector which, among other things, has to distinguish itself with more and more branded goods for domestic consumption, tourism and exports. All this is in evidence in the UAE economy. Perhaps, the ‘Burj Khalifa’ life, the soaring towers of Dubai represents the high state of the UAE economy the most shining of the Arab economies and very cosmopolitan too. It is a surprise economy. Even the global financial crisis of 2008, still much afflicting the world including the USA, is taken to have any significantly dented the UAE, the UAE the Emirati reposing much faith in their economy. Figuratively, the UAE economy and business and business branding have grown many times, say, from \$ 0.5 billion in year 1970 to \$359 billion in year 2014, which is 1.9 per cent of the total world exports. UAE was greatly an oil economy but today it is greatly a non-oil economy, with branding and many international brands, the UAE being quite new to the branding businesses.

Officially, the UAE is claimed to have accomplished a great economic transformation in about 30 years or a generation time ‘from a small desert region to a modern state with very high standards of living’ . The UAE’s economy ‘is a rich and open economy with a high per capita income and a sizeable annual trade surplus. Yet, the UAE’s government does not call it a day, as it has far greater plans for the future, through by the end of the 20th century itself the Emirates appears to have arrived on the world economic and global scene with a ‘big bang’.

“The UAE strategic plan for the next few years focuses on diversification and creating more job opportunities for nationals through improved education and increased private sector employment. In its diversification efforts, the UAE has developed its tourism sector and held the leading position for the destination attracting businesses in the future. UAE will continue to open for international investors due to its economic vibrancy and flexibility in legislation that allows 100 per cent foreign ownership in Free Trade Areas to attract foreign investors” (Government of UAE, 2012).

Table -2 The United Arab Emirates 2015

Area Sq. Km	83,600
Population (millions)	6.5

GDP (Dirham billion)	1449.69
GDP Per Capita (Dirham)	239654.31
Investment (GDP %age)	24.11
Exports growth (%age)	6.35
Imports growth (%age)	5.47
Government Expenditure (%age GDP)	21.79
Debt/GDP (%age)	18.44

Source: The Report 2015 (Dubai), p.15 Dirham (AED) Arab Emirates Dirham (UAE). 1 USD=3.67

The only constraint in the economy is Area, But , even it appears to be adequately taken care of by vertical growth and land creation through new islands. The UAE's. It is said, is one of the most exciting economic and business transformation of our times. The UAE's stated to be a 24/7/365 transformation that is forever taking place. There is no stopping to the process of economic and business development in the UAE at any time.

The table is not exhaustive of the economic and business transformation of the UAE, but it is fairly indicative. The relatively small population is cosmopolitan with the people of many climes and nationalities appearing to be feeling quite at home in the Emirates. It is remarkable in itself. Meaning, above all, is that the UAE is a great business brand in itself. The UAE world over stands for the business, beset and business branding and many great business brands which are going to be taken up shortly. The above short but fairly indicative table drives home certain unmistakable business lessons.

- The market philosophy is known to be the ruling business philosophy all over the world, which is that the market knows the best. That business and businessmen are not bad things, they being the creators of wealth and welfare. Hence, give them a free hand. Big business and the great big buzz appear to be put on a high pedestal in the UAE.
- There seems to be so much business opportunity in the UAE. The per capita income runs into a 6 digit figure.
- Investment in the UAE economy is at about a healthy 25 per cent of the GDP, the UAE appearing to fairly balancing consumption, saving and investment, driving growth.
- There is a firm government, government expenditure accounting for about 22 per cent of GDP.
- The UAE appears to be perennially an export economy, the export sector opening and offering great business opportunities.
- The export sector, it is needs not much saying, renders a sharp driving edge to the domestic economy.
- There appears to be a big import business for the purpose of re-exports. Thus, Imports have a great business edge themselves.
- Remarkably, the United Arab Emirates have no dangerous or threatening Debt/GDP ratio. It is a light 18.5 per cent.
- Thus, the UAE economy appears to excel in sound growth, economic and business fundamentals of thrift, saving, investment, entrepreneurship, business friendliness and good governance and eminent leadership. It is known for brand development and many international super or hyper brands. First the UAE is a big business brand itself. The

UAE internationality stands as a great business and business friendly nation consumer friendly too.

What is the ‘secret’ behind the spectacular success of the young UAE within relatively short span of time of a generation or so without any upheavals or social unrest of gains and losses. The UAE’s case appears to be a rare win-win case. It is one of the most business success stories of our times, which has brought into being a number of successful business brands. The UAE itself has become to be recognize as a big business brand viz Brand UAE, standing for certain business characteristics. The UAE appears to symbolize business creativity.

The UAE’s Business Model

“Perhaps the single most important element in the UAE’s success story is the country’s remarkable effectiveness in creating a business–friendly environment. While being open for business is in some ways a long standing attitude of the UAE - and especially in Dubai-measures taken in recent years have had a tremendous impact in transforming the country’s businesses environment” (Rehman 2008, pp. 105-5). The elements of the UAE’s businesses formula are noted to be Four.

1. Active government investment
2. Fast-track government services
3. Foreign ownership rights
4. Liberal Lifestyle policies

These, individually and collectively, are attributed to have created an Open-for business environment, very conducive to business development. In the UAE, business people appear to have most favorable reception and treatment so that the business people may contribute their best. The UAE’s business model appears to be quite novel. The role of the government in the new state of UAE which has to get established firmly appears to be that of the UAE, seemingly of quite enlightened leadership, is given to excellent rendering its citizens 24/7/365 government services (Al Maktoum, 2013). Not the least, the United Arab Emirates in view of good governance of quite enlightened type is one of the most secure and safe places on the planet to carry on business round the clock to the best of one’s capacity.

The state-of-infrastructure is another great story of the United Arab Emirates, the state of which, by all standards, is among the ‘best’ in the world. The United Arab Emirates, in any field and more so in the field of business, does not appear to aim anything other than the ‘first best’. For example, in banking which is at the center of the calamitous global financial crisis of 2008, the UAE’s banking philosophy, of both central and commercial banking, appears to be ‘best banking’ or banking for all sections of the population or inclusive banking with best banking practices. The banking’s intention or motto is declared to be “Lending a hand in economic growth” (UAE Banks Federation, 2014).

It is declared to be the lifeblood of the national economy, which had helped the economy recover from the setbacks of the global financial crisis of 2008-09. A sound banking sector, it needs not much explanation, is one of the pre-requisites of business development.

Brand UAE

The United Arab Emirates itself is a big business brand, standing for business and business development. There is, first of all, according to the US Heritage Foundation, great ‘freedom of doing business in the United Arab Emirates, making the young nation a great global business destination. For international or multinational companies 100 per cent foreign ownership “free zones” with top-class infrastructure. These Free Zones like Jabel Ali (JAFZA) are world renowned and homes to the leading MNCs from the west and the East.

The UAE according to the Economist (2006), spells growing economic prosperity and an increasing number of high net worth individuals, representing fabulous lifestyles and demand for super luxury goods and super brands.

Not to say of great ports, great airports, fabulous shopping malls, soaring buildings, great highways, high class educational facilities, enticing tourist sports, shopping festivals and great business brands, for all of the Emirates is justly famous across the length and breadth of the globe. Far more, in the view of Hon’ble Vice President & Prime Minister of the UAE and the supreme ruler of the stellar Dubai, Al HH Sheikh Mohammed bin Rashid Al Maktoum; a far greater economic and business future awaits the UAE. As it is, according to the Prime Minister, is among the best economies of the world in all respects, say, from roads to law and order and security (Al Maktoum, 2015).

Can there be any doubts about the UAE’s emerging as a great brand builder in the great brand market? The UAE is a big and grand name in the highly competitive and volatile brand world.

Branding and Brands of the UAE

According to the Mike English, Director, Super Brands, Middle East, Brands today are more important today than at any time of business history (English, 2013). Brands are big business names which are values in themselves. Each brand value may run into millions and billions of USDs. The Dollar itself being a big US currency brand, standing for a world currency, which is backed by the great might of the US economy. The Dollar is global currency.

How are brands built? Again to quote Mike English, “Comprehension of consumer behavior is the most important factor for business branding, Superbrands are said to be associated with great quality and value at both national and international levels. They are great global business names and business legends (English, 2013, p.8).

Needless to say, every business brand, whether ordinary or super or mega has a history, market standing and market valuation. And, the United Arab Emirates, given to excellence, creativity and doing things in the best possible manner and competition and global markets, can be taken for granted to be given to or dedicated to good business brand building and the creation of super

or mega brands. Immediately, one is struck by business names and brands of worldwide reputation, as Emirates, Gulf Air, Burj Khalifa, Dubai Duty Free, Dubai Shopping Festival, Union National Bank, UAE Exchange. They and others are famous across the Arab world and outside as great business names and brands of great quality and service. The Emirates does not, naturally, given it is to be the best of products and services, is not given to any shoddy goods and services and institutions. The very foundation of the Emirates is to be best. Hence, it is not surprising that the UAE is credited with a number of world renowned brands, goods and services of the highest possible quality and value. They are not just brands but super brands or goods and services of distinction or world-class. Super brands are 'strongest' brands. It is a well-Diversified brand portfolio, extending to all sectors of the economy, say from water and food to jewelry, banking, airlines and shopping malls. There are tens of brands of established name and of great value.

As it is, there are brands and brands, all of them mega or super ones, running into tens, which are national and multinational with the distinct national stamp. For example, Pepsi soft-drink may have some UAE identity and flavor. There are around 55 SBs of the UAE.

Aafaq Islamic Finance, Adnoc Distribution, Aeropostale, 3M, African + Eastern , Al Ain Dairy, Al Ansari Exchange, Al Rawabi, Al Rawdah, Al Rostamani Group Travel, ALDO, American Hospital Dubai, BinSina Pharmacy, Canon, Chili's, City Max, Commercial Bank of Dubai, Connector Publishing, du, Dubai Duty Free, Ducab, Emax, Emborg, Emirates Islamic Bank, ENOC, Eros Group, Fine, Hertz UAE, Homes r us, Hunter Foods, Jacky's, Joyalukkas,, Life Malabar Gold & Diamonds. Marmum, Masdar, Mashreq, Max, Nine West, NStyle International, Oasis Center, Pan Emirates, Pepsi, Rak, Ceramics, Rivoli Group, Sharaf DG, Sketchers, Sweet-Factory, the Noodle House, Tilda, Tim Hortons, Tommy Hilfiger, UAE Exchange and Union National Bank.

Interestingly, the UAE Pepsi is '8 oz pepsi'. There are 7 A1s or A1 or A1 Brands of distinct Arab flavor. Why not more 'A1' brands to drive to drive home Arab brands as A1 brands. The brands do need a distinct Arab flavor. There are two Exchanges, Al Ansari Exchange & UAE Exchange. There are 3 banks-Commercial Bank of Dubai, Emirates Islamic Bank and Union National Bank. In these days of alleged irregular working of Banks resulting in no small crisis in the banking world, the UAE banks appear to stand as upright banking symbols.

The two letter 'du' (2006) with 4G services, claims to 'add life to life and is a typical Arab/UAE telephony company' bringing people and businesses together 'What of 'max'? It's the largest values fashion chain in the Middle East with a total of 226 stores across sixteen countries! Life of 1996?' It is 'Not just a Pharmacy, everything in healthcare retailing'. Tilda, interestingly, is a legendary Rice' brand, typically Arabic or Emirati. The heading 3M an international technology bigly. The next, african+eastern is the one 'inspiring great blends'. The Al Rawabi is a Dairy. Al Rawdah is a Poultry Co. The business conglomerate Al Rostamani Group of 1957 origin is known for CSR. Its Al Rostamani is a travel and holiday Co. American Hospital is given to 'delivering better health in the Middle East'. Chili's is a restaurant chain of repute, of typical Arab or eastern flavor. Can the UAE be free from electronic brands? E-Max is an electronics brand. Eros Group too is an electronics one. Al Ain is 'Pure natural bottled water'. Pan Emirates

is Home furnishing. Mashreq calls for a special mention. It's a leading Financial Institution, across MENA, Africa, Europe and Asia.

The UAE brands or super brands are well known to be famous across to Arab world and outside. Each brand is a legend in itself. They are the part & parcel of the UAE economy and the lives of the Emirates' people. They stand for quality and competitiveness with any other similar brand or so in the world. The brands are reflective of the high lifestyles of the people of the of United Arab Emirates. They, the brands, appear to be so close to the people & quite familiar to one- and- all, or a common knowledge of the people, the Emirates being a small principality but economically and business is a high powered one.

It is interesting to note, in connection with brands and branding, there are brand Recipes and Brand Guardians (English, 2013).

Recipes & Guardians

Regarding Recipe, the one by H.E. Shaikha Lubna Al Qasimi, Minister, Ministry of Foreign Trade, UAE is worth noting, as quite relevant to the super brands of the UAE (English, 2013).

“The principle that brand action speaks louder than brand words is gaining importance in the digital era. We are in an era of doing things and we expect brands to do something too. Besides delivering the financial benefit, the most important thing a brand should do is to surprise positively. Great brand experiences generate stories. People talk about them on line and recommend the brand to others. A social media strategy is no longer an option for a brand, it is a must. Superbrands understand the need for a seamless interaction between interaction between traditional and digital media. They look at the future with confidence and optimism. They are future-proof.”

On the Sheikha Lubna criteria, Superbrands of the United Arab Emirates are much visible, much talked about and recommended goods, services and institutions. They are akin to national symbols, and quite eminent in their category of goods and services. The SBs are cultural and consumer symbols.

Quite impressively, the Superbrands are closely guarded and there are brand guardians for each one of the super brands. In some cases as in the case of Dubai Duty Free, there are two guardians. Generally, it is CEOs who are brand guardians and protectors.

Conclusions

In any case, the UAE's is a very interesting case of business development, brand building and many renowned or Superbrands, well familiar across the Middle East and the Arab world in general and outside the Arab world. In India, many UAE brands are quite familiar because of a large numbers of Indians working in the UAE and close economic and business ties between India and UAE.

The general perception about the UAE brands is that they are second to none in the world, as so much care and attention appear to be bestowed on brand-building, brand development and brand promotion and protection in the Emirates. Perhaps, a number of developing nations may draw lessons from the UAE in brand building.

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**Linking O2O Integration to Brand Experience/Value in Emerging Markets: An
Institutional Model of Value Net Integrator**

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Abstract

This paper develops an institutional model of value net integrator for linking O2O (Offline to Online) integration to brand experience/value in emerging markets. In the institutional context of emerging markets, key success factors of branding include social tie-based communications, pioneering advantage of brand preference, and in-store execution. Migration toward value net-based O2O integration is to respond to blurring channel boundaries, technological complementaries, and changing sales dynamics. In turn, the direct impact of O2O integration on brand management in emerging markets could be in the aspects of brand experience, brand value, and strategy space. The expected positive impact of perceived brand globalness, which differentiates global brands from local ones, is not supported by the data on local brands in China. We conclude by calling for strategic responses to O2O convergence due to SMAC(social, mobile, big-data analytics, and cloud) technologies and platforms, and by transforming branding strategy to better fit into diverging institutional contexts.

Key Words: Offline to Online (O2O) integration, brand experience and value, Value net, emerging market

Linking O2O Integration to Brand Experience/Value in Emerging Markets: An Institutional Model of Value Net Integrator

Introduction

As rapid growth of the emerging economies gives consumers new spending power, consumers are encountering a branding environment as complex and swiftly evolving as developed countries. Product choices and communication channels are exploding, so is the potential of digital platforms on the rise. Market evolution can be described as a consumer-driven process (Martin & Schouten, 2014; Scaraboto & Fisher, 2013): Consumers may draw from the market logic to develop new products and market infrastructures, while the stigmatized group of consumers appeals to the coexisting logics of the market and art. Thus, institutional entrepreneurs are able to shape market.

Market evolution driven by technological changes further compounds the institutional differences. Mobile technologies have made shopping on mobile websites possible, even though the buildup of fixed-line telecom infrastructure has been too little and too late for most of emerging economies. For foreign brands, it seems to be a daunting task to manage multiple institutional logics in the home market and overseas host-countries. Thus, how do brands address multiple and sometimes conflicting demands of plural institutional logics? What kinds of strategies should be adopted to convey legitimacy for their actions and to create a coherent brand identity in face of institutional differences? To clarify the institutional impact on the branding in emerging markets motivates this paper.

On the basis of research involving 20,000 consumers across five industries and three continents, Court et al. (2009) recommended envisioning consumer behavior as less of a linear march and more of a winding voyage with multiple feedback loops. They identified four critical battlegrounds for branding: These four arenas are initial consideration, when a consumer first decides to buy a product or service and thinks of a few brands; active evaluation, when the consumer researches potential purchases; closure, when the consumer selects a brand at the moment of purchase; and post-purchase, when the consumer experiences the product or service selected. They are as relevant for emerging markets as they are elsewhere. As in developed markets, technology is unleashing the possibility of increasingly deep customer engagement at each phase of the journey, but with some important twists reflecting differences in the characteristics of emerging-market consumers, who generally don't have the same

level of experience with brands categories as their developed-market counterparts do.

These key differences between emerging- and developed-market consumers have strategic implications for brand loyalty management (Atsmon, et al. 2012). First, harnessing the power of “word of mouth” — i.e., a form of social tie-based communications – is invaluable, as it seems to play a disproportionate role in the decision journeys of emerging-market consumers. Second, getting brands into a consumer’s initial consideration set is even more important in emerging markets, because that phase of the search appears to have an outsized impact on purchase decisions. Third, companies need to place special emphasis on what happens when products reach the shelves of retailers, because the in-store phase of the consumer decision journey tends to be longer and more important in emerging markets than in developed ones.

These observations motivate this paper to examine the institutional context of brand value and experience. Specifically, we develop an institutional model of value net integrator for linking O2O (Offline to Online) integration to brand experience/value in emerging markets. In the institutional context of emerging markets, key success factors of branding include social tie-based communications, pioneering advantage of brand preference, and in-store execution (Atsmon et al., 2012).

There are drivers that could affect the likelihood and degree of O2O integration. In the spectrum of eBusiness models, Weill and Vitale (2001) suggested that value net integrators able to take advantage of the offline-online split and attempt to control the virtual value chain in their industries by gathering, synthesizing, and distributing information. Thus, value net integrators add value by improving the effectiveness of the value chain by coordinating information. Migration toward value net-based O2O integration is to respond to blurring channel boundaries, technological complementarities, and changing sales dynamics (Light & Birtwhistle, 2015; Maxwell, 2015; Wang, 2007). In turn, the direct impact of O2O integration on brand management in emerging markets could be in the aspects of brand experience, brand value, and strategy space (Liu, et al., 2006; Viswanathan, 2005).

O2O convergence creates an extended network that includes product supply, information/financial intermediary, and customer services, etc. Currently, consumers are more accustomed to browsing the information on target products/services online, experiencing the products/services in person, and then making mobile payments for them. This is an example of “online to offline to online (i.e., a variant of O2O)

consumption process. Thus, the brand value of a network product can be much larger than that a standalone one.

Moreover, when foreign firms launch their home-country brands to an emerging market, its expected success is conditioned on the premise that local consumers may prefer global brands to local ones. Foreign brands' associative superior perceived quality and prestige should increase the propensity to buy (Steenkamp, et al. 2003). Indeed, there are three pathways through which perceived brand globalness influences the likelihood of brand purchase. Steenkamp and his colleagues found that perceived brand globalness was positively related to both perceived brand quality and prestige and, and then to purchase likelihood. The effect through perceived quality is strongest. However, the expected positive impact of perceived brand globalness, which differentiates global brands from local peers, is not supported by the recent data on local brands in China (Lannes, et al. 2014).

The structure of this research is organized as follows. In Section Two, the key success factors of branding in emerging markets in general are reviewed. Then, we move to discuss the evolution of eBusiness models that help fully capture opportunities arising from O2O integration in next section. We develop an institutional mode of value net integrated and a set of hypotheses in Section Four. Finally, we summarize and conclude this paper in Section Five.

Key Success Factors of Branding in Emerging Markets

In the institutional context of emerging markets, key success factors of branding include social tie-based communications, pioneering advantage of brand preference, and in-store execution (Atsmon et al., 2012). In this section, we will discuss each of them sequentially.

Social Tie-Based Communications in Emerging Markets

Word of mouth – as a prevalent social communication mode – plays a more central role in consumers' purchase decisions in emerging markets than in developed markets. Consumers in Africa and Asia reported higher, sometimes dramatically higher, figures: more than 70 percent in China and 90 percent in Egypt, for example. Similarly, 64 percent of the Chinese respondents said they would consider recommendations from friends and family for moisturizer, compared with less than 40 percent of respondents in the US and UK.

In a recent meta-analysis research on the electronic word-of-mouth on sales, Ya et al. (2015) examined 51 studies (involving 339 volume and 271 valence elasticities) and primary data collected on product characteristics (durability, trialability, and usage condition), industry characteristics (industry growth and competition), and platform characteristics (expertise and trustworthiness). Their analysis reveals that electronic word-of-mouth volume (valence) elasticity is .236 (.417). More importantly, their findings show that volume and valence elasticities are higher for privately consumed, low-trialability products that operate in less competitive industries and whose reviews are carried on independent review sites. Furthermore, volume elasticities are higher for durable goods and for reviews on specialized review sites, whereas valence elasticities are greater for community-based sites.

An important explanation for word of mouth's outsized role is that in a land of consumers being first. Extant literature showed that few brands had been around long enough to ensure loyalty: In a service purchase decision, the word-of-mouth process is crucial for (Bansal & Voyer, 2000). The presence of that confidence shapes the group of brands that consumers choose to evaluate. It is particularly influenced by the post-purchase experience of friends and family, along with their loyalty to a brand.

As a social tie-based communication mode, word of mouth for foreign brands is embedded in the host-country context, just like their local peers. This is partly because of the simple reality that emerging-market consumers generally live close to friends and family. In addition, word of mouth's digital forms, which transcend geography and are growing rapidly in emerging markets, still have more limited reach and credibility there than in developed ones. Just 53 percent found online recommendations credible—a far cry from the 93 percent who trusted recommendations from friends and family (Atsmon, et al., 2012). That same survey showed that only 23 percent of Chinese consumers acquired information from the Internet about products they bought. For the consumers of food, beverage, and consumer electronics in the US and UK, that figure is around 60 percent.

The relative local nature of word of mouth means that companies in emerging markets are likely to reap higher returns if they pursue a strategy of geographic focus than if they spread marketing resources around thinly (targeting all big cities nationwide, for example). By attaining substantial market share in a cluster of cities in close proximity, a company can unleash a virtuous cycle: once a brand reaches a tipping point—usually at least a 10 to 15 percent market share—word of mouth from additional users quickly boosts its reputation, helping it to win yet more market share.

Moreover, for word of mouth to affect sales through online websites, consumers must seek out relevant information and then trust its credibility enough to make decisions based on it. Thus, like any other information source, electronic word of mouth is subject to the cost-benefit argument in evaluating its usage by consumers and its ultimate effect on sales. Second, prior research has shown that the extent of information sought, the intensity of information search, and the effect of this information on actual purchase behavior can vary according to product characteristics, industry characteristics, and platform characteristics such as credibility of source and message (Forman, Ghose, & Wiesenfeld 2008; Gu, Park, & Konana 2012).

Thus, the information search literature provides a rich set of contextual factors to understand their effects on electronic word-of-mouth elasticity. Third, characteristics of the Internet, such as the differing levels of anonymity provided to transmitters of electronic word-of-mouth, enable Ya et al. (2015) to include platform factors that can capture both the enhanced value of that information as well as the costs associated with gathering and processing information online.

Pioneering Advantage of Branding in Emerging Markets

Emerging-market consumers tend to consider smaller sets of brands initially and, compared with consumers elsewhere, are less likely to switch later to a brand that was not in their initial set. For example, research we conducted in nine product categories (including food and beverages, consumer electronics, and home and personal-care products), indicated that Chinese consumers initially consider an average of three brands and purchase one of them about 60 percent of the time. The comparable figures in the United States and Europe are four brands, with a purchase rate of 30 to 40 percent.

To include a brand in the initial consideration set, consumers must obviously be aware of it, so achieving visibility through advertising on TV and other media is an essential first step. Here again, geographic focus is critical. Emerging-market consumers not only generally live close to friends and family but also tend to view local TV channels and read local newspapers rather than national ones. (China, for example, has about 3,000 mostly local TV stations.) Gaining a high share of voice through local outlets in targeted geographies can help create a sense that a company's priority brands are in the forefront—which is valuable, because status-conscious, relatively inexperienced emerging-market consumers tend to prefer brands they perceive as leaders.

But spending heavily on advertising alone is not sufficient to ensure consideration. Companies also need to reach these consumers with messages that have been tailored to suit local market preferences and concerns, and are likely to be trusted. Testing messages—even those that have delivered powerful results in developed markets—is a key part of that equation.

When Acer China tested its slogan “Simplify my life” in China, as part of a campaign emphasizing the low cost of its PCs, the message didn’t resonate. For typical Chinese consumers, a PC is a very big-ticket purchase, so they care chiefly about durability. Chinese purchasers of PCs also tend to be entertainment rather than productivity oriented. In focus groups, it became clear that Acer’s intended message of “great value for money” was arousing suspicion that the company’s products might not perform reliably. A change in Acer’s message to stress reliability rather than simplicity and productivity helped the company to build a more relevant and trusted brand, to get onto the short lists of more consumers, and to double its market share in less than two years.

Importance of In-Store Execution in Emerging Markets

The in-store phase of the consumer decision journey tends to be longer and more important in emerging markets than in developed ones. Emerging-market consumers have a penchant for visiting multiple stores multiple times and for collecting information methodically, especially when they purchase big-ticket items. The typical Chinese decision journey in one major consumer electronics category takes at least two months and involves more than four store visits. These consumers like to test products, interact with sales reps to collect product information, and negotiate with retailers to get the best deal.

As a result, in emerging markets there is significantly more room to influence and shape consumer decisions at the moment of purchase. We first quantified this distinction in 2008. This finding has been reinforced by subsequent research revealing, for example, that the in-store experience is by far the biggest factor in finalizing emerging-market consumers’ flat-screen-TV purchase decisions and that Chinese consumers are almost two times more likely to switch brand preferences while shopping for fast-moving consumer goods than US consumers are.

Important as it is to control the in-store experience, the challenge can hardly be overstated. Products may be sold in tens of thousands of retail outlets after going through two or three layers of distributors. Companies often have limited visibility

into what happens at the moment of purchase. Inconsistent merchandising, packaging, and in-store promotions can easily overshadow superior products and carefully crafted advertising strategies.

To avoid such waste, a brand strategist needs to gain a clear view of the retail landscape: how it is segmented and where the priority outlets are. Companies must then develop tailored control systems based on incentive schemes, collaboration with distributors, and retail-management programs. For priority outlets, companies must often deploy a heavy-control model using supervisors and mystery shoppers with supporting IT infrastructure to ensure that the performance of stores is visible enough to assess.

Evolution of eBusiness Models

To fully capture the business opportunities arising from converging O2O landscape, an eBusiness firm needs to evaluate the fitness of its objectives, strategies, structure, and operations. eBusiness is defined as marketing, buying, selling, delivering, servicing, and paying for products, services, and information across nonproprietary networks linking an enterprise and its prospects, customers, agents, suppliers, competitors, allies, and complementors in the eCommerce platform (Weill & Vitale, 2001). In the spectrum of eBusiness models classified by Weill and his colleague (Table 1), value net integrators take advantage of that split between physical and virtual value chains and attempt to control the virtual value chain in their industries by gathering, synthesizing, and distributing information.

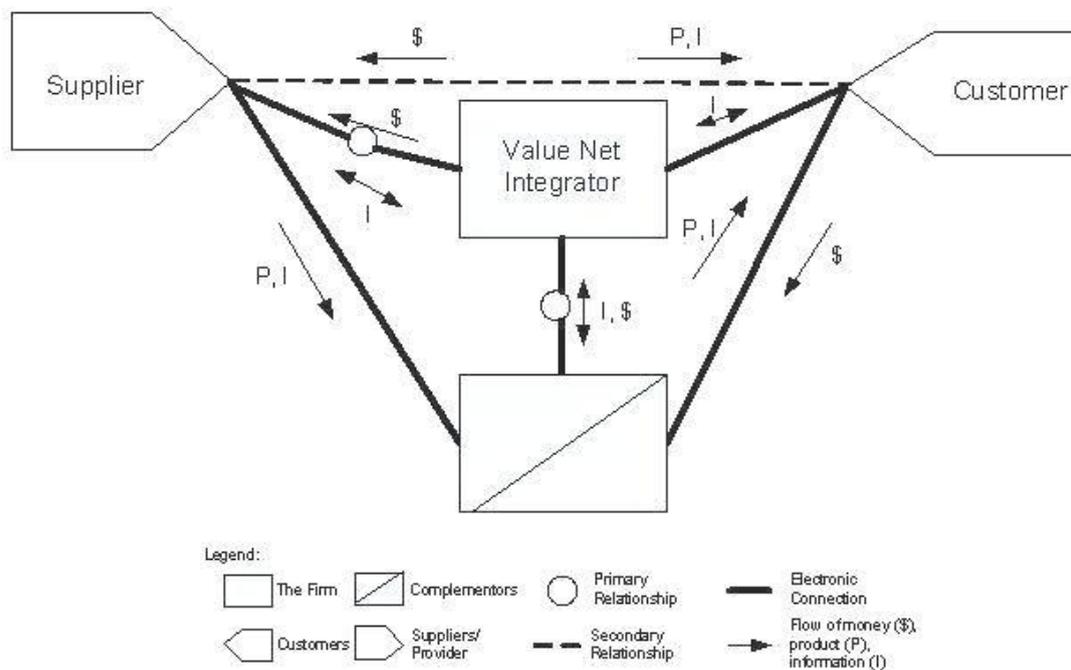
Table 1: The Spectrum of eBusiness Models

Content Provider	Provides content (e.g. information, digital products & services) via intermediaries.
Direct to Consumer	Provides goods or services directly to the customer often bypassing traditional channel players.
Full Service Provider	Provides a full range of services in one domain (e.g. financial, health) from own products and best of breed, attempting to own the consumer relationship.
Intermediary	Brings together buyers and sellers by concentrating information (e.g., search agent, auctions).
Shared Infrastructure	Brings together multiple competitors to cooperate by sharing common IT infrastructure.
Value Net Integrator	Coordinates the value net (or chain) by gathering, synthesizing, and distributing information.
Virtual Community	Facilitate and create loyalty to an online community of people with a common interest enabling interaction and service provision.
Whole of Enterprise / Government	Provides a firm-wide single point of contact consolidating all services provided by a large multi-business organization organized by customer events.

Source: Weill and Vitale (2001)

Regarding the elements of an eBusiness model, Weill and Vitale (2001) suggested the following: the major entities in the value chain/net; the flows of product, information, and resources; the revenues and other benefits each participant receives; the core competencies, business processes, and organization forms needed for implementation; the type of IT infrastructure capability required, etc.

To achieve the gathering, synthesizing, and distributing of information, the value net integrator receives and sends information to all other players in the model (Figure 1). This type of eBusiness firm adds value by improving the effectiveness of the value chain by coordinating information flow. Moreover, being a highly evolved eBusiness model, the net value integrator that once operated heavily in the physical value chain incrementally withdrew by increasing the use of outsourcing (Weill & Vitale, 2001)



Source: Weill and Vitale (2001)

Figure 1: Value Net Integrator Atomic eBusiness Model Schematic

The value net integrator coordinates product flows from suppliers to allies and customers, and strives to own the customer relationship with other participants. Besides, this type of eBusiness takes a light physical-asset approach for lowering break-even point. As a result, it knows better about these stakeholders' operations than any other counterparts. Table 2 summarizes the strategic objectives, revenue sources, competitive advantages, and core competencies of the value net integrator.

Table 2: The Structuring of Value Net Integrator – Strategic Objectives, Revenue Sources, Competitive Advantages, and Core Competencies

Strategic Objectives	Revenue Sources
<ul style="list-style-type: none"> (1) To coordinate the value chain by gathering, synthesizing and distributing information (2) To occupy a central position in an industry value net with the best access to information (3) To improve the effectiveness of the value chain/net by working with other participants 	<ul style="list-style-type: none"> (1) Franchise fees or share of profit/revenue of other value net participants from better understandings of the dynamics of the value chain (2) Increased revenues from unexplored opportunities, and decreased costs of operations in the value net (3) Co-developments of new products and services with stakeholders
Competitive Advantages	Core Competencies
<ul style="list-style-type: none"> (1) Proprietary ownership of customer information (2) Access to comprehensive industry virtual value net (3) Trusted brand recognized at all places in the value net (4) Operations in markets where information can add significant value (5) Value creation from information sharing with stakeholders 	<ul style="list-style-type: none"> (1) To manage relationships with stakeholders in the value net (2) To manage information assets in innovative ways (3) To link the information technology architecture to strategic objectives (4) To develop and manage the trusted brand (5) To analyze information from multiple sources

Source: Adapted from Weill and Vitale (2001)

A powerful example of the value net integrator that coordinates a value chain in both virtual and physical domains is Seven-Eleven Japan. Japanese retailing was traditionally dominated by large manufacturers. Goods were distributed through multiple levels of wholesalers before they reached much larger population of small pop-and-mom shops. Against this backdrop, Seven-Eleven Japan has positioned itself as “the convenient store business for any of consumers’ daily-life problems”.

The Seven-Eleven Japan business model schematic is to position itself as the only player in the value chain to have access to information about all the major entities, from the manufacturers through to the customers. It collects and distributes information from all the entities and uses the information to determine consumers tastes and demand. Seven-Eleven Japan coordinates the value chain by brokering the information to other players in return for revenue, exclusivity, or fast fulfillment.

An Institutional Model of Value Net Integrator

In a recent research on the impact of institutional context on branding strategy, Ertimur and Coskuner-Balli (2015) made the following inquiries: How do brands address multiple and, at times, conflicting demands of plural logics? What kinds of strategies should be adopted to convey legitimacy for their actions and create a coherent brand identity in plural logic? Branding into emerging markets entails careful review of whether or not the foreign brand meets the legitimacy requirements before competing with rival local brands. In line with their intents, we develop an institutional model of value net integrator for linking O2O integration to brand experience/value in emerging markets (Figure 2):

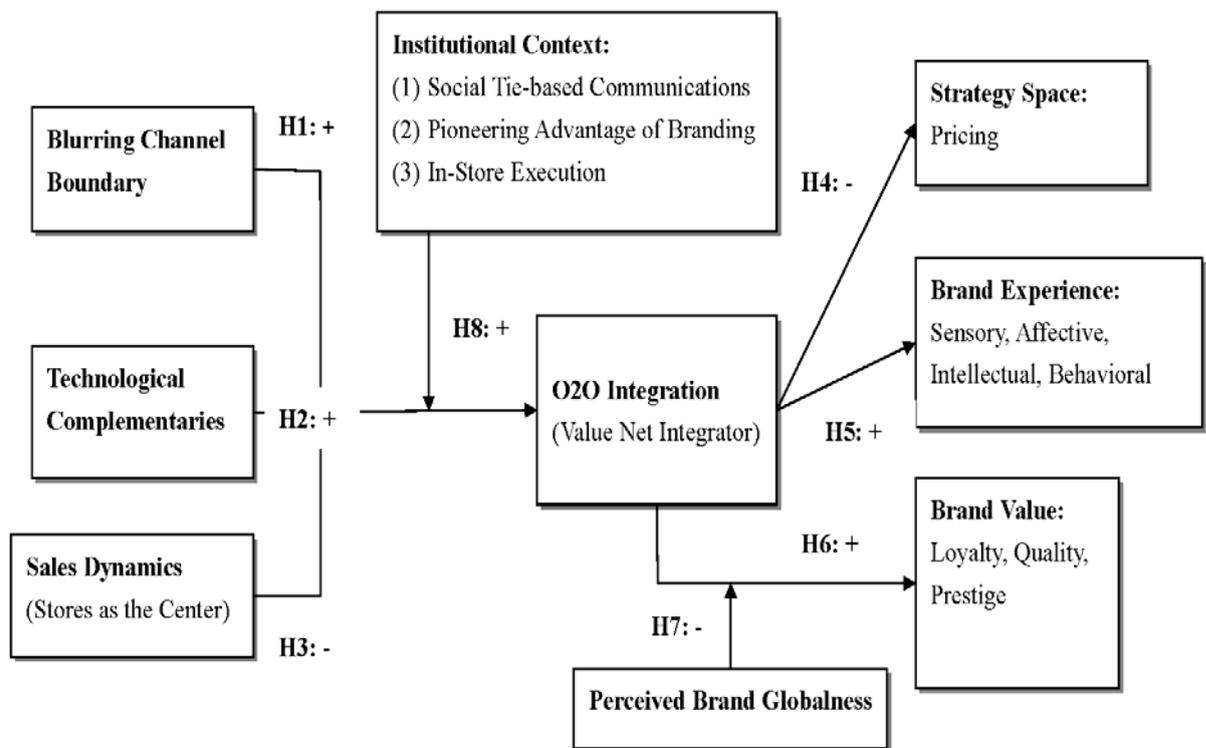


Figure 2: An Institutional Model of O2O Integration (Value Net Integrator), Brand Experience, and Brand Value

Our modeling approach aims at clarifying market evolution driven by institutional differences in O2O convergence treats market creation as a legitimization process. Giesler (2012) suggested that in new product markets, legitimization be a brand-mediated process whereby the market evolves through a “progressive sequence of contestations between the brand images promoted by the innovator and the doppelganger brand images promoted by other stakeholders.” This approach helps understand market dynamics in contexts in which powerful institutional actors (e.g.,

pioneer brands) drive dominant meanings and practices that shape market dynamics.

In the institutional context of emerging markets, key success factors of branding include social tie-based communications, pioneering advantage of brand preference, and in-store execution (Atsmon, et al., 2012). Migration toward value net-based O2O integration (Weill & Vitale, 2001) is to respond to blurring channel boundaries, technological complementaries, and changing sales dynamics. In turn, the direct impact of O2O integration on brand management in emerging markets could be in the aspects of brand experience, brand value, and strategy space. We propose that the eBusiness model of value net integrator will be an ideal structure for fully capturing the opportunities arising from converging O2O landscape:

Driving Forces of O2O Convergence

The Blurring Boundary of Offline Stores vs. Online Websites

Still being the dominant channel for consumer goods, offline retail stores have faced increasingly competition from their online websites. Mobile and social media websites are gaining their popularity of the young generations. There are several factors that drives sales toward online websites, such as changing demand and supply (Lieber & Syverson, 2011), improving quality and reputation (Jin & Kato, 2006), and information intermediary preference for branded e-tailers (Waldfogel & Chen, 2006).

In China, the offline retailers have certainly bore the brunt of the rise of eCommerce, but the role of store remains a crucial element of omni-channel retail. It is one that must evolve to fit with Chinese consumers' mobile-first retail habits. The store of the future will connect the dots through technology to offer a far superior experience – anticipating and surpassing customer needs.

Sixty percent of Chinese consumers shop in-store because they get to touch, feel and try the merchandise. The experiential strength of the offline channel through visual merchandising, customer service and ambiance cannot be matched in a purely online setting. However, the opportunity from mobile actually comes from enhancing the offline environment. While globally many retailers have been experimenting with in-store digital technologies, Chinese consumers actually display the highest preferences to engage with them compared to global average.

Chinese consumers' preference for real-time personalized offers has been reinforced by the fast-track innovation of mobile technologies. The personalization of offers can

take many forms including digital coupons, exclusive branded content, or social media contests, but they share the same characteristics of being hyper-targeted and designed to drive a specific action.

For instance, in September 2014, Baidu launched its “Baidu Connect” service that uses location-based technology and integration with the Baidu Map product to allow brands to attract potential customers via promotions displayed on their smartphone. Early adopters have already experienced success, such as Haidilao Hot Pot, a restaurant chain, reported to have 700,000 website hits since its launch.

The use of video walls also stands out as being highly desired. Chinese customers were four times more likely than their US peers to describe these technologies as improving their in-store experience. The opportunities from using video to create immersive in-store experiences are enormous, for instance, to reinforce current advertising campaigns or sponsored events.

While each of these technologies holds promise individually, the best Chinese retailers are looking to design digitally-enabled experiences that are aligned with the entire customer journey from discovery to fulfillment. In October 2014, Topshop took a unique – mobile first – approach to launching in China. The company partnered with ShangPing.com, a multi-brand fashion eCommerce site, and The Place Mall in Beijing. Dubbed “The Mobile Adventure”, shoppers scanned QR codes around the mall to virtually select outfits, share the looks on social media and order items for next-day delivery. Thus, we come up with Hypothesis 1:

Hypothesis 1: The degree of blurring channel boundary has a positive effect on O2O integration in the form of value net integrator.

O2O Integration Responding to Technological Complementarities

O2O integration can be a response to technological complementarity. For instance, Wang’s (2007) model treated the introduction of e-commerce into an industry as the opening of a new market segment with lower entry costs. The model’s dynamic predictions are as follows. Taking advantage of the new, lower entry costs, pure-play online sellers enter first to compete with the brick-and-mortar incumbents. But the complementarity between the online sales and distribution technology and the offline technology gives offline incumbents incentive to expand into the online channel. It also gives these firms an inherent advantage in the online market, as they are able to leverage their offline assets to their gain. As a result, many of the original online-only

entrants are pushed out of the industry. Thus a hump-shaped pattern is predicted in the number of pure-play online firms in a product market, and a steady diffusion of former offline firms into the online channel.

This is a reasonably accurate sketch of the trajectory of the online sector of many retail and service markets. The online leaders were often pure-play sellers: Amazon, E-Trade, Hotmail, pets.com, and boo.com, for example. But many of these online leaders either eventually exited the market or were subsumed by what were once offline incumbents. Some pure-play firms still exist, and a few are fabulously successful franchises, but at the same time, many former brick-and-mortar sellers now dominate the online channels of their product markets.

There are other potential complementarities. For instance, online technology is not just a way to sell product, but it can also be an information gathering tool. Specifically, the wealth of data generated from online sales could help firms market certain products to individuals much more efficiently and lead to increased sales in both channels. This line of arguments leads to Hypothesis 2:

Hypothesis 2: The degree of technological complementarities has a positive effect on O2O integration in the form of value net integrator.

Changing Sales Dynamics: The Context of China's Retail

It is arguable that the purchase journey still centers on the retail store. If there was ever an institution that has proven historically “powerful, long-lived and adaptable,” it is the store. As shopkeepers and shops have been around for centuries, it’s a pretty safe bet, mobile apps or not, that stores will still be around in very familiar forms for at least the next few decades. Maxwell’s (2015) survey analysis provided strong evidence backing up this argument.

First, when it comes to the reasons why consumers shop online, just two reasons are exclusive for online shops and not replicable by offline stores: “I can shop 24/7 online,” and “there is no need to travel to an offline store.”

Second, on the other hand, the top three reasons for shopping in-store depend on factors that are often exclusive to physical stores: “I’m able to see, touch, and try merchandise,” “to get the product immediately,” and “I’m more certain about fit/suitability of the product.” These factors generally cannot be achieved by online

shops.

Third, even in categories where consumers predominantly buy online, some consumers still research online and buy in-store – i.e, 25% for consumer electronics and 13% for books. Consumers purchasing in those categories that have become synonymous with online shopping are still not using the online shops exclusively, as 39% of consumers have made only a few purchases online for consumer electronics.

In the context of China’s retail, Chinese shopper behaviors continue to shift and evolve, marketers can no longer boast by simply riding a category wave (Light & Birtwhistle, 2015). Growth must come primarily from share gain. Increased penetration is the most important way to gain market share. Building penetration depends on continually building brand consideration — the percentage of consumers who consider the focal brand for a purchase occasion — which in turn helps increase penetration. Light and Birtwhistle suggested the following steady paths for earning consideration and penetration requires investment in three brand assets:

- (1) Memory structures. By using the full range of above-the-line (ATL) and below-the-line (BTL) marketing touch-points, marketers can anchor a brand in consumers’ long-term memories. Winning companies broadcast distinct, memorable messages to the largest possible swath of consumers.
- (2) Product portfolios. Too many brands can result in ineffective advertising, shopper confusion and other perception woes that erode penetration. Surprisingly few innovations result in increased penetration. They fail at a high rate and distract marketing and commercial teams from supporting core SKUs. Winning brands identify critical “hero” SKUs that have the highest potential to win with shoppers.
- (3) In-store assets. It’s essential to adequately invest to activate them at the point of sale and ensure they’re always available at the right place on the shelf. Leading companies identify which store assets are critical to own in their category. Given that China is now the world’s No. 1 digital retail market, marketers — especially those in the leading online categories -- will benefit from developing an e-commerce business model. The online channel can be used as an incremental channel to further build these three brand assets and expand business, while minimizing cannibalization with offline channels.

Overall, managing brand assets in terms of their memory structures, product portfolios, and in-store assets should contribute to brand penetration. Sales on the physical front are central for the focal brand to be considered in a purchase decision. Hence, we come up with Hypothesis 3:

Hypothesis 3: The extent that sales dynamics center on the retail store front has a negative effect on O2O integration in the form of value net integrator.

The Impact of O2O Integration

This model is based on the following extant literature. Online-offline split has long been an issue to value creation of eBusiness (Atsmon, et al., 2012; Jin & Kato, 2007), mediating technologies have help bridging the gaps between brick-and-mortar sales and website-based eCommerce (Epp, et al., 2014). SMAC (social, mobile, big-data analytics, and cloud) technologies are widely acclaimed for online-offline convergence.

Grounded on the evolving O2O trend, Lieber and Syverson (2011) further specified the construct of O2O integration. They suggested that this construct be driven by technological complementarities and then impose restrictions on strategy space such as pricing. In more details, we drew on Liu et al. (2006), Viswanathan (2005), and Wang (2007). Moreover, to clarify the constructs of brand experience and value, this paper employed the framework of perceived brand globalness (Steenkamp, et al., 2003) and elements of brand experiences (Brakus, et al., 2009). Besides, to clarify the institutional context of branding in China, changing sales dynamics, and the blurring boundaries of O2O, we drew on Lannes et al. (2014), Light and Birtwhistle (2015), Maxwell (2015).

O2O Integration Imposing Restrictions on Strategy Space

Extant literature studied the roles of O2O integration for strategy deployment (Liu, et al., 2006; Viswanathan, 2005). The key inquiry is that the choice of pricing or branding in the two channels must be a constant multiple of one another. While Liu, et al. (2006) assumed that the firm had to price the same whether selling online or offline, Viswanathan (2005) imposed that the price ratio needed to be a constant multiple. While it might seem unusual that these pricing constraints are exogenously imposed instead of arising as equilibrium outcomes, it is true that certain retailers have faced public relations and sometimes even legal problems due to differences in

the prices they charge on their websites and in their stores.

Specifically, Liu et al. (2006) remarked that many multichannel firms reported in surveys that they priced consistently across their offline and online channels. They showed that, when the equal pricing restriction held, an incumbent offline seller could deter the entry of a pure-play online retailer by not entering the online market itself. This seemingly counterintuitive result comes from the uniform price requirement across channels. An incumbent moving into the online channel is restricted in its ability to compete on price, because any competition-driven price decrease in the online market reduces what the incumbent earns on its infra-marginal offline units.

This limit to its strategy space can actually weaken the incumbent's competitive response so much that a pure-play online retailer would be more profitable if the incumbent enters the online segment than if the incumbent stays exclusively offline. Realizing this, the incumbent can sometimes deter entry by the pure-play online firm by staying out of the online channel in the first place. The link across the online and offline channels in this model creates an interesting situation in which the offline firm does not gain an advantage by being the pioneer/first-mover entering the online channel. Instead, it may want to abstain from the online market altogether.

In contrast, Viswanathan (2005) modeled the online and offline models as adjacent spatial markets. Consumers in one market cannot buy from a firm in the other market. However, one firm at the junction of the two markets is allowed to operate as a dual-channel supplier, but it must maintain an exogenously given price ratio of k between the two markets. Viswanathan showed that in this setup, the price charged by the two-channel firm would be lower than the offline-only firms' prices but higher than the pure-play online sellers. Hence, we come up with Hypothesis 4:

Hypothesis 4: The degree of O2O integration has a negative effect on the strategy space of the net value integrator.

O2O Integration Enhancing Brand Experience

Brand experience is conceptualized as sensations, feelings, cognitions, and behavioral responses evoked by brand-related stimuli that are part of a brand's design and identity, packaging, communications, and environments. Brakus et al. (2009) distinguished several experience dimensions and construct a brand experience scale that includes four dimensions: sensory, affective, intellectual, and behavioral. In six studies, they show that the scale is reliable, valid, and distinct from other brand measures,

including brand evaluations, brand involvement, brand attachment, customer delight, and brand personality.

Moreover, brand experience affects consumer satisfaction and loyalty directly and indirectly through brand personality associations. An online-to-offline strategy is broadly defined as an integrated, multi-channel plan of action designed to utilize online assets to re-establish in-store value with a view to increasing revenue. In order to restore the value of offline retail and become truly omni-channel, retailers should utilize their existing online channels and assets to promote and drive uptake of in-store services that simply cannot be offered online.

By offering services, education and expertise alongside products in store brands can dramatically increase footfall, improve the in-store customer experience and, crucially, generate increased revenue. The first stage is to review and identify the source of the in-store value to the customer – above and beyond the products on shelf, such as in-store service provision, excellence in customer service, a personalized customer experience. The key is to find the way that an organization can add value to the customer in-store in a way that cannot be delivered online by competitors.

Second, the key to implementing a successful online-to-offline strategy is ensuring the firm's objectives are in line with, and supportive of, wider business objectives. The cross-departmental nature of an online-to-offline strategy means the firm will almost certainly need to get approval from different groups of stakeholders.

The final stage in the online-to-offline cycle is the crux of any online-to-offline campaign; integrated, multi-channel promotion of in-store services is the key here. Use the firm's existing online channels, lists and communities to promote, raise awareness of, and drive uptake of the value-add in-store offering. Wherever the customers interact with the brand online, the firm should promote in-store value and services. Hence, we come up with Hypothesis 5:

Hypothesis 5: The degree of O2O integration has a positive effect on the brand experience management of the net value integrator.

O2O Integration Promoting Brand Value

In online platforms, products do not exist in isolation but rather influence one another's sales, in which products are often presented as a collection of web pages linked by recommendation hyperlinks, creating a large-scale product network.

Oestreicher-Singer et al. (2013) developed a systematic approach to estimate products' true value to a firm in such a product network. Their approach, which is in the spirit of the PageRank algorithm, uses available data from large-scale e-commerce sites and separates a product's value into its own intrinsic value, the value it receives from the network, and the value it contributes to the network.

O2O convergence creates an extended network that includes product supply, information/financial intermediary, and customer services, etc. Currently, consumers are more accustomed to browsing the information on target products/services online, experiencing the products/services in person, and then making mobile payments for them. This is an example of “online to offline to online (i.e., a variant of O2O) consumption process. Thus, the brand value of a network product can be much larger than that a standalone one.

Moreover, in current international marketplace, it is increasingly important to understand why some consumers prefer global brands to local brands. Steenkamp et al. (2003) delineated three pathways through which perceived brand globalness (PBG) influences the likelihood of brand purchase. They found that this construct was positively related to both perceived brand quality and prestige and, through them, to purchase likelihood.

The value of global brands arises from three different but not mutually exclusive sources: higher perceived quality, higher prestige, and the psychological loyalty to PBG itself. These sources of global brand value provide three pathways through which PBG can affect purchase likelihood: a direct effect, and indirect effects via brand quality and brand prestige.

Extant literature has asserted that consumers may prefer global brands because of associations of higher prestige (Kapferer, 1997). If global brands have higher prestige, it could be because of their relative scarcity and higher price compared with local brands. Despite exceptions evidence indicates that global brands are typically more scarce and more expensive than local brands (Batra et al., 2000). It is well established that higher price and greater scarcity create greater aspirational, prestige appeal. Global brands may also connote cosmopolitanism. Certain consumers are said to buy global brands to enhance their self-image as being cosmopolitan, sophisticated, and modern (Friedman, 1990). The worldwide scale of these brands also allows them to be associated with globally recognized events and celebrities.

The second potential association of brand globalness concerns perceived quality. Brand name is a key indicator of quality, and a global image can arguably enhance the brand's perceived quality. If a brand is viewed as globally available, consumers may attribute higher quality to the brand because such quality is likely to be thought of as critical to global acceptance. Global brands often advertise their worldwide availability and acceptance.

A third reason for a global brand preference may be the globalness per se of such brands, independent of any effects via prestige and quality. We refer to this as the belongingness pathway, because global brands offer purchasers the opportunity to acquire and demonstrate participation in an aspired-to global consumer culture (GCC; Alden et al., 1999). This is possible because such brands often appeal to human universals and are purchased to signal membership in worldwide consumer segments (Dawar and Parker, 1994). In Steenkamp et al.'s (2003) findings, the effect of PBG through perceived quality is strongest, and these effects are weaker for more ethnocentric consumers.

Overall, the brand value in terms of loyalty, quality, prestige can be strengthened by its global recognition and acceptance. In the converging business landscape in both virtual and physical domains, the prevalence of recognition and acceptance across the borders of online and offline commerce could hence promote the brand value of a product. Thus, O2O convergence should add additional value to the brand with such characteristics, which lead to the following hypothesis:

Hypothesis 6: The degree of O2O integration has a positive effect on the brand value management of the net value integrator.

Institutional Context: Branding in China's Convergent O2O Landscape

Branding in different institutional contexts is challenging due to the diverse nature of markets. Bahadir et al. (2015) used market heterogeneity, unbranded competition, resource and infrastructure availability, and sociopolitical governance as country-market characteristics that distinguish between developed and emerging countries. They investigate their moderating role on the relationship between elements of the marketing mix and brand sales. The research method was a hierarchical linear model and a panel data set of brands from 14 emerging and developed markets that country-market characteristics moderate the relationship between the complete set of marketing mix elements and brand sales performance asymmetrically. Bahadir et al.

(2015) found that product innovation and advertising had significantly larger impacts in emerging markets relative to developed countries.

Given the converging offline-online landscape, we could expect branding the R&D-intensive products/services in the emerging markets will be more challenging than that in the developed counterparts. By the same token, the branding of brand equity-intensive products/services will call for greater attention to emerging-market customers than otherwise. Brand equity could be enhanced through advertising campaigns in both physical and digital domains. R&D and advertising expenditures will be affected by the degree of O2O convergence, especially in emerging markets, such as China.

O2O Integration in China

Lannes et al. (2014) studied 106 FMCG categories and analyzed in detail 26 categories spanning the four largest consumer goods sectors: personal care, home care, beverage and packaged food, which account for more than 80% of China’s FMCG market in value (Figure 3):

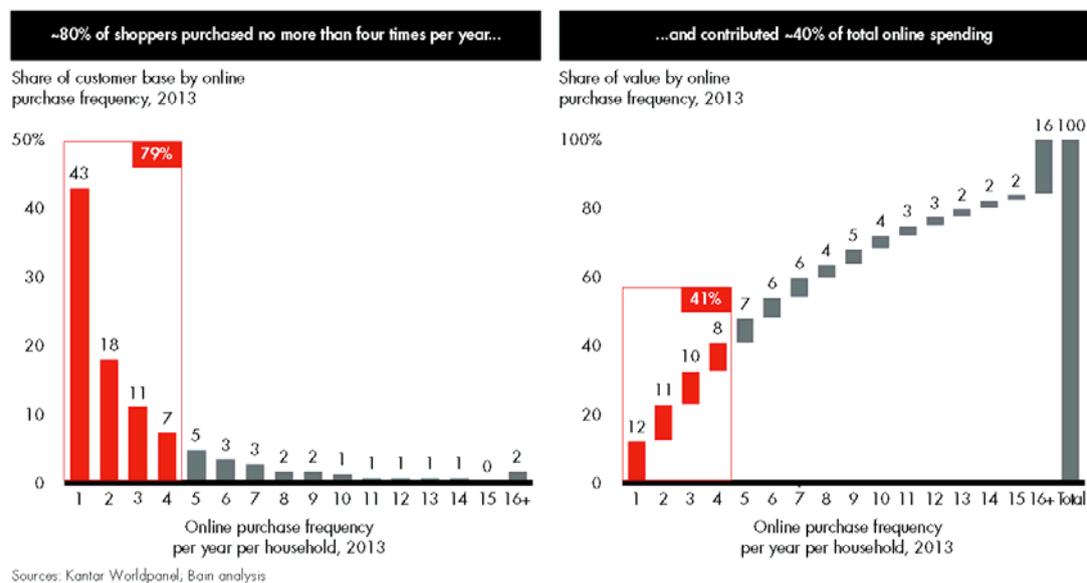


Figure 3: Low-Frequency Shoppers Represent a Substantial Portion of the Online Shopper Base and of Online Spending

Offline shopping channels represented 97% of FMCG purchases in 2013, with a continued shift toward modern trade, which has surpassed traditional trade with annual growth rate at 10% and has accounted for about 50% of FMCG market value. Modern trade is gradually replacing traditional trade, a trend consistent across all city tiers.

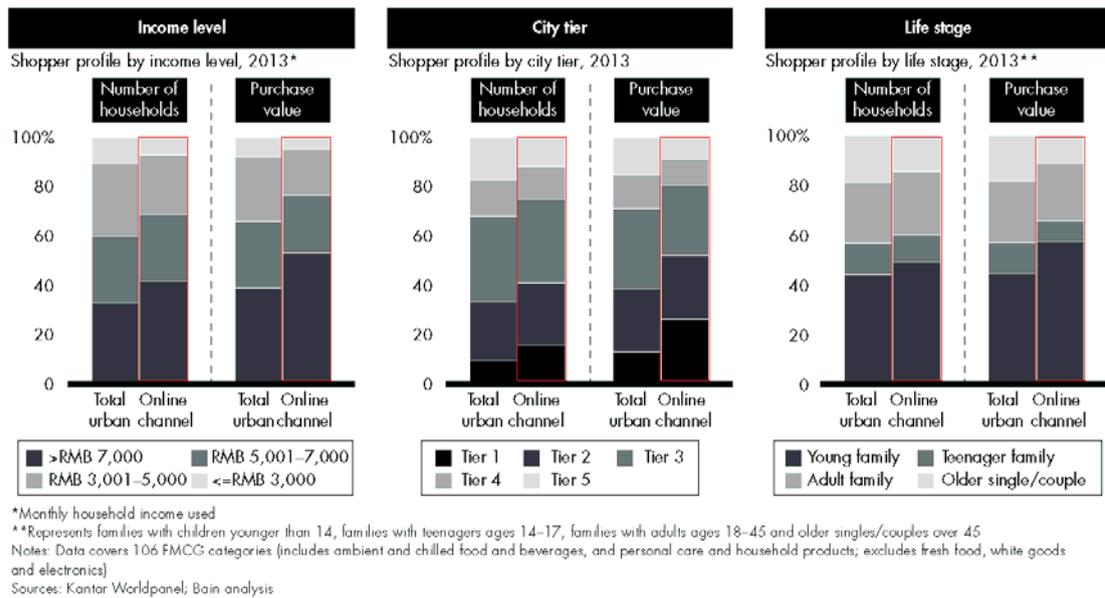


Figure 4: Younger Households with Higher Incomes in Higher-Tier Cities Contribute to a Greater Share of eCommerce

Hypermarkets saw store visits per household decline in the past two years, from 26 visits per year per household in 2011 to 25 visits in 2012 and 2013. Smaller modern trade formats—supermarkets, convenience stores and personal care stores—saw no decrease in visits at 23 per year per household. Declining hypermarket visits, however, were offset by larger package size and with increased car ownership in major Chinese cities making it convenient for shoppers to purchase and transport larger items.

Another reason hypermarket visits declined: The growth of prepaid cards for retail use slowed. Prepaid cards, which are given to Chinese consumers as public welfare or as gift cards, are used mainly in hypermarkets, supermarkets and department stores. The slowdown in their use was the result of the Chinese government’s anticorruption efforts targeting card misuse.

Declining visits were offset by larger package size. Though price increases have been smaller since 2011, the average selling price per kilogram rose about 3% in 2013 in hypermarkets. Chinese shoppers are more willing than shoppers in other markets to purchase items with smartphones and PCs. As a result, China is now the world’s No. 1 digital retail market. Young urban households in higher-tier cities with higher incomes represent the largest group of eCommerce shoppers: Households with incomes of more than RMB 7,000 per month, young urban households and households in Tier 1 to Tier 3 cities contribute 53%, 58% and 52% of online purchases, respectively.

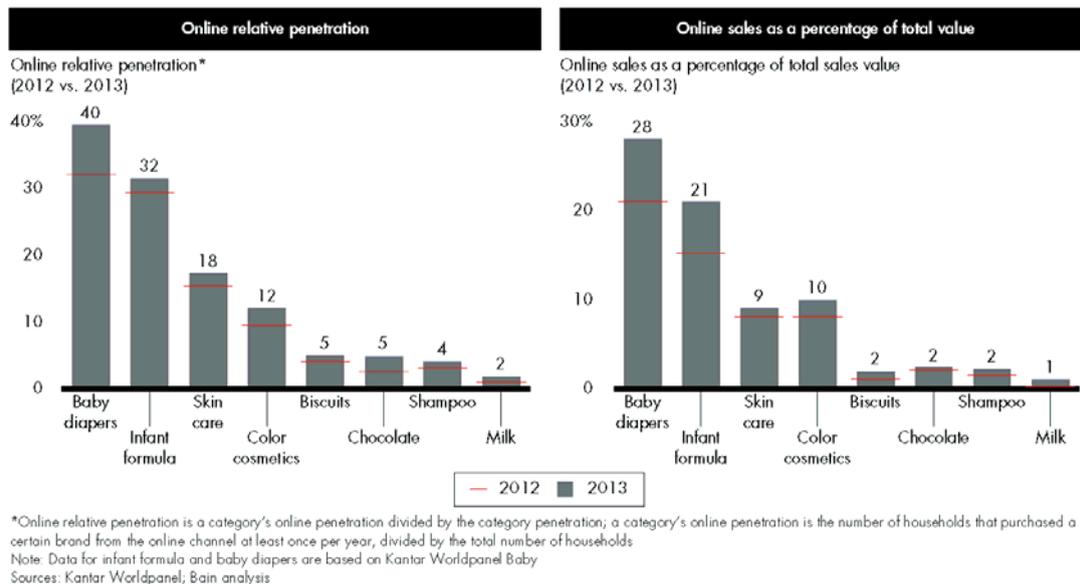


Figure 5: Beauty and Baby Categories Have Achieved High Penetration and Greater Online Sales Value

All 106 categories enjoyed high online growth — 42% overall. Consistent with previous years, baby products and beauty products enjoy high penetration with high online value share: baby diapers at 28%, infant formula at 21%, skin care at 9% and color cosmetics at 10%. In most categories, the top online and offline brands share similarities; however, the brands with higher online market share have a winning digital strategy. In some categories, online-focused brands have a stronger market position than offline-focused brands. Consider infant formula: Online-focused brands Karicare, Nutrilon and Friso have a much higher market share online vs. offline. Thus, the institutional context of China's retail further bear out the driving forces of O2O integration, which leads to Hypothesis 8:

Hypothesis 8: The institutional context of branding moderates positively the relationships of O2O integration to blurring channel boundary, technological complementaries, and sales dynamics, respectively.

Finally, the above impact of institutional differences can be further understood through increasingly disperse family networks in emerging markets. To pursue higher returns on their human capital, more emerging-market people are willing to commute between workplace and home at a long distance than before. This social mobility leads to geographic dispersion of family networks, and this reality holds both risks and opportunities for brands, products, and services embedded in family life. Epp et al. (2014) leveraged a longitudinal design including group interviews and participant

diaries to track how families’ consumption practices shift in response to separation, morphing across time and place to retain and strengthen family bonds. Their findings elaborate on how and when co-located consumption practices reassemble through mobilized technologies across distances, which help anticipate trajectories and take action to enhance brand use and loyalty to ensure that their brands survive reassembly within existing family practices or become integral to new family practices that feature the brand.

Branding in China: Local vs. Foreign

Foreign brands, experiencing fierce competition from Chinese brands, lost share across the 26 categories. Chinese companies continued to increase penetration in 2013, though the win-loss profile differs by category. In many categories, foreign brands lost share. In carbonated soft drinks, they experienced 6.3% share loss, while domestic brand Wahaha Kvass increased share by 3.8% through new product innovation and large-scale ATL and BTL marketing. In skin care, foreign brands lost 5.5% share as domestic brands gained.

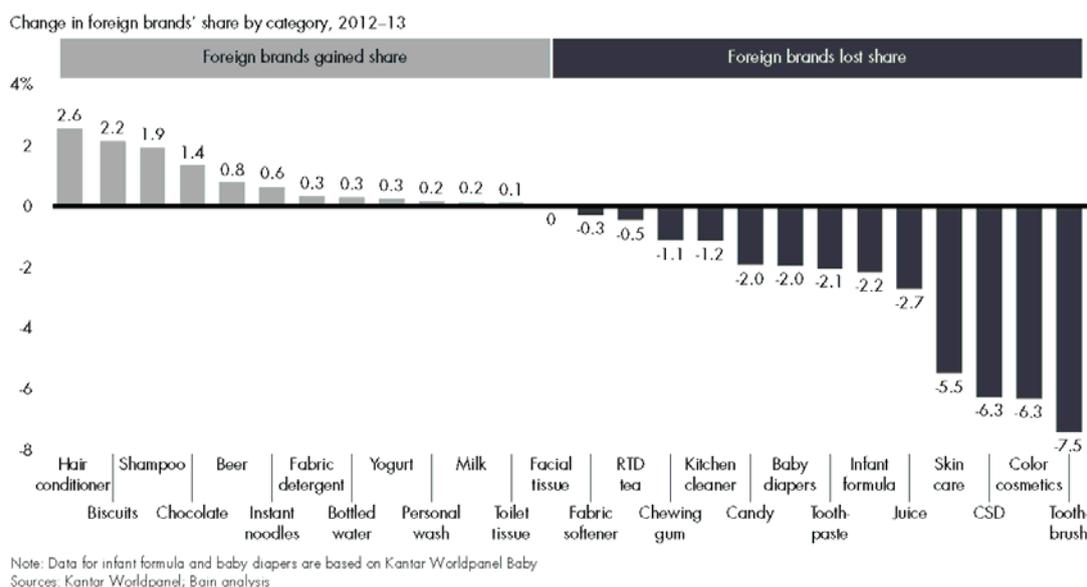


Figure 6: Foreign Brands with More Than 5% Share Loss in Several Categories

Foreign brands also lost 2.7% share in juice, while national brand Huiyuan gained 1.1% by promoting its “100% fruit juice” concept and launching new flavors, including sugar-coated haw drinks. Tian Di No. 1, another domestic juice brand, gained 0.6% share with its healthy concept fruit vinegar. Foreign brands lost 2.2% share in infant formula; sales were hurt by word-of-mouth unsubstantiated claims of contaminated ingredients.

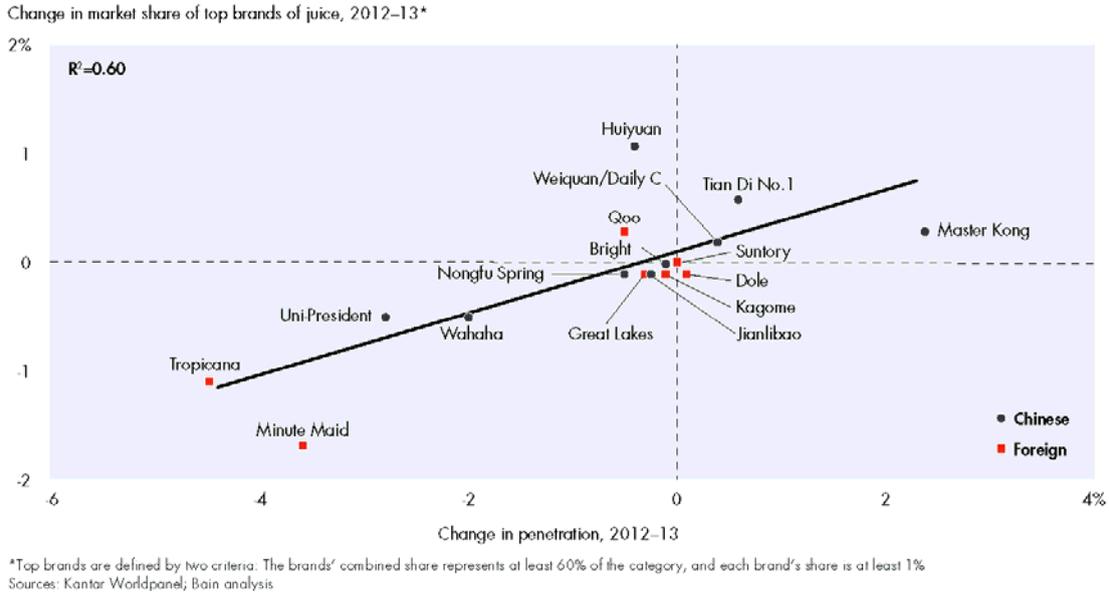


Figure 7: The Relationship Between Market Penetration and Share (Juice Example)

Foreign brands, however, achieved marginal share gain in some categories. Foreign hair conditioner brands gained 2.6%: Schwarzkopf gained 1.2% by launching a professional line and L'Oréal Paris gained 1.1% by launching an essential oil line alongside aggressive ATL and BTL marketing. Foreign biscuit brands gained 2.2% share: Chips Ahoy gained 0.3%, thanks to substantial ATL spending, expanded shelf space and a new flavor launch, and Danisa gained 0.4% through effective trade spending and in-store execution, including out-of-shelf displays, according to Kantar.

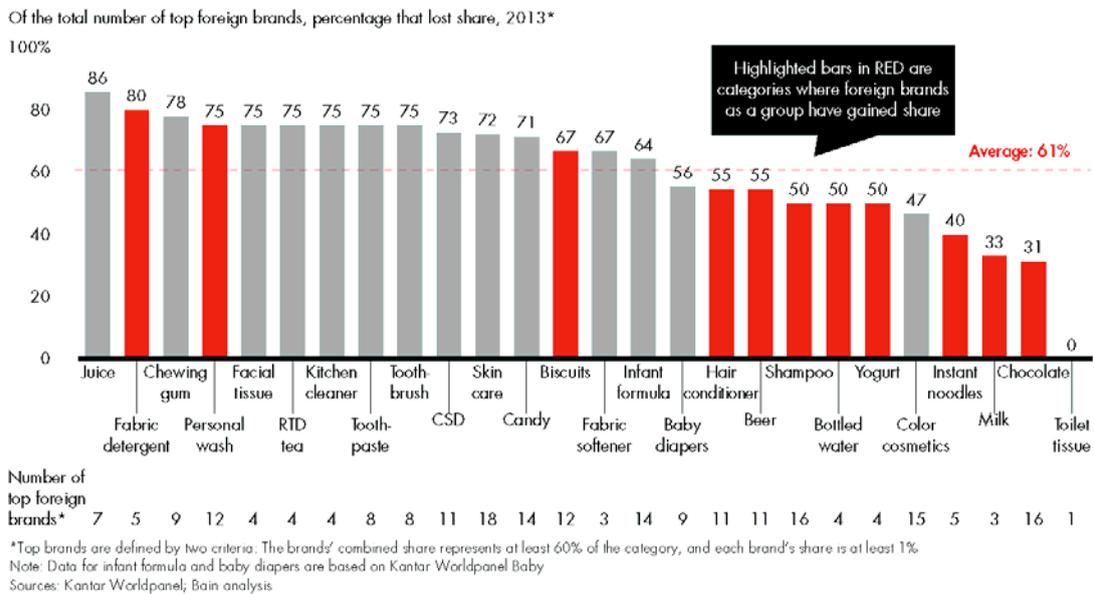


Figure 8: About 60% of Foreign Brands Lost Share in China

On balance, about 60% of foreign brands lost share – many even lost in categories in

which foreign brands gained share overall. Share loss affected all city tiers—even higher-tier cities, where foreign brands had enjoyed a strong presence. The largest loss occurred in Tier-2 and Tier-3 cities, where foreign brands have a relatively strong presence. Share decreased 1.7% in Tier-2 cities and 1.4% in Tier-3 cities. Share loss also occurred in lower-tier cities, where foreign brands have a weaker presence. Penetration change is the primary driver of underlying share change in both categories and city tiers.

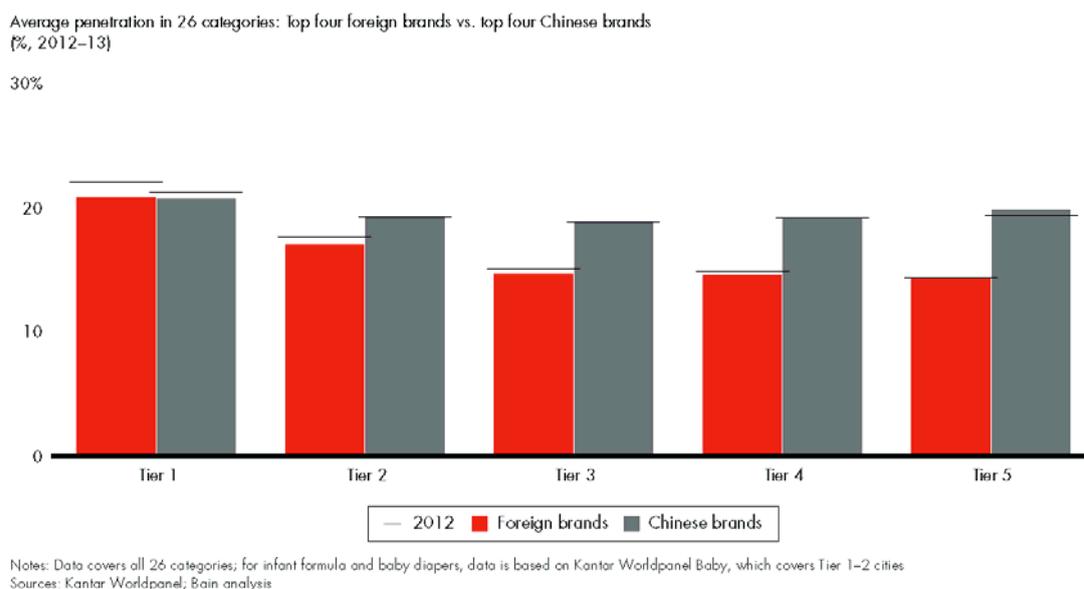


Figure 9: The Relationship Between Market Share and Penetration by City Tier

Overall, most of foreign brands lost share in China, and share losses occurred in all city tiers in Lannes et al.’s (2014) dataset. The effect of perceived brand globalness (PBG) (Steenkamp, et al., 2003) is not borne out by the China’s retail data. Certain consumers are expected to buy global brands to enhance their self-image as being cosmopolitan, sophisticated, and modern (Friedman, 1990); however, even consumers living in the Tier-one cities (i.e., Beijing, Shanghai, Guangzhou) did not show preference for foreign brands.

Nevertheless, the advantage of foreign brands could still exist in other emerging markets, due to the less difficult to become icons of local culture. The emergence of global brands does not suggest that PBG is the only route to success. Despite the advent of global culture, local culture remains a central influence on consumer behavior and individual identity (Samli, 1995). An alternative route is to become an icon of the local culture. Thus, the alternative route to branding success in the host country suggests a re-examination of this issue based a broader dataset of brand value as stated in Hypothesis 7:

Hypothesis 7: The relationship between O2O integration and brand value is moderated negatively by the degree of perceived brand globalness.

Robustness Check on the Impact of Institutional Differences

In a recent research on the impact of institutional context on branding strategy, Ertimur and Coskuner-Balli (2015) made the following inquiries: How do brands address multiple and, at times, conflicting demands of plural logics? What kinds of strategies should be adopted to convey legitimacy for their actions and create a coherent brand identity in plural logic? Branding into emerging markets entails careful review of whether or not the foreign brand meets the legitimacy requirements before competing with rival local brands.

Adopting an institutional theoretic framework, Ertimur and Coskuner-Balli (2015) examined the evolution and competitive dynamics of markets composed of multiple practices, beliefs, and rule systems. The 30-year historical analysis of the U.S. yoga market illustrates the coexistence of spirituality, medical, fitness, and commercial logics. They linked shifting emphases on institutional logics and their sustenance to institutional entrepreneurs' accumulation and transmission of cultural capital, strategies to legitimize plural logics, distinct branding practices, and contestations among the pervading logics.

Brands gain legitimacy by demonstrating a social fit between their practices and society's shared norms (Kates, 2004). Market actors can influence this process by strengthening the associations between their actions and existing frames in the institutional environment as well as by creating new linkages between their actions and related frames, respectively referred to as amplification and extension strategies (Benford & Snow, 2000; Humphreys, 2010). Because generalists spread their resources in a broad spectrum of the environment to garner wide appeal, gaining cultural cognitive legitimacy will be best accomplished with an extension strategy.

In contrast, specialist brands secure competitive advantage through differentiation or by focusing on smaller niches, which will be best achieved through an amplification strategy. In line with the cultural branding approach (Holt, 2004), creating and circulating mythic stories that strengthen associations between the brand offer and the cultural tensions may be a good starting point to implement the amplification strategy. Consistent with Ertimur and Coskuner-Balli's (2015) findings, our modeling approach

emphasizes that importance of the moderating effects of institutional differences on the O2O integration-brand value relationship.

Summary and Conclusions

Market evolution driven by technological changes compounds the institutional differences. For foreign brands, it seems to be a daunting task to manage multiple institutional logics in the home market and overseas host-countries. Thus, how do brands address multiple and sometimes conflicting demands of plural institutional logics? What kinds of strategies should be adopted to convey legitimacy for their actions and to create a coherent brand identity in face of institutional differences?

Against this backdrop, this paper attempts to clarify the ways of enhancing brand experience and value of emerging-market consumers. We develop an institutional model of value net integrator for linking O2O integration to brand experience/value in emerging markets. In the institutional context of emerging markets, key success factors of branding include social tie-based communications, pioneering advantage of brand preference, and in-store execution.

Our modeling approach aims at clarifying market evolution driven by institutional differences in O2O convergence treats market creation as a legitimization process. Giesler (2012) suggested that in new product markets, legitimization be a brand-mediated process whereby the market evolves through a “progressive sequence of contestations between the brand images promoted by the innovator and the doppelganger brand images promoted by other stakeholders.” This approach helps understand market dynamics in contexts in which powerful institutional actors drive dominant meanings and practices that shape market dynamics.

Migration toward value net-based O2O integration is to respond to blurring channel boundaries, technological complementaries, and changing sales dynamics. In turn, the direct impact of O2O integration on brand management in emerging markets could be in the aspects of brand experience, brand value, and strategy space. The expected positive impact of perceived brand globalness, which differentiates global brands from local ones, is not supported by the data on local brands in China.

In addition, product innovation and advertising had significantly larger impacts in emerging markets relative to developed countries. Given the converging offline-online landscape, we could expect branding the R&D-intensive products/services in the

emerging markets will be more challenging than that in the developed counterparts. By the same token, the branding of brand equity-intensive products/services will call for greater attention to emerging-market customers than otherwise. Brand equity could be enhanced through advertising campaigns in both physical and digital domains. R&D and advertising expenditures will be affected by the degree of O2O convergence, especially in emerging markets.

Though e-commerce is booming, offline channels are still the main battlefield. It's critical for marketers to maximize offline business potential by leveraging online traffic through effective digital marketing and integrated solutions for online and offline businesses. We conclude by calling for strategic responses to O2O convergence due to SMAC technologies and platforms, and by transforming branding strategy to better fit into diverging institutional contexts.

As a future research direction, the latest literature in neuroeconomics (e.g., Chen, et al., 2015) could help shed lights on new direction of brand experience and value from where it is located to what it takes shape. In fact, developments in neuroeconomics in the past decade have been benefited substantially from the increasingly sophisticated analytics of big-data on neuroscience. The studies of brand associations in human brain of consumers should be a way to further understand how the institutional context shapes local consumers' perceptions on foreign brand from centralized to distributed representation.

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Kerry Logistics in China – Lining Up for Growth

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Abstract

China's logistics spending is roughly 18% of GDP, higher than other developing countries like India and South Africa. With economic growth slowing, there is a need for more efficient logistics systems to move production resources at lower costs so that Chinese firms can remain competitive. Kerry Logistics, a 3rd party logistics service provider, has grown rapidly in China and now has business centers in 32 provinces. Although it had many foreign clients who wanted to move goods in and out of China, it had difficulty gaining the trust of local customers who wanted a logistics firm with extensive local network. With the boom in e-commerce and the abundant business opportunities that will be created by the "One Belt One Road Strategy" adopted by the Chinese government to maintain the growth momentum of national economy in the future decade, Kerry wanted a share of this business but securing licences to operate in the courier market proved to be a tedious process. The management at Kerry Logistics had to decide on how the company should move forward.

The case describes the logistics industry in China, the business environment, customer buying behavior, the competition, government policies and the challenges facing local and foreign logistics firms.

Acknowledgment

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Analysis of Brand Experience and its Impact on the Perceived Value and Brand Loyalty of Tourist Destination Retail Service: A Holistic Approach

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Abstract

As an internationally famous shopping paradise, Hong Kong is one of the most desirable tourist destinations in Eastern Asia, with millions of shoppers from diverse demographic and psychographic backgrounds (Luk, Sharma, & Chen, 2013). According to the statistics released by Hong Kong Tourism Board (HKTB) (2012; 2014), the five major source markets of tourists in Hong Kong were mainland China (71.8%), Taiwan (4.3%), Japan (2.6%), South Korea (2.4%), and USA (2.2%). Notably, the annual number of visitor arrivals for all purposes jumped from 34,911,395 in 2012 to 40,745,277 in 2013, an increase of 16.7% (HKTB, 2014). Nearly 60% of visitors come to Hong Kong for vacation purposes, with shopping being a core, even sometimes the most important, component of their tour. Overnight mainland Chinese tourists' most important consumption activity was shopping (92.1%) during January-June 2014,; for all overnight visitors, shopping (61.9%) also ranked as the most contributing category among all kinds of consumption activities (HKTB, January-June 2014). Despite the diverse backgrounds of tourist shoppers in Hong Kong, some empirical studies focused on only mainland Chinese tourist behavior (e.g., Lloyd, et al., 2011; Ye, Qiu, & Yuen, 2011) and neglected that of international tourists. Although tourist shoppers' evaluations of destination retailer brands, such as brand preference, customer perceived value (CPV), emotional responses, and brand loyalty have attracted much research effort recently, a majority of empirical studies in this research stream only focused on the impact of "consumption experience" on perceived value of the service outcome and certain types of brand equity, neglecting the potential effects of pre-consumption and post-consumption experience. Nevertheless, Brakus et al. (2009) claimed that customer experiences occur not only in consumption process but also in customers' exposure to marketing communication activities. Obviously this alters scholars in tourism branding research to adopt the holistic brand experience perspective to investigate, together with the consumption experience, the effect of pre-consumption and post-consumption marketing undertaken by the firm on brand perception and subsequent brand buying behavior.

Brand experience refers to “subjective, internal consumer responses (sensations, feelings, and cognitions) and behavioral responses evoked by brand-related stimuli that are part of a brand’s design and identity, packaging, communications, and environments” (Brakus, Schmitt, & Zarantonello, 2009, p. 53). It can be divided into two categories: individual (personal sense, feel, and think experiences) and shared experiences (act and relate experiences) (Schmitt, 1999). Brand experience influences customer satisfaction and loyalty (Oliver, 1980). As summarized by Chang and Chieng (2006), brand experiential states can be classified into (1) cognitive/rational activities, (2) emotional/affective responses, and (3) behavioral/conational intentions. In tourist destinations, tourist shoppers obtain not only physically direct and/or virtually indirect cognitive product experience but also affective and emotional service experience. We forecast that all of three sources of experiences can strongly influence tourist shoppers’ brand loyalty. This study serves as the initial attempt to explain individual tourist shoppers’ shopping experience and brand evaluation, separating individual tourist shoppers’ holistic brand experience into three stages: pre-consumption, consumption and post-consumption.

Currently, despite the fact that most tourist destination brands and retailers have adopted customized point of sale (POS) software systems to trace and manage daily transaction records, customer profiles, and spending patterns, brand managers and retailers still lack an in-depth understanding of tourist shoppers’ brand preference, CPV and its drivers, as well as brand loyalty in the pre-consumption, consumption, and post-consumption stage. The paucity of research into these fields undoubtedly limits destination retailer brands’ marketing research agendas, strategies, marketing plans and their implementation. In fact, tourist destination retailer brand managers want to understand the factors influencing customers’ brand perception in order to sustain and further expand their current customer base. In the pre-consumption stage, Murali, Laroche, and Pons (2005) proved that “interpersonal non-commercial sources” (p. 307), such as word of mouth (WoM), are crucial influential factors in customers’ decision-making process. This statement echoed by Yeoh, Othman, and Ahmad’s (2013) that WoM was an important and trustworthy way of disseminating ideas. Our argument is that WoM may also have follow-on effect on consumption and post-consumption evaluations. Existing studies also demonstrated that commercial sources of information or commercial activities, such as advertisements (Ads) and public relations (PR), impact people’s pre-consumption perception of a particular brand’s value (e.g. Park & Nicolau, 2015). In the consumption process, CPV can enhance customers’ brand loyalty and therefore help companies earn more profits (Sweeney & Soutar, 2001). Brand experience affects consumer loyalty positively (Brakus, Schmitt, & Zarantonello, 2009). In the post-consumption stage, brand loyalty indicates customers’ brand-experience sharing and future patronage intention (Aaker, 1996).

Although previous research (D'Souza & Rao, 1995) has confirmed the positive relationship between gratifying brand experience and subsequent consumption behavior, very few academic endeavors have been made to investigate the roles that

pre-consumption stage influential factors—Ads, PR, and WoM—play in tourist shoppers' brand preference, and the way that brand preference and emotional response lead to CPV and brand loyalty, especially in the tourism destination retailing context. The present study endeavors to fill this research gap and captures the complexity of tourist destination retailer brand experience by addressing the following research objectives:

- 1) establish a multidimensional decision-making framework incorporating tourist shoppers' pre-consumption, consumption, and post-consumption brand experience using a sample of both domestic and international tourist shoppers in Hong Kong;
- 2) explore the influences of PR, Ads, and WoM on tourist shoppers' brand preference in the pre-consumption stage; and
- 3) analyze the relationships among brand preference, CPV, emotional responses, and brand loyalty in the tourism destination retailing context.

A conceptual model delineating the relationships amongst brand preference shaped by pre-consumption marketing communication programs, consumption experience, post-consumption marketing communication activities in social media, emotional responses provoked by the aforesaid marketing stimuli and consumption experience, and brand loyalty is developed based on relevant theories. All the hypothetical relationships are tested with the data gathered via survey interviews and many hypotheses are supported.

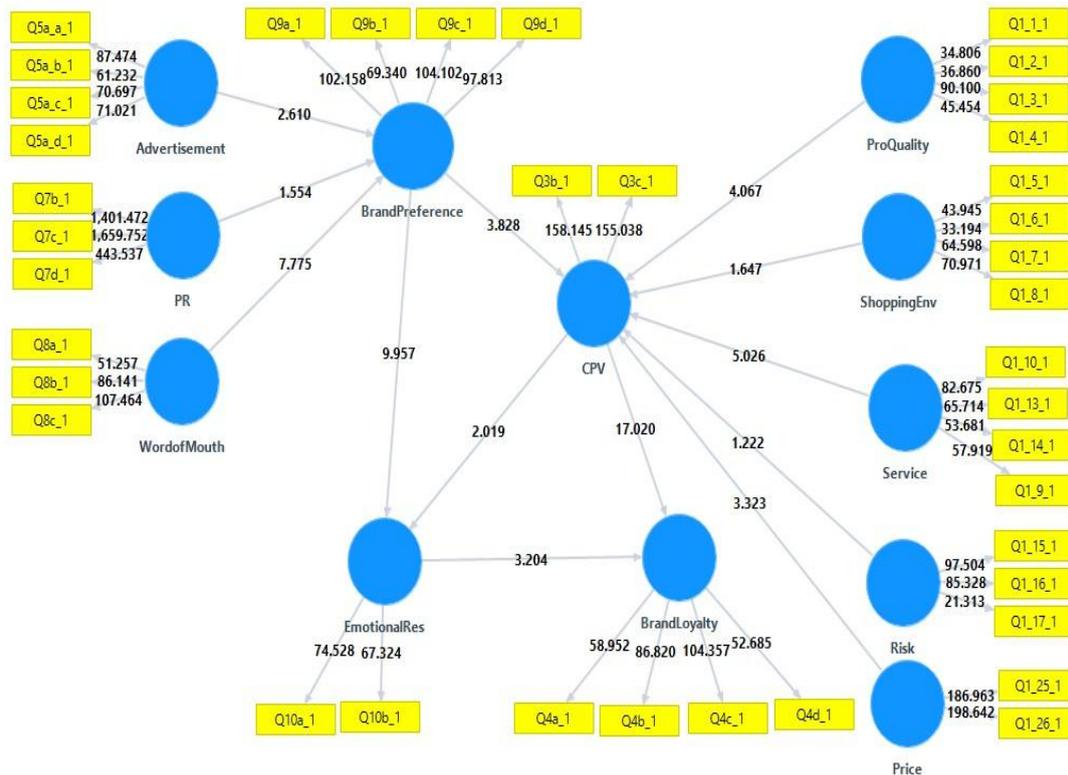
This research adopted a post-positivist epistemological stance in terms of determining and carrying out the research method of questionnaire survey, strictly following the process of selecting and fine-tuning items, reliability and validity testing before carrying out model testing using Variance-based structural equation modelling (VB-SEM) (also called PLS-SEM) in the software of SmartPLS 2.0 (Beta) M3.

The sample was drawn using street intercept convenience sampling and quota sampling method from tourist shoppers in Hong Kong in late 2014. Hong Kong overnight visitors' top two items bought in 2013 were ready-made wear (42%) and cosmetics (29%)¹ (HKTB, 2013). Especially for female shoppers, cosmetic items rank no. 2 in the list of the must-to-buys for tourist shoppers in Hong Kong (HKTB, 2014). Therefore, the researchers chose cosmetic retail industry's tourist shoppers as the sample population. Data were collected in five business areas in Hong Kong: Central, Causeway Bay, Mong Kok, TST, and Shatin following. Quota for each area was set based on HKTB (2012)'s inbound tourist country of origin distribution. Screening questions were asked to ensure all respondent were tourists in Hong Kong before questionnaire survey started. A total of 755 questionnaires were distributed to

¹ Data were drawn from HKTB's (2013) Visitor Profile Report

tourists who had just bought cosmetic products from Hong Kong’s major cosmetic retailers competing in the mass market segment, such as SaSa and Bounjour; 730 were returned, with a highly satisfactory response rate of 96.7% (Babbie, 1995). Consequently, a sample size of 710 was obtained, leaving out 20 incomplete questionnaires. The sample size complied with Hair, Ringle, and Sarstedt’s (2011) rule of thumb for using PLS-SEM.

Diagram (1): The Conceptual Model and the Results of SEM Test



Expanding in the face of existing competition

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Abstract:

Chacha Jee is a traditional Pakistani quick service food chain operating in the urban centers of Pakistan. It is one of most successful ventures of Wah!Brands, which started its operations, back in 2000 from a single outlet in ‘Pak Towers’ food court in Karachi. Wah!Brands is currently incorporated as a Private Limited company with 8 active partners and 2 sleeping partners. From 2005, when Wah!Brands decided to expand their business, the number of *Chacha Jee* outlets increased from one to six till this date. Five of these are located in the busiest shopping malls of Karachi and one of them is located in Islamabad. It is positioned as a quick service restaurant, with seating facility provided in the food courts of malls. *Chacha Jee* faces a tough competition from the international fast food chains usually located very next to it. KFC, MacDonald’s, OPTP and Burger King are a few of them. However, a significant difference between *Chacha Jee* and other international food chains is that *Chacha Jee* offers local cuisine whereas none of the other competitors offer local cuisine.

Therefore, the purpose of the research is to know whether the existing customers are satisfied with the meals currently offered at *Chacha Jee*, whether the price offered is too high or low in comparison to the competitors in the market and more importantly, what the perception is of the people about the brand name *Chacha Jee*.

The controversial *Shariah* Compliant Marketing

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Abstract

In a country like Pakistan, where controversies brew up every now and then, a very few studies have been done to study their impact on behavior of consumers. Many brands from time to time have been victimized due to the controversies that have been surrounding their brand ambassadors. Despite several check and balances, the global world's marketing brains stand helpless in front of these. However, a winner brand is one which withstands the test of time and stands firm and moreover is able to counter any such events. This paper attempts to study a brand that recently migrated from its original positioning as a cult and personality driven brand to a more modern and liberal brand equity. The transformation for "J." was forced, when the associated personality, Junaid Jamshed became controversial. The association comes a long way. The scholar, who was previously a very famous singer, has always attained a special place in the minds and hearts of Pakistani people. But his opinion on one of the religiously sacred names caused a lot of debate and turmoil late last year, damaging his reputation as well as of those associated with his brand name. The clothing brand has transitioned from using his full name as Junaid Jamshed to creating a new subtle identity with the name "J." The research is an effort to evaluate the impact on customer perception, sales and future growth strategy. The awareness level of the issue amongst the respondents was very high. Almost 72 percent of the respondents were fully aware of what the controversy was all about. The findings indicate that mostly female consumers depicted a much stronger response to the controversy. Moreover people still kept a very strong opinion against what was said. Even though the perceptions regarding the impact of controversy were differentiated; majority customers did not prefer Junaid Jamshed as brand ambassador. However, a clear quantitative impact of the controversy on sales could not be established as most of the responses remained neutral. Research supports this conclusion that in future the brand should further devise strategies to dissociate itself from the brand ambassador in order to avoid any consequences that may or may not impact sales, but will likely damage the equity.

The Effects of Consumer Cultural Values On the Image Congruence of “IKEA” And Chinese Consumers

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Abstract

Self-congruity, a combination of self-image and product/brand image, is a crucial concept for scholars and marketers. When brand image matches with consumers' self-image, it ensures preference and purchase intention. The purpose of this study is to investigate image congruence between global consumer brand image and consumers' self-image towards purchase intention from a value-oriented perspective. The brand "IKEA" is used as a typical global consumer brand. Based on a critical literature review of two subjects: self-congruity and consumer cultural values, a model emphasising aspects of global consumer culture such as materialism, innovativeness, nostalgia, ethnocentrism, and environmentalism was developed and tested. This study's results are dramatically different from the self-congruity studies that applied Hofstede's national-cultural framework; this research therefore provides a new way to evaluate self-congruity towards purchase intention by focusing on consumer cultural values. Our findings and recommendations are expected to benefit global firms in adapting their positioning strategies and brand portfolios.

The Effects of Consumer Cultural Values On the Image Congruence of “IKEA” And Chinese Consumers

Introduction

Consumer researchers assume that products and brand images interrelate with self-concept or that they are congruent and therefore influence consumers' buying behaviour and brand performance (e.g. Kressmann et al., 2006; Kuester et al., 2007). Empirical studies have determined that the notion of self-congruity plays a significant role in the evaluation of global brands and self-image also significantly influences purchase intention (Jamal & Goode, 2001). Although existing studies of image congruence regarding global consumer brands encountered problems with widespread implementation, a broader application of self-congruity theory could overcome these difficulties by extending product categories and target consumer groups (Kwak & Kang, 2009). On the other hand, Steenkamp and de Jong (2010) argue that consumers try to discover meanings in their lives via consuming products recognised internationally and beyond their individual national cultures. Consequently, consumer cultural values, especially for innovativeness and materialism, have significant effects on consumers' attitudes toward global products (Steenkamp and de Jong, 2010). Considering the significance of attitudes toward brands/products on brand image, it could be assumed that consumer cultural values may influence self-congruity. However, most studies of self-congruity regarding cultural issues employed national cultural frameworks and did not specifically clarify the value orientation. There is a dearth of empirical evidence to confirm this assumption, and it needs to be tested.

The purpose of this study is therefore to investigate image congruence between brand image and consumers' self-image apropos the purchase intention of global consumer brands from the perspective of consumers' cultural values. The brand “IKEA” is used as a typical global consumer brand, as home furnishing is one of the main categories of consumer brand, and “IKEA” is a well know brand in this category. The data of the Chinese market have been collected and the data analysis has been conducted to provide the results for the issues that this study tries to solve. The example of the IKEA brand illustrates the interaction between self-congruity and consumer cultural values. The theoretical contribution of this study will be a new self-congruity model regarding consumption cultural issues that could be used in various domains of global consumer brands and provide recommendations to benefit global firms in adapting their positioning strategies and brand portfolios.

Theoretical Background

Self-congruity

The term self-congruity is a common use of self-image congruence (Sirgy et al., 2008). It plays an important role in both pre- and post-purchase behaviours (Johar & Sirgy, 1991). Self-image congruence theory claims that consumer purchasing behaviours are based on products and brands' symbolic values as well as functional properties (Aaker, 1997; Bhat & Reddy, 1998; Dennis et al., 2002; Hsieh, 2002; Kapferer, 1998; Kwak & Kang, 2009; Levy, 1959; Markus & Wurf, 1987; Sheth et al., 1991). Consumers also tend to portray images that match who they are and who they wish to be (Sirgy, 1985b). Considering self-congruity is

grounded in the self-concept theory, self-congruity can accordingly also be classified as actual self-congruity and ideal self-congruity, in terms of the relationships between brand image and self-concept.

Self-congruity has a significant influence on a variety of consumer behaviour. Consumers who purchase products do so not only for utilitarian purposes, but also for self-expressive benefits (Sirgy et al., 2008). The studies suggest that the greater the self-congruity of brand image and actual self-image, the greater the satisfaction of self-consistency needs; this in turn, enhance consumers positive attitudes toward the brand (Graeff, 1996; Johar & Sirgy, 1991; Sirgy, 1982, 1985a, b). On the other hand, the greater the self-congruity of brand image and ideal self-image, the greater the satisfaction of self-esteem needs, which enhances the chances of changing consumer attitudes, in turn, enhancing their positive attitudes toward that brand (Johar & Sirgy, 1991; Nolan & Harold, 2010; Sirgy, 1982, 1985a, b). In this sense, some particular brands can help consumers re-define their self-images (Ericksen & Sirgy, 1992), because consumers are attracted to the brands that have symbolic images most similar to their ideal self-concept (Kwak & Kang, 2009). Once image congruency is decided, consumers are more likely to consistently choose the products that match their actual or ideal self-perceptions (Sirgy, 1985b). Moreover, the studies clearly present a significant relationship between self-congruity and purchase intention as consumers tended to purchase the products whose images are closer to their own (Hoelter, 1983). Ericksen and Sirgy (1989) emphasized that self-congruity influences brand preference, purchase intention, ownership, usage, and loyalty to specific products. Hence, we can make the following assumption.

Hypothesis 1: the self-congruity of the brand IKEA has positive effects on its consumers' purchase intention.

Understanding self-congruity in the context of consumer culture

Consumer goods and services can deliver significant satisfaction and dissatisfaction in people's lives, so that the satisfactory self-concept through consumption will be enhanced with the proper collection of material products (Wright et al., 1992). Moreover, consumer goods refer to products that can be consumed (Arnould & Thompson, 2005). Considering self-concept is one of two components of self-congruity, and materialism is one of the important domains of consumer cultural values, in this sense, it builds a linkage between consumer culture and self-congruity.

Regarding the theory of consumer culture, there is no consensus on the definition of consumer culture (Arnould & Thompson, 2005; McCracken, 1988). According to Arnould and Thompson (2005), it rather refers to a group of theoretical perspectives that focus on the dynamic relationships between consumer behaviour, the market, and cultural implications. Similarly, Slater (1997) summarised those perspectives by stating that consumer culture started with a broad use of consumer goods in the people's daily lives across all social structures; consumption was therefore inspired by the desire of possession for the new products. The culture could eventually be formed and bonded through the establishment of infrastructures, corporations, and performances; this benefits from the new markets, such as the increasing of shopping and marketing activities (Slater, 1997). Furthermore, Usunier (1996) deemed that consumption tightly links to lifestyles and culture, as it seems that consumer culture centres around consumption. An example also links ethnocentrism to the consumer's attitude towards foreign products. Previous studies demonstrate that ethnocentric consumers hold positive attitudes towards local brands, and they are more willing to purchase domestic brands in developed countries (Netemeyer et al., 1991; Sharma et al., 1995; Shimp

& Sharma, 1987; Steenkamp & de Jong, 2010), but it might not be the case in developing countries (Wong et al., 2008; Zhang, 1996).

The above ideals may hence be the reason why Slater (1997) called consumer culture the culture of 'consumption'. Consumer culture indicates a social arrangement where the relationships between day-to-day culture and social resources, as well as between the meaningful lives and the symbolic or material possessions which consumers rely on, are mediated through marketplaces (Arnould & Thompson, 2005). It is consistent with Firat (1997) that contemporary/post consumers seek meaningful experiences in their consumption lives, as well as constructing their self-images within their consumption experiences due to the trend of globalisation. The dominant mode of consumption is thus mentioned in the definition of 'consumer culture' that consists of firms' collective actions with regards to their marketing activities (Holt, 2002). Moreover, capitalism requires interdependence between cultural frameworks and market prerogatives in order to work properly, which influences how people become conversant with a market's offerings and interact within it (Holt, 2002). This idea bridges the gap between the culture of consumption and the symbolic values of products which have significant influence on brand/product image and in turn, on self-congruity.

Consumer culture is bound with modernity (Featherstone, 2007). Global consumers seek consumption based on modernity, namely cultural modernisation (Holton, 2000). In other words, consumers do not merely consume for the utilitarian purchases, they also consume for symbolic meanings, such as self-satisfaction. Similarly, Tsai (2005) refined the argument from the previous studies (Belk, 1995; Brown, 1995, 1997; Firat & Venkatesh, 1997; Fischer, 2000; Fournier, 1991, 1998; Hogg et al., 2000; Holt, 1997; Kleine III et al., 1993; Voase, 2002) that contemporary consumer behaviour associated with post-modernity as a socio-cultural phenomenon, because one involved in consumption pursues an identity of themselves and culture, not only trying to fulfil basic needs. It is assumed that the purchase behaviour of contemporary consumers mainly focuses on products' symbolic meanings in the relation of self-concept and cultures, through the view of social-cultural symbolism; brands in consumer culture nowadays are highly related to producing symbolic meaning in the process of defining one's self to construct self-concept (Tsai, 2005). From this point view, the symbolic meanings of products play an important role in both consumer culture and in the process of forming self-congruity.

Additionally, one crucial element of constructing self-congruity is attitudes towards brands/products, revolving around the notion of brand attitudes significantly influencing the dynamics of creating brand image, and brand image is measured by attitudes towards brands/products in many self-congruity studies (e.g. Ericksen, 1996; Faircloth et al., 2001; Sirgy, 1982; Sirgy & Su, 2000). This is also consistent with Keller's (1993) conceptualised attitude toward brand/product as a part of brand image. On the other hand, Steenkamp and de Jong (2010) examined the effects of cultural values on attitudes toward local and global products, since cultural values have significant influence on attitudes, in turn, on consumer behaviour (Adler & Gundersen, 2008). Steenkamp and de Jong (2010) argued that consumers try to discover meanings in their lives via consuming products recognised internationally and beyond their individual national cultures. Consumers enjoy the homogenisation of consumer culture, which has benefited from the global economy and the development of global companies (Alden et al., 1999). As a result, consumer cultural values, especially for innovativeness and materialism, have a significant effect on attitudes towards global products (Steenkamp & de Jong, 2010). Considering the significance of attitudes towards

brands/products on brand image, it could be assumed that consumer cultural values may influence self-congruity, at least indirectly. However, as mentioned previously, most studies of self-congruity regarding cultural issues employ the national cultural frameworks. Hence, there is a lack of empirical evidence to attest this relationship and it needs to be tested.

Consumer-cultural values

Consumer culture is highly dynamic and subject to change (Slater, 1997). Ideas or values as cultural principles are the implication of cultural categories (e.g., time, space, and occasions), which could transfer meanings to the product and the consumer respectively (Hoyer & MacInnis, 2009). Consumers also attempt to discover meaning in their lives throughout the consumption of products that are generally recognised as international and transcending individual national cultures (Steenkamp & de Jong, 2010). Hence, in the recent study of Steenkamp and de Jong (2010), consumer culture is classified into three categories of consumer-domain specific values, recognising that consumer culture deals with the consumption of products across times and space, consistent with Hoyer and MacInnis (2009), by considering materialism, innovativeness, nostalgia, ethnocentrism, and environmentalism. The first two consumer values are primarily related to products; nostalgia to the time perspective; and ethnocentrism and environmentalism to the social and physical context (Steenkamp & de Jong, 2010). The empirical evidence shows that materialism and innovativeness have a positive influence on consumers' attitudes towards global products, but nostalgia and ethnocentrism have a negative influence on consumers' attitudes towards global products (Steenkamp & de Jong, 2010). The last dimension, environmentalism, has no effect on consumers' attitudes towards global brands (Steenkamp & de Jong, 2010). Chan and Lau (2000) also state that environmentalism is not reflected in consumers' brand-related behaviour, even though they have ecological knowledge and assert to minimise environmental problems via their own purchasing behaviour. Hence, the conclusion could be drawn that these three types of consumer-cultural values should not be overestimated. Based on the literature review in the previous section, and considering the tight relationship between consumers' attitudes and self-congruity, we can therefore make an assumption that consumer-cultural values will significantly influence self-congruity. Accordingly, we have made the following hypotheses below. The conceptual model is shown in Figure 1.

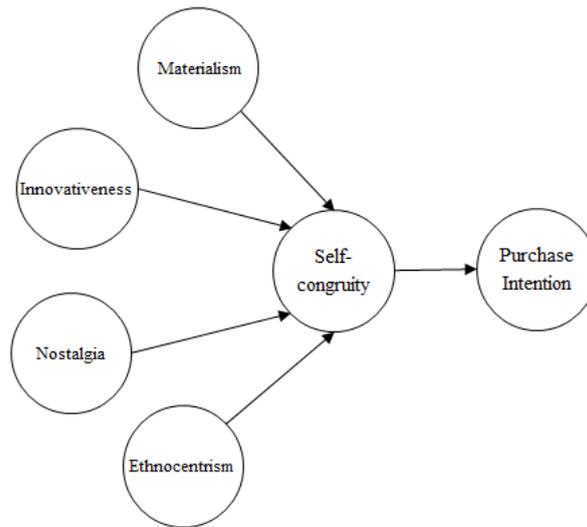
Hypothesis 2: materialism significantly influences self-congruity of the brand IKEA.

Hypothesis 3: innovativeness significantly influences self-congruity of the brand IKEA.

Hypothesis 4: nostalgia significantly influences self-congruity of the brand IKEA.

Hypothesis 5: ethnocentrism significantly influences self-congruity of the brand IKEA.

Figure 1: Conceptual model of the brand IKEA



Methodology

This research primarily used cross-sectional data collection. The study was conducted using one survey as a pre-test to identify the appropriate attributes of brand/self-image from a pool of 50 brand image attributes (Graeff, 1996) in order to measure image congruence. A combined technique of Likert rating and ranking was employed to make sure the right brand image attributes were chosen (Driesener & Romaniuk, 2006). One hundred fifty-two valid questionnaires were collected in the high streets (the primary business streets) of Manchester in the United Kingdom. Next, 20 brand image attributes were selected as image dimensions to measure brand image and self-image by using five-point Likert scales. The consumer cultural framework applied in this research was first testified in the work of Steenkamp and de Jong (2010) and was partially performed in his previous studies (Alden et al., 2006; Steenkamp et al., 1999) as a short-form version. This study follows the instruction of Steenkamp and de Jong (2010) and traces back to the original sources for each construct. The materialism dimension was measured by three scales taken from Richins and Dawson (1992). The innovativeness value was measured by three scales take from Steenkamp and Richins (2003). The study measured nostalgia, consumer ethnocentrism, and consumer environmentalism with two scales for each one of them taken from Holbrook (1993), Shimp and Sharma (1987), and Grunert and Juhl (1995), separately. A five-point Likert scale was applied and rated by participants so as to measure national-cultural values and maintain the consistency. Purchase intention was also measured using a five-point Likert scale. The final questionnaire was conducted in high streets of the four cities (Beijing, Guangzhou, Shanghai, and Shenzhen) in China. Eventually, 477 valid questionnaires were collected. The study used Structural Equation Modelling (SEM) with AMOS 20 statistical package to test the hypotheses. The estimation techniques of SEM can be decomposed into two stages: the measurement and structural models (Hoyle, 1995). After confirmatory factor analysis (CFA) was conducted to confirm the measurement models, SEM was utilised to check the structural models and test Hypotheses 1-6, whilst confirming relationships among observed and latent variables, moving beyond regression to gain additional insight.

Data Analysis

CFA of measurement model

The correlation analysis was firstly conducted in order to examine the relationships between each brand image attribute and consumers' self-image. Only the pairs of image attributes (brand image and actual/ideal self-image) that had significant relationships were selected. Sixteen image attributes were selected followed by the calculation of self-congruity (Ross, 1971; Sirgy, 1982, 1985b; Sirgy et al., 1997; Sirgy et al., 1991) for each brand. After testing the original measurement model, the model generated an unsatisfied outcome. The normed chi-square ($\chi^2/DF=3.136$) achieved the acceptable level of 5. The goodness-of-fit index (GFI) reached the good fit threshold of 0.95, scoring 0.955. The adjusted goodness-of-fit index (AGFI) was 0.920, meeting the good fit level of 0.90. The values of standardised root mean square residual (SRMR) was 0.0520 and root mean square error of approximation (RMSEA) was 0.067, both less than 0.08 but greater than 0.05. However, normed-fit index (NFI) did not pass the acceptable level of 0.90, scoring only 0.847. Comparative fit index (CFI) did not reached the acceptable level of 0.90, scoring 0.887.

The measurement model therefore needs to be modified. Based on the output of AMOS, the standardised factor loadings of both factors of innovativeness and one factor of nostalgia were less than 0.5. We dropped off one factor of innovativeness and the dimension of nostalgia. The standardised factor loading of one factor of ethnocentrism was negative, so we dropped the dimension of ethnocentrism. The values of all the model fit indices ($\chi^2/DF=2.261$, GFI=0.985, AGFI=0.962, SRMR=0.0230, RMSEA=0.050, NFI=0.943, CFI=0.967) indicated that the modified model had a good fit to the data. The reliability and validity of the measurement model were also tested. Cronbach's alpha values and the composite reliability of all the constructs of consumer-cultural values and self-congruity were above 0.70. This demonstrated high construct reliability and internal consistency. The values of average variance extracted (AVE) were above 0.5. For each construct, the values of maximum shared squared variance (MSV) and average shared variance (ASV) were less than the AVE. Hence, these results indicated satisfactory convergent validity and discriminant validity in the model.

Assessment of structural model

Next, the study established the initial structural model based on the results of CFA. The assessment of the initial structural model presented satisfactory results of model fit indices ($\chi^2/DF=1.751$, GFI=0.984, AGFI=0.967, SRMR=0.0270, RMSEA=0.040, NFI=0.934, CFI=0.970).

Hypothesis test

In order to test the hypotheses, the study therefore examined the significances of the path coefficients estimates. The path coefficient from self-congruity to purchase intention was 0.174 ($t=2.326$, $p<0.05$), which supported Hypothesis 1. The path coefficient from materialism to self-congruity was 0.148 ($t=2.112$, $p<0.05$). Thus, Hypothesis 2 was supported. Hypothesis 3 was also supported, because the path coefficient from innovativeness to self-congruity was 0.216 ($t=2.528$, $p<0.05$). The study discovered that nostalgia and ethnocentrism did not have significant effects on self-congruity. Hence Hypothesis 4 and 5 were rejected.

Discussion

Consistent with Hoelter (1983) and Ericksen and Sirgy (1989), a strong support has been found for the relationship between self-congruity and purchase intention of the brand IKEA. The findings demonstrate that the image congruence of IKEA's brand image and its consumers' self-images positively influence the Chinese consumers' purchase intention; this

means that the higher degree of the congruence between IKEA's brand image and its consumers' self-images, the more Chinese consumers desire to purchase IKEA's products. The second hypothesis was to show how the value of materialism impacts the self-congruity of the brand IKEA. Consistent with the literature (Arnould & Thompson, 2005; Steenkamp & de Jong, 2010; Wright et al., 1992), the results present that there is a significant and positive relationship between materialism and self-congruity with the IKEA brand. Hence, this outcome indicates that the stronger Chinese consumers hold their belief in the value of materialism, the higher their degree of self-congruity it will be. Moreover, the same result is seen in the relationship between innovativeness and self-congruity. The results are consistent with Steenkamp and de Jong (2010) and Steenkamp and Gielens (2003), as innovations significantly and positively influence self-congruity of the brand IKEA, which means the image congruency of the IKEA brand is higher when Chinese consumers' dispositional innovativeness is stronger. The results do not support Hypotheses 4 and 5; this means that the values of nostalgia and ethnocentrism do not have significant effects on self-congruity. Nostalgia refers to people believing things were better in the past (Holbrook, 1993). The results implicate that Chinese consumers might not hold positive and strong attitudes toward this value. Ethnocentrism means that consumers believe it would be wrong to purchase foreign products because it would hurt the local economy (Steenkamp & de Jong, 2010). However, the results show that there is no significant relationship between ethnocentrism and self-congruity. Hence, this outcome is consistent with Wang and Chen (2004) and Zhang (1996), as country of origin does not seem to influence Chinese consumer's product evaluation, attitude to foreign brands, and purchase decisions. In addition, the impact of ethnocentrism is mitigated by quality perception of consumer conception values in developing countries (Wang & Chen, 2004).

The outcomes will have important managerial implications for multinational marketers entering developing countries and will benefit global firms in adapting their positioning strategies and brand portfolios. For instance, Chinese consumers have higher self-congruity towards furniture when they hold stronger attitudes of materialism and innovativeness. Global companies will therefore have a better understanding of why Chinese consumers buy such products, and how they can better focus on the right market segmentation. They will also know nostalgia and ethnocentrism do not impact self-congruity, so they would not spend as much on marketing campaigns by targeting these values. Our empirical findings can also help global firms evaluate the receptivity of consumer-cultural values in China in order to establish better positioning strategies of their brands.

Conclusion and Limitations

Based on a review of the previous literature, this study has proposed a conceptual model to examine the effects of consumer-cultural values on self-congruity of the IKEA brand towards purchase intention. Twenty self-image and brand-image dimensions have been selected using pre-tests. The analytical technique of SEM with AMOS 20 was applied. The findings suggest that the values of materialism and innovativeness have significant and positive effects on the self-congruity of the IKEA brand. However, the values of nostalgia and ethnocentrism have no significant impacts on the self-congruity of the IKEA brand. The findings can provide a new insight into how consumer culture influences self-congruity in the Chinese market. Further research could extend this study to other brands or product categories. It could also examine the same brand across other cultures, as different choice of the brand might lead to different results. This study did not consider demographical factors such as gender, age, education, or incomes.

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**How to Create A Brand Strategy for SMEs Using Licensing:
An Exploratory Case Study**

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Abstract

The goal of this paper is to examine whether and how brand licensing can be an appropriate marketing tool for the development of a brand strategy in footwear SMEs. The article is based on qualitative research methodology by adopting the multiple case study approach. Main results shows that licensing proves to be effective and that a multi-stage process of development exist that is common within footwear SMEs using brand licenses.

How to Create A Brand Strategy for SMEs Using Licensing: An Exploratory Case Study

Introduction

The international footwear market has been characterized over the last decades by significant changes in terms of demand, supply and distribution (Buxey, 2005; Camuffo, Furlan, Romano, & Vinelli, 2008; Moore & Fairhurst, 2003). It has also been led by an evolution in consumer buying behaviour as well as changes in competitive dynamics.

Shoe companies are increasingly resorting to international outsourcing and the decentralization of production (Belso-Martinez, 2008; Cutrini, 2011; Verdu, Gómez-Gras and Martínez-Mateo, 2012) with the aim of regaining competitiveness. These operators, initially placed in the low-end market, have rapidly increased the quality of their productions. On the other hand, the concentration of fashion distribution networks in mature markets, the development of large-scale retail formats in emerging markets and the demand stagnation in western economies have enhanced a re-thinking of the management and marketing strategies within the footwear industry. These aspects are even more evident if we consider that, from the year 2000 onwards, the leading fashion brands have been entering the footwear market to create their own brand of shoe-collections, in addition to their primary offering of apparel or leather goods.

It follows that brands have become a pivotal factor for firm success in both domestic and foreign markets, thanks to the assimilation of fashion and luxury logics even in the footwear sector (Aage & Belussi, 2008; SDA Bocconi, 2007; Vale & Caldeira, 2007). This process of ‘upward convergence’, moreover, has been pursued by many manufacturing companies that, in the last few years, have positioned their products in the high-end / luxury fashion market. In this scenario, and with new competitive rules, footwear companies are experiencing the need to develop new business models and adopt different approaches to branding (Gregori, 2005).

Inserire capoverso importante

In questo contesto in cui la politica di branding risulta di primaria importanza nel settore si evidenzia le difficoltà delle piccole imprese nello sviluppare una politica di marketing di sostegno alla competitività; in tal senso risulta interessante esaminare il fenomeno del licensing:

spiegare brevemente

far comprendere l’originalità della nostra prospettiva

In order to provide an in depth understanding of the opportunities related to the use of licensing as brand development strategy in footwear SMEs, the research objectives of our paper are:

- To investigate “whether” and “how” brand licensing can be an effective tool for footwear SMEs interested in developing a brand strategy;

- To observe the existence of a common process followed by footwear SMEs in the use of brand licenses.

To this end, this study is mainly exploratory and based on a qualitative research approach applying a multiple case study methodology. The firms under investigation are five Italian footwear SMEs characterized by a brand portfolio composed of both owned and licensed brands.

Literature Review

Branding in SMEs

Current world competition makes necessary for SMEs to overcome the traditional product-oriented and sale-oriented strategies in favour of a more brand-oriented strategy (Anarnkaporn, 2007). Branding can represent an effective competitive strategy for SMEs (Abimbola, 2001) which allows firms to offer a superior value to customers by enhancing market-based factors such as brand and reputation (Abimbola & Kocak, 2007). In addition, branding increases firm performance both in the domestic and international context (Berthon, Ewing & Napoli, 2008; Wong & Merrilees, 2007, 2008).

Brand management in SMEs represents a fruitful domain for empirical investigation as little knowledge on the topic has been gained from the managerial and academic points of view. There are a number of well recognized characteristics that differentiate SMEs from their larger counterparts. These factors inevitably impact brand management in SMEs (Mitchell, Hutchinson & Bishop, 2011; Spence & Essoussi, 2010;).

In this vein, an important aspect highlighted by the literature is the pivotal role played by the entrepreneur in SME branding. In particular, the entrepreneur's experience, creativity and knowledge of brand management seem to be influential in the adoption, perception and success of branding strategy within SMEs (Krake, 2005). Furthermore, brand definition and identity tend to be based upon the owner managers' sets of associations.

From an organizational perspective, brand management is commonly undertaken in SMEs by the entrepreneur himself/herself or by a small management team (Krake, 2005; Ojasalo, Nätt & Olkonen, 2008). However, as SMEs have more flexible structures and processes than the large companies, it is not uncommon that brand management is shared between different management parts and teams, in and out of the SME organization (Abimbola & Kocak, 2007). Additionally, it has been found that SME brands are built through a multi-stage exploratory process, with minimum brand planning, in a spirit of trial and error based on risk-taking, commitment, creativity and willingness to learn (Centeno, Hart & Dinnie, 2013).

SMEs, it needs to be noted, have a narrow interpretation of what branding is although different levels of brand orientation and brand archetypes can be identified (Wong & Merrilees, 2005). According to Wong and Merrilees, a series of 'brand barriers' would hinder the development of branding in SMEs: they are the unavailability of financial

resources, time and managerial skills which are an obstacle to long-term brand building and management.

As regards strategies, Krake (2005, 235) agrees with Keller (1998) and states that SMEs should focus on one or two strong brands 'in order to prevent consumer awareness (and their budget) being frittered away on meeting the needs of several brands'. The two authors also find that co-branding strategies, cooperation with other businesses and corporate branding are underused SME strategies (Krake, 2005). However, an empirical study by Spence and Essoussi (2010) shows different results, finding that a number of brand strategies are available for SMEs: they diversify their brand activities - new products lines / additional brands to the existing ones, acquisition of new brands, licensing agreements - with the overall aim to ensure the firm's self-financed growth and the spreading of risks over several segments. As stated by Ojasalo, Nätt and Olkonen (2008), this aspect needs to be further researched.

Other interesting considerations can be expressed with reference to the marketing-mix, which is required to be coherent with brand identity and brand values. The primary emphasis is generally placed on the product, which should be 'distinctive', and then on 'any other marketing activities, such as distribution' (Wong & Merrilees, 2005, 157). In regard to communication strategy, Cioppi and Pencarelli (2009) find that SMEs generally adopt a relational and intuitive approach, rather than a structured one. This is due to the dominant culture in SMEs, but also to the lack of specialists within the firms.

The literature on SMEs has also stressed the importance of 'creative marketing programs' to support both brand awareness and brand image (Gilmore, Carson, O'Donnell, & Cummins, 1999). Moreover, Spence and Essoussi (2010, 1041) have outlined that 'in the international arena, an efficient brand building and management program should consider creativity. It should also focus on strong associations developed by the firm or its partners and be based on low cost communication schemes to enhance the brand'. However, this may imply an approach to branding that it is more tactical than strategic.

Brand Licensing

Brand licensing can be defined as an agreement through which the *licensee* acquires the right to use the brand name owned by the *licensor* to manufacture, sell, promote and distribute a product in a defined territory and for an established period of time (Giannelli & Saviolo, 2001). Against this right, the licensee agrees to pay a *royalty* to the licensor, determined as a percentage of the revenues generated by the licensed asset.

Licensing agreement, it needs to be stressed, differ from the apparently similar manufacturing contracts as it recognizes extensive rights and much more autonomy to the licensee (see Box 1).

[Table 1]

Marketing scholars and practitioners have increased their interest in the area of brand licensing recently, as branding has assumed a centrality for company success. In addition, the licensing sector has become increasingly popular, with estimated royalty revenues of \$5.655 billion in U.S. and Canada in 2013 (The International Licensing Industry Merchandisers' Association, 2014).

To the best of our knowledge, the first academic contributions on brand licensing were Quelch (1985) and Meyer, Tinney, C.H. and Tinney, T.J (1985). More recent studies include Bass (2004), Saquib and Manchanda (2008), Weidmann and Ludewig (2008), the last two ones about the consumer's perceptions of licensed products. Nevertheless, the studies in academia are still underdeveloped.

Brand licensing is a typology of an inter-organizational branding alliance involving companies operating in different merchandising sectors (Bertoli, 2005). In the fashion industry, it represents one of the most widespread typologies of strategic alliance between operators (McKelvey & Cobbs, 2009; Wigley & Provelengiou, 2011). Indeed, licensing has played a key-role in the development of the Italian and international fashion sector, proving itself as an effective formula that can be adopted by all the actors along the supply-chain, including manufacturers, retailers, and fashion designers.

Licensing enables firms to accomplish multiple goals (Jayachandran, Kaufman, Kumar, & Hewett, 2013). In the licensor's perspective, the primary objective of licensing is to leverage the brand for growth in other merchandising sectors (*brand extension*) taking advantage of the licensee's production knowledge and expertise and without the expense and risks of direct entry (Colucci, Montaguti & Lago, 2008; Quelch, 1985). Used appropriately, apart from revenue generation, licensing can help the brand owner enhance brand equity.

For the licensee, the primary goal of licensing is to develop a profitable business (Jayachandran et al., 2013). To this end, the licensee is not interested in getting the brand *per se*, but rather the resources of the image, reputation, customer loyalty, relationships with distributors attached to it (Bertoli, 1995; Milewicz & Herbig, 1994). Not only that, but the licensee can also benefit from the brand owner's stylistic expertise and achieve economies of scale in the manufacturing process (Giannelli & Saviolo, 2001). Besides, it has been argued by Bellman (2005) that licensing can represent an alternative, for the licensee, to the building of a new brand image.

Despite these advantages, there can also be potential risks with brand licensing, as the licensor and licensee may behave opportunistically (Colucci, Montaguti & Lago, 2008). More specifically, concern of brand dilution arises for the licensor if the licensee offers a product of lower quality than that was originally agreed upon, sells their product through inappropriate distribution channels, or offers lower prices in its market (Jayachandran et al., 2013) to rapidly increase profitability. Conversely, the licensee can be apprehensive about insufficient support from the licensor (e.g. marketing support, technical assistance) (Quelch, 1985) or about the licensor's decision to replace the licensee or enter the market directly. In this vein, a common

problem for most licensees is to become too dependent on the licensed brands for their business.

The literature review revealed a paucity of scholarly activity on brand licensing in SMEs, with very little attention paid to the licensee's perspective. We also found the need for a more in-depth investigation into an efficient brand development strategy for SMEs (Spence and Essoussi, 2010). Furthermore, results revealed that few studies exist about the footwear industry in comparison with other fashion sectors. Thus, this paper seeks to fill these research gaps.

Methodology

These research objectives suggest an explorative investigation and a choice of qualitative research methodology to generate deeper understanding on the above outlined topic (*Grounded Theory Approach*, Dubois & Gadde, 2002; Strauss & Corbin, 1998), and discover models and good practice rather than verify theories. In particular, the *multiple case studies* approach (Dubois & Gadde, 2002; Eisenhardt, 1989; Yin, 1984) seems to be an appropriate method to analyze underexplored phenomena such as brand licensing in the footwear sector. Moreover, this method has been used in other studies on SME branding (Krake, 2005; Ojasalo, Nätt and Olkonen, 2008; Wong & Merrilees, 2005).

The five firms selected for investigation observe the quantitative and qualitative parameters identified by Mediobanca for Italian SMEs, which partly differ from the criteria of the EU 2003/361/CE recommendation¹.

All the investigated firms are positioned in the high-end/luxury fashion market and located in the industrial shoe district of Fermo-Macerata - in the Marche Region, Italy – which is one of the highest specialized areas in footwear, both at national and European levels (National Association of Italian Shoe Companies, 2012).

Because it has been stated that ‘a single brand strategy would not fit all SMEs due to their heterogeneous nature and the specificity of their clients’ (Krake, 2005) in Spence and Essoussi, 2010, 1042), a logic of purposeful case sampling has been followed. The criteria adopted are that of the *maximum variation* (Patton, 1991) to assure a certain degree of diversity in the sample. In this way, ‘any common patterns that emerge from great variation are of particular interest and value in capturing the core experiences and central, shared aspects or impacts of a program’ (Patton, 1991, 53).

The criteria considered for constructing the sample include:

- firm dimension (turnover and number of employees);

¹ The Mediobanca criteria adopted in the firm selection are as follows:

- employee number included between 50 and 499 units for medium-sized firms, and lower than 50 units for small-sized ones
- turnover included between 15 and 330 millions for medium-sized firms and lower than 15 million euro for small-sized ones
- independent ownership structure
- belonging to the manufacturing sector.

- width of brand portfolio (number of owned brands and licensed brands);
- international markets served;
- typology of the distribution system.

Table 2 summarizes the main characteristics of the firms investigated, here called Companies Alpha, Beta, Gamma, Delta and Epsilon for privacy reasons. Alphabetical letters are also used to indicate the specific firms' brands.

Each case study was conducted through a first phase of desk analysis and a second phase of in-depth interviews to the entrepreneur. The interviews were conducted from October 2010 to December 2013 with a duration from 60 to 90 minutes. An interview protocol guide with primary research topics was used. During the interview, new topics emerged. The debriefing session reinforced our perceptions and thoughts with reference to what we collected.

[insert Table 2 here]

Case Study Findings

The case study analysis revealed that the use of brand licensing had some interesting implications on the firms' branding and marketing strategies. In the absence of a suitable model to which to refer, in this section, our findings are introduced according to the main issues that emerged from the empirical analysis.

The Adoption of Licensing as a Brand-Strategy

As stated by Krake (2005), the role of brand management within SMEs is strongly influenced by the market in which they operate and by their close environment and constituencies. In this vein, we found that increasing competition by low-cost shoe manufacturers and the demand slowdown that occurred during the 2000s were the primary market factors that led Companies Alpha, Beta and Delta to invest more money into intangible elements. At that time, they all owned at least one brand, but it was internationally unknown or incapable to drive a sustainable business growth.

'At the beginning of 2000s, we tried to place our product on the American market. We experienced several difficulties because we had an excellent quality product but with an unknown name, so we couldn't place it at the right price' (Company Alpha).

Consistent with Wong and Merrilees (2005), who state the existence of 'brand barriers', we observed that the limited budget and time discouraged these firms from investing in own branding. Instead, the entrepreneurs identified brand licensing as an approachable marketing tool to gain 'brand power' in a short time by manufacturing and distributing shoes with well-known fashion brands. It can be assumed that these firms adopted licensing primarily with a brand-building approach, as witnessed by the low ratio of license turnover in their portfolios and by an expression that was common to the entrepreneurs interviewed:

'We treat the licensed brand as they were ours' (Companies Alpha, Delta, Epsilon)

'Our intention has never been to get a brand license to exploit it and leave when the brand has given in' (Company Epsilon)

The licensed brands generated between 70% and 97% of the total licensees' turnover. Company Alpha's turnover, in particular, increased five-fold from 2005 to 2010. These results were obtained as the licensees could benefit from the consumers' propensity to extend the positive values associated with the brand image in its core-business to footwear products.

On the other hand, Company Gamma's decision to obtain brand licenses was mainly driven by the opportunity of using the licensor's distribution network with the purpose of increasing sales and entering new markets. Company Gamma, thus, seemed to adopt licensing more as a 'trade marketing strategy' rather than a brand strategy. It needs to highlight that these findings are inconsistent with Krake (2005), who argues that SMEs do not engage in co-branding strategies. Conversely, they support the results of Spence and Essoussi (2010).

The Creation of a Licensed Brand Portfolio

After the acquisition of the first license, the companies started the creation of a 'licensing brand portfolio'. Company Beta was able to manage a portfolio of five licensed brands, progressively acquired between 2004 and 2011. Similarly, Company Alpha, which was in the early-stages of the licensing strategy, added a second brand license to its portfolio in 2009. Company Delta acquired a second license in 2005, two years after their first agreement.

We can argue that the acquisition of further licenses responded to the licensee's need of staying competitive on the market and reducing the licensing business risk.

'One of the main risks of licensing is that you can lose the license suddenly. Many friends of mine have experienced this situation... We are looking for other brand licenses to protect ourselves from the high uncertainty of the licensing. License agreements last three, four years' (Company Delta)

Company Epsilon, instead, had found in brand licensing the key to running a multi-brand strategy based on the co-existence of both their owned brands and licensed brands. Their aim was to diversify the business by entering also into complementary sectors, such as apparel, leather goods, and accessories, to ensure sustainable growth on the market.

'In the Seventies we launched our first own brand 'D'. It represented our turning point from a product-oriented company to a more market-oriented one. Since then, we have developed our vocation to become a multi-brand company' (Company Epsilon).

However, the creation of the licensed brand portfolio did not follow a planned strategy in Company Epsilon; rather, it resulted from some interesting marketing opportunities that emerged over time.

'We have never planned to be specialist in licensing: we have always had both licensed and owned brands' (Company Epsilon).

'The brand 'B' is surely the most important for us. We started the partnership with this little known fashion designer but things changed very quickly and B had a boom on the market. Although this product has had such a success, we worked with no planning. Merely, my father had immediately a great feeling with [name of the designer] and grasped it was a very brilliant person' (Company Epsilon)

Moreover, the process of product range expansion was common to all licensees who invested in the creation of the brand licenses portfolio.

Company Alpha added two new shoe-lines, one for women and one for kids, to what was primarily a men's collection. Company Beta, whose core business was in the children's footwear market, started the production of women's shoes under their owned brand and of men's/women's shoes under the licensed brand. Regarding Company Gamma, the firm did not consider the expansion of the licensing brand portfolio a strategic priority to pursue in the short term. Consequently, they continued to focus only on the luxury men's shoe target.

However, the acquisition of several brand licenses had the potential risk of "brand overlapping" (Giannelli and Saviolo, 2001). Hence, we noted that the licensees were aware of this risk and were involved in avoiding it:

'It is true, our brands share the same market target (that of kids) and the same style but we do not have any problems... In each brand we put a lot of effort in terms of R&D and of attention to design and style. Our brands are different from each other... and each of them has a different appeal on the consumer' (Company Beta).

A further aspect that emerged from the analysis was that the acquisition of the new licenses was fostered by the success of the previous licenses in the portfolio. These, indeed, played an important role in attracting the new licensors, or in persuading the current licensors to assign their brand license to other product lines.

'With the brand 'L', we looked for the license...but, in case of the brand 'H', it happened the contrary. The brand owners knocked at our door as they knew that we were the licensee of the brand 'L' (Company Alpha).

'Being the licensee of a luxury brand such as 'S' has enabled us to attract several new potential licensors' (Company Delta).

It should be emphasized that the management of a wide brand portfolio led the investigated firms to obtain synergies and economies of scope in their production, marketing and distribution activities. In some cases, the business growth they experienced also required a re-organization of the manufacturing process and a development of new managerial and marketing tools, like Customer Relationship Management policies and new software.

The Building of a Strategic Brand Portfolio

A phase of ‘strategic brand portfolio building’ followed the creation of the licensed brand portfolio. We observed that, after several years of licensing, the licensees started to invest strategically in the development of their own branding.

Company Beta, which acquired the first license in 2004, launched a new brand ‘M’ in 2006 and invested in the restyling of its historic brand ‘C’, in 2008. Brand ‘M’ had great success on the market, resulting in a 25% turnover growth reached three years following the launching.

Company Alpha launched its first men’s shoe collection in 2013 under the new owned brand ‘J’, with the goal of entering the northern European market.

Company Delta began a communication and marketing campaign in 2011 to develop the awareness and the image of its unique owned brand. The firm’s main purpose was, in this case, to reduce its dependence on licensed brands.

Company Gamma established in the market share growth of its owned brands the strategic goal to pursue, in order to create a more-lasting base for business success and reduce dependency on third-party brands.

Additional findings derived from the case of Company Epsilon, as they adopted an approach towards brand development strategy that was quite different from the other licensees. We found that Company Epsilon did not discern between licensed and owned brands in the strategy formulation and that, over time, the development of licensing occurred simultaneously with the development of their own brand strategy.

‘We do not decide to put our effort now on this brand and later on that one. These are the brands that we have in our portfolio and we invest on all of them, without taking into consideration if they are licensed or owned ones. Our brand strategy does not discern goals and resources between licensed and proprietary brands’ (Company Epsilon).

‘We would strength our market positioning in the women target. The problem is that we do not feel to have the appropriate production expertise for accomplish this goal, the choice of the brand [if licensed or proprietary] is less important’ (Company Epsilon).

An interesting aspect to highlight is that, in 2011, some circumstances led Company Epsilon to buy the licensed brand ‘B’, which had been in their portfolio as license for more ten years. This represented a milestone in the history of Company Epsilon, as brand ‘B’ enjoyed a worldwide image and had an impact, on the total annual turnover generated by the firm, of almost 64%.

The Distribution Strategy

Our study also suggested that licensing has the potential to create important opportunities in terms of distribution strategies for firms.

Company Beta realized a downstream integration process with the aim to support the brand strategy and approach the final market. To this end, Company Beta was able to establish a network of over 40 stores – among flagship and direct stores, located both in Italy and abroad - and start online shopping through their website.

Company Alpha, instead, created a joint-venture with the brand owner of ‘A’ for the opening of two flagship stores, respectively in Italy and in Germany, and of a show-room in Milan for selling to the trade. Furthermore, they sold their shoes in several corners and shops-in-shops in department stores abroad.

Company Epsilon adopted both a wholesale and retail distribution strategy. At the wholesale level, Epsilon counted on a network of sale agents and representatives while, at the retail level, they operated through more than 150 stores (flagship and multi-brand stores) worldwide.

With reference to Companies Gamma and Delta, their distribution strategies were of an indirect type. Company Gamma, particularly, invested a great deal of effort into trade marketing to develop relationships with international buyers. They then adopted a selective strategy, by placing their collections in specialized luxury stores located inside big malls in China and Russia.

Company Delta had some sale agents and representatives selling its shoes on international markets. However, a part of their licensed products were sold through the licensor’s distribution network.

An important aspect that emerged by the analysis was that the licensees were able to successfully integrate the sale of all the brands in their portfolio, both licensed and owned. Many shops were also organized for the integrated sale of shoes, clothing and accessories. This created meaningful complementarities in distribution and marketing activities of the different product lines.

However, we found that sharing with other brands the same distribution network damaged Company Delta, which experienced a decrease in the sales of their own brand shoes.

‘I think that the sale decrease of our brand ‘V’ is partly due to the fact that we share the same distribution network of the licensed brand ‘I’. However, two separated sale networks are very complex and expensive, and we cannot afford them’ (Company Delta).

Company Gamma, instead, seemed to adopt a more opportunistic behaviour, in line with their approach towards licensing:

‘We offer products with the same high quality level of those under licenses but with a lower price. In this way, we can place our products easier as international buyers, due

to economic constraints, sometimes prefer to buy our shoes which have more competitive prices' (Company Gamma).

In light of these results, we argue that brand licensing helped footwear SMEs to reinforce their distribution system and adopt strategies typical to that of modern fashion companies (Bruce & Katz, 2007; Moore & Birtwistle, 2004).

Discussion

This study explored how footwear SMEs can use licensing in terms of a brand strategy. The cases investigated were of interest as they were well-established, self-financed footwear family firms whose characteristics were in line with the parameters identified by Mediobanca for Italian SMEs.

This paper contributes to the literature of SME brand strategy and brand licensing, which we found to be underdeveloped within academia. According to our findings, licensing seems to have proved to be an original marketing tool for the development of a brand strategy in footwear SMEs.

According to Abimbola (2001), Abimbola and Kocak (2007) and Anarnkaporn (2007), in the new changed market, footwear SMEs need to focus more on market-based factors, such as brand and distribution, in order to compete better. Brand license proves to be an effective tool for footwear SMEs to build an appropriate branding practice and spur their growth over time. In this way, our study specifically contributes to the development of research on SME brand strategies able to sustain a self-financed business growth (Spence & Essoussi, 2010).

Brand licensing shows the potentiality of helping the firm overcome in short time the *brand barriers* that SMEs generally encounter, that are the unavailability of financial resources, time and skills (Wong & Merrilees, 2005), thanks to the approachability of the royalties and the limited financial investment initially required. Moreover, licensing enables SMEs to manage a broad portfolio of brands and some meaningful synergies generally come to arise between brands in relation to distribution and marketing activities. These results appear to be in contrast with Krake's findings (2005), who argues that co-branding strategies and cooperation with other businesses are underdeveloped in SMEs and that SMEs should focus just on one or two strong brands in order to avoid consumer awareness dilution and financial budget constraints. Conversely, we agree with Spence and Essoussi (2010) in sustaining that acquisition of more brands, use of licensing agreements and diversification in new product lines are strategies available also for SMEs and not exclusively for the big-sized fashion companies.

Thanks to the approachability of the royalty fees, licensing allowed firms, such as Companies Alpha, Beta and Delta, to benefit from the image and reputation of well-known licensed fashion brands. In this way, they could overcome the limits to brand management caused by limited financial resources, poor managerial skills and time constraints, identified as 'brand barriers' in Wong and Merilees (2005). In Company Epsilon, the largest organization and the most experienced in both licensing

and branding, brand licensing primarily represented a key to developing a multi-brand strategy and pursuing business diversification.

Only in the case of Company Gamma did we find that the firm adopted brand licensing as a trade marketing tool, to take advantage of the licensor's distribution network and develop relationships with international buyers.

Thanks to the partnership between the licensee and well-known fashion brands, we found in our study that footwear SMEs starts the formulation of a distinctive marketing mix that is coherent with the identity and values of the brands in portfolio and in line with their overall strategy. As argued by Cioppi and Pencarelli (2009) with specific reference to the Italian context, the creation of structured marketing programs is generally lacking in SMEs; however, they are essential for positive firm performance in both domestic and international markets (Gilmore et al., 1999; Wong & Merrilees, 2005; Spence & Essoussi, 2010).

Another pivotal aspect highlighted by our research is that brand licensing proves to be a powerful tool for SMEs to gain the required brand management expertise for enhancing the development of the owned core-brands and continuing on the path of a self-sustained business growth. More specifically, brand-building via licensing is based, according to our results, on a process composed of three primary stages, a sort of "licensing life cycle". However, this sequential process does not appear to be straightforward as SMEs acted with little planning, following opportunities created by market opportunities or personal relationships. This aspect supports Centeno, Hart and Dinnie (2013) who sustain that brand-building in SMEs implies much experimentation stimulated by a quest to develop new skills and core competences.

From an organizational point of view, our study finally suggests that, conversely to Krake (2005), a successful brand strategy in SMEs is not based necessarily on brands that reflects the entrepreneur's character and values. It instead emphasizes the important role played by the entrepreneur as the person who determines how much attention his/her organization has to devote to brand management.

This paper also contributes to the development of the literature on brand licensing by adopting the licensee's perspective. According to Bertoli (1995) and Milewicz and Herbig (1994), our finding confirms that the licensee's primary goal is getting the resource of image, reputation, customer loyalty, relationship with distributors attached to the licensed brands. These resources appears to be pivotal for the development of a successful and profitable brand strategy. Another aspect confirmed is that the licensees take advantage from the brand owner's stylistic and, most of all, marketing expertise (Giannelli & Saviolo, 2001).

Licensees in our study are aware of the risk of being too much dependent from the licensor (Colucci, Montaguti & Lago, 2008; Quelch, 1985) as well as of the risk of cannibalization between the brands in portfolio. We found that the enlargement of the brand portfolio, the diversification in new product lines and the development, in the final stage, of an own branding are effective strategies for the licensees in order to prevent these risks.

Conversely to Bellman (2005), who sustains that licensing can represent an alternative for the licensee to the building of a new brand image, it can be argued that brand licensing appears more as an intermediate stage, useful for licensees to develop the managerial skills and reputation required for the development of an own brand strategy.

The analysis of SMEs with heterogeneous characteristics was really helpful in the identification of a common path in the use of brand licensing. More specifically, we were able to distinguish three main stages in the process of brand strategy building via licensing undertaken by the footwear SMEs: the acquisition of the first license, the development of a coherent licensing brand portfolio, and the strategic brand portfolio building.

In the first stage, the *acquisition of the first license*, the companies had the aim of gaining the advantages of branding and differentiate themselves on the market by using a tool which implied a small financial investment. The licensees generally had at least one owned brand in their portfolio, but it was insufficient to sustain the business's growth on the domestic and international markets.

In the second stage, the *development of a coherent licensing brand portfolio*, the licensees acquired new licenses or obtained from the current licensors the right to manufacture and distribute shoes for new target markets. In this phase, the companies appeared to become a sort of 'licensing specialists' by evolving from 'footwear firms' to 'fashion firms'. The creation of a licensed brand portfolio was a driver for both product range enlargement and both business diversification - Company Epsilon succeeded to diversify its business by entering the sportswear and accessories sectors and the kids market -. Moreover, it significantly contributed to self-financed business growth as most of the turnover came from the licensed brands.

The third stage consisted of *strategic brand portfolio building*. Commercial and marketing expertise acquired through licensing, as well as financial resources derived from it, were invested by the licensees into the development of their own brand strategy. Licensing was not abandoned in this stage; however, the licensees identified a strategic priority in the development of their own branding and in the market share increase of their owned brands. Company Epsilon was found to be at the highest development level of this third stage: the firm was able to create a well-structured portfolio of both licensed and owned brands, acquiring ownership of those licenses holding a strategic position within the brand portfolio.

Figure 1 illustrates our proposed model of brand development strategy via licensing in footwear SMEs.

[insert Figure 1 here]

Another finding of our research was that the creation of a brand strategy via licensing also affected the licensee's marketing strategies, creating important synergies that came to benefit all the brands in the portfolio.

We indeed observed in the footwear SMEs investigated, that, following the brand licensing adoption, some changes occurred in their distribution policies. More specifically, on the one hand, they adopted direct forms of distribution (flagship stores, mono-brand and multi-brand stores, showrooms) by re-shaping the configuration of their vertical channel relationships; on the other hand, the licensees were able to deal with the trade better by counting on a portfolio of well-known brands. This resulted, therefore, in an overall major control of the distribution function by the companies investigated.

MANAGERIAL IMPLICATIONS, LIMITATIONS AND FUTURE RESEARCH

In regard to managerial implications, this study illustrates the modalities and paths entrepreneurs of footwear SMEs can adopt to create a brand strategy via licensing. Brand licensing proves to bore positive results for the SME licensees in terms of market differentiation, risk diversification and sustainable business growth.

Further, important complementarities are achieved between the new licensed brands and the existing ones, particularly with reference to the use of the same distribution channels to increase market penetration. In light of these results, entrepreneurs should be aware of how a traditional tactic tool, such as a brand license, can be used strategically to develop long-term branding. The main risks of licensing is indeed the adoption of a short-term view by the parties, which may affect the brand equity and create disadvantages for both the licensor and licensee.

This research presents some limits due to the small number of cases studied and the absence of a broadly accepted model to which we refer for the building of a brand strategy via licensing. Moreover, the study lacks an analysis of the different positioning of the brands within the licensee's portfolio, as that could influence licensing policy choices and outcomes.

Future studies could investigate a major number of cases in order to analyze the homogeneity/heterogeneity of the SMEs approaches towards licensing. To improve and test the model of brand-building via licensing presented here, particularly helpful would be the case analysis of SMEs operating in other fashion sectors and/or located in different geographic areas. Another issue to study in more depth is related to the opportunities of market internationalization for fashion firms adopting licensing, as we found in our analysis some indications to this end. Finally, we also believe that the study of the licensor-licensee relationships, and their evolution over time, need further research in the field of fashion, by adopting a relationship marketing perspective and simultaneously considering the licensor's and licensee's points of view.

Table 1: Differences between Contract Manufacturing and Brand Licensing

Contract Manufacturing vs. Brand Licensing

Contract manufacturing involves outsourcing the manufacturing of a product to a CM (contract manufacturer) with the purposes to reduce the OEM's (original equipment manufacturer) labour costs, free up capital and increase their worker productivity (Arruñada & Vázquez, 2006). Through this agreement, the OEM maintains complete ownership of the product and pays the CM for the number of pieces they manufacture.

In brand licensing, the licensee maintains the ownership of the physical product (but not that of the brand) and the licensor receives a royalty fee, calculated as a percentage of the revenues generated by the product.

It follows that brand licensing puts most of the risk on the licensee, e.g. in case of shortage of sales. The licensee may be also required to pay, by contract, a minimum of royalties to the licensor regardless the product sale generated.

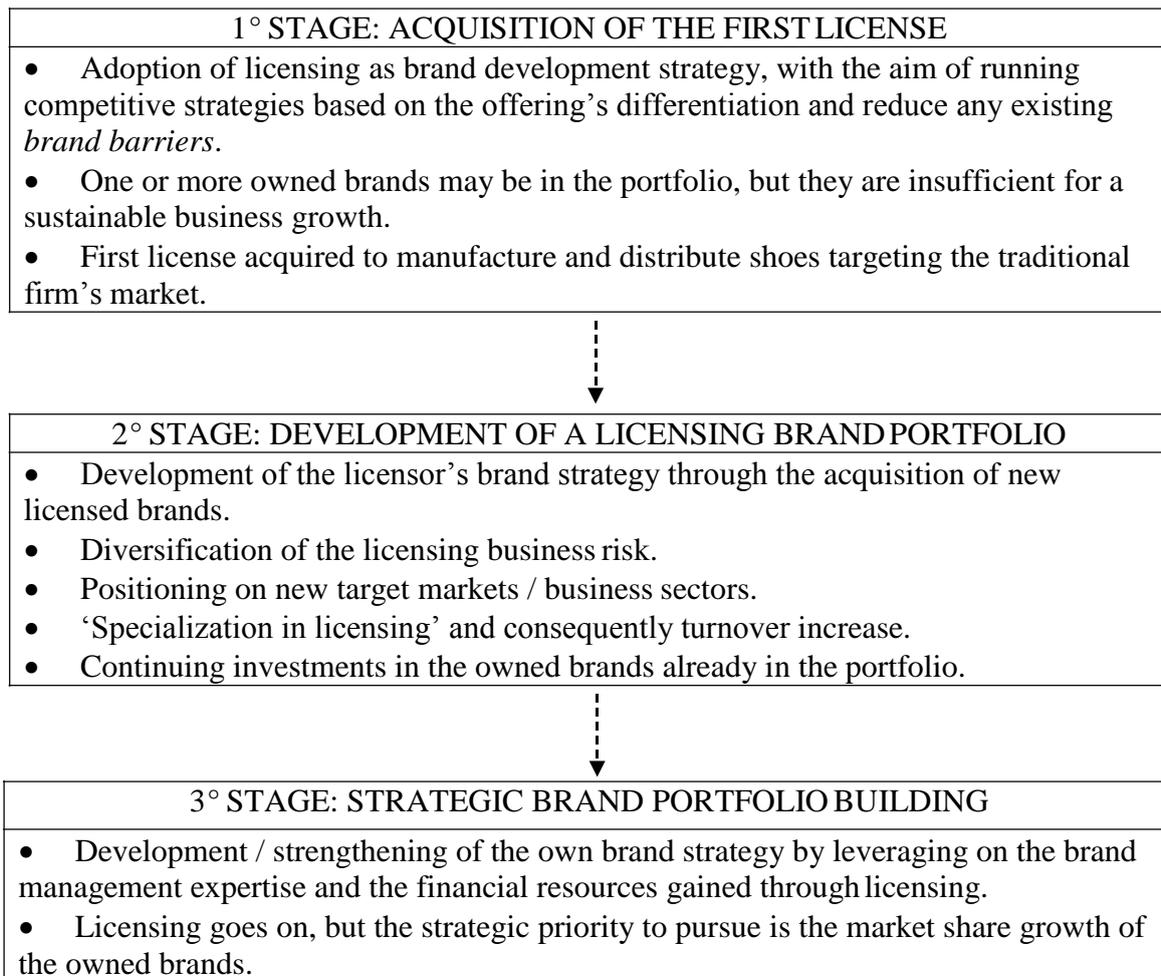
Another important aspect to highlight is that brand licensing agreements may imply just the manufacturing of the product or both the manufacturing and distribution of the product. In the latter case, the licensee manages the distribution process on behalf of the brand owner, as well as the relationships with trade and customers.

Source: Elaboration by the authors

Table 2: Primary characteristics of the firms selected and investigated

	Company Alpha	Company Beta	Company Gamma	Company Delta	Company Epsilon
2012 Revenue	8,681,800€	45,405,400€	16,791,000€	16,528,200€	119,397,100€
Number of employees	30	176	60	60	437
Business sector	Footwear	Footwear	Footwear	Footwear	Footwear, Apparel, Sportswear Accessories
Market targets	Men, Women, Kids	Men, Women, Kids and Teens	Men	Men and Women	Men, Women and Kids
Starting year of licensing	2006	2004	2004	2003	1996
Number of owned brands	2	2	2	1	6
Number of licensed brands	2	5	2	3	5
International markets served	Europe U.S. Japan	Europe (Mediterranean area) Russia Japan	U.S. Russia China	Europe Russia, U.S. Middle East China and Japan	More than 40 countries worldwide
Type of distribution system	Mainly indirect, exhibitions	Both direct and indirect, exhibitions	Indirect, exhibitions	Indirect, exhibitions, hotels	Both direct and indirect, exhibitions

Figure 1: The model of the brand development strategy via licensing



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Exploring Store Characteristics for Propagation of Electronic Word of Mouth in Online Social Media Marketing

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Abstract

This paper explores the effect of store characteristics and interpersonal trust on formation of attitude and intention to pass along electronic word of mouth about online stores which use online social media marketing. Store Brand Knowledge, Store Reputation, Perceived Store Size and Perceived Store Risk have been considered as antecedents of trust. The proposed conceptual model based on existing literature is empirically verified with 424 Online Social Media users employing Partial Least Square. This study is among the very few empirical investigations done on antecedents of trust in Online Social Media Marketing focusing only on consumer perceived store-controlled factors.

Keywords: Social Media Marketing, Trust, Store Characteristics, Consumer Perception, Social Commerce, Electronic Word of Mouth

Exploring Store Characteristics for Propagation of Electronic Word of Mouth in Online Social Media Marketing

Introduction

The emergence of Online Social Media Marketing (OSMM) or Social Commerce (s-Commerce) has created a new effective avenue to marketers for promotion of their offerings to a large audience. This new medium infuses more trust to the marketing messages as customers can help a message go viral in order to reach millions of people in a short time span and all of them are empowered to voice their opinion. Moreover, friends, relatives, peer group and other influencers can play a vital role in the decision making process in this age of OSMM. This huge potential of OSMM provides scope for research opportunity to understand and utilize it better. Thus, OSMM has reduced advantage of large and reputed online stores by creating a level playing field for the new ones. Small online stores can compete strongly against their bigger rivals (Gramigna, 2015) by properly utilizing OSMM or s-Commerce to stimulate their target audience with the right message in order to achieve their goals.

Achieving trust of the target consumers may play a significant role in fulfillment of these goals, as trust facilitates relationships to evolve and change over time (Czepiel, 1990). Thus, many e-Retailers attempt to increase the feeling of their social presence by supporting two way interactions between online shoppers (Karimov & Brengman, 2011) by utilizing different kinds of social media applications in their bid to enhance consumer trust.

Still, there is a lack of research on the role of trust in the context of OSMM. Based on the Theory of Reasoned Action and the Theory of Planned Behaviour, the current study explores four perceived online store characteristics (brand knowledge, reputation, size and risk) which may lead to formation of trust in the store. This in turn may build positive attitude towards the store and give rise to generation and propagation of e-WOM. The significance of the total effect of these four perceived store characteristics on propagation of e-WOM has been evaluated. Besides this, the research also explores the direct influence of trust on e-WOM and the mediating role of attitude between trust and e-WOM.

The primary data used to understand this phenomenon has been collected from 100 random participants of an online survey conducted on students of prominent Indian technological institutes. Partial Least Square has been used for validating the hypotheses. The implications of the study specifically in the context of brand building and customer relationship management for young consumers in emerging markets are discussed. Limitations of the research findings and scope for further research are also elaborated.

The results indicate that perceived store risk and store brand knowledge are significantly related to trust in an online store. Although, trust and attitude both are significant factors for formation of intention to pass along e-WOM, attitude plays a negligible role as moderator between trust and intention to spread e-WOM.

Henceforth “online store” used throughout the text indicates stores which maintain their profiles on one or more Online Social Media (OSM). In the next section, existing literature on trust and various store characteristics is reviewed followed by a proposed conceptual model. Later, research methodology utilized is discussed in detail. The penultimate section reports the result and the final section discusses the research findings as well as limitations of the present study and scope for future research.

Theoretical Foundations

Several research papers have focused on trust in virtual communities (Breneman & Karimov, 2012; Jarvenpaa, Shaw, & Staples, 2004; Laroche, Habibi, Richard, & Sankaranarayanan, 2012; Ridings, Gefen, & Arinze, 2002). A few research papers have elaborated on the role of trust in OSM, (Fuchs, 2011; Valenzuela, Park, & Kee, 2009), and a few have discussed it in the context of S-Commerce (Esmaeili, Mardani, Mutallebi, & Golpayegani, 2015; Shin, 2013). But very few papers have empirically proven the relationship between antecedents of trust and the outcomes in OSMM (Chow & Shi, 2014; Hsiao, Lin, Wang, Lu, & Yu, 2010; Kim & Noh, 2012; Pentina, Zhang, & Basmanova, 2013). But the antecedents discussed in these papers, instead of focusing on a single dimension, have been collected from varied aspects (e.g. characteristics of store, consumers' online community, message properties, consumer characteristics etc.), which are often outside the scope of the online stores.

Apparently, many people believe this new form of marketing as another version of e-Commerce. But researchers have suggested that consumer trust in e-Commerce may not necessarily translate to trust in s-Commerce (G. Bansal & Chen, 2011). Managing reputation, brand image and brand awareness is more difficult in the age of OSMM which facilitates fast, free and influential communication among fellow consumers, while depriving the companies of some of the freedom that they enjoy in building their websites by putting forward some inherent design restrictions on the pages of companies maintained in different OSM (e.g. dimension of the profile picture and banner of the page, dimension of images shared, capability to share audio/video, variations in the text font etc.). Thus, OSMM is different from traditional e-Commerce.

The present research study utilizes earlier research work on trust in OSMM context as foundation and investigates the effect of only those perceived variables which are under sufficient control of online stores. Thus, the effect of perceived store risk (PSR), perceived store size (PSS), store brand knowledge (SBK) and store reputation (SR) is investigated for their role on trust (IPOT) and ultimately on the formation of attitude (SA) and intention to spread Electronic Word of Mouth (e-WOM).

Store Brand Knowledge

A certain level of awareness is necessary to decide on trustworthiness of a store. An earlier study by Yoon (2002) and another report (Greenfield Online, 1998) found that awareness is an important antecedent of trust. Awareness of an online store can influence perception of its associated risk and trustworthiness, helping in the formation of positive attitude towards the store and intention to spread e-WOM (Chung & Shin, 2009).

Hypothesis 1: High level of Brand Knowledge of the online Store positively affects trust in it.

Store Reputation

Reputation is defined as the extent to which buyers believe an online store to be honest and concerned about its customers (Doney & Cannon, 1997). Building positive reputation is a difficult, expensive and time-consuming process and requires consistent relationship-enhancing behavior by the store towards its customers.

Reputation is transferable (Ganesan, 1994; Koufaris & Hampton-Sosa, 2004) and is significantly related to website trust (Yoon, 2002). OSMs can play a vital role in reputation of

stores by offering opportunity to spread information among the users. Thus, a reputed online store has better probability of being perceived as trustworthy.

Hypothesis 2: High reputation of an online store positively affects trust in it.

Perceived Store Size

For evoking consumer's trust, the perceived size of an online store is more important than the actual size (Jarvenpaa, Tractinsky, & Vitale, 2000). Customers trust a large sized store more (Pavlou 2003; Koufaris and Hampton-Sosa 2004) because of its apparent investment, considerable control on suppliers, expertise, necessary support systems (Hsu, 2008) and ability to compensate buyers in case of product failure or faulty transaction.

Hypothesis 3: The perceived size of an online store positively affects trust in it.

Perceived Store Risk

Risk perception refers to the "trustor's belief about likelihoods of gains and losses outside of considerations that involve the relationships with the particular trustee" (Mayer, Davis, & Schoorman, 1995). One does not need to worry about trust if there is no risk involved (Mayer et al., 1995). Reduction in perceived risk acts as a mechanism to increase trust (Resnick, Zeckhauser, Friedman, & Kuwabara, 2000).

Although risk can be present at multiple stages of online transaction, its effect is the most pronounced before trust is built on the seller. This perception can be formed by user comments and group discussions on various social media sites, besides store's reply to user queries and complaints.

Hypothesis 4: The absence of perceived risk involved in transactions with an online store positively affects trust in it.

Trust and Its Effects

Trust is primarily characterized by expectations in the face of uncertainty, vulnerability and dependence (Ganesan, 1994). Interpersonal trust is a psychological state or orientation of the trustor comprising the intention to accept vulnerability based on positive expectations of the intentions or behaviors of the trustee in situations where the trustor needs the trustee's cooperation to attain valued outcomes or resources (Rousseau, Sitkin, Burt, & Camerer, 1998). It arises from a consumer's belief in the ability, integrity and benevolence of the online store (Gefen and Straub 2004; McKnight, Cummings, and Chervany 1998).

The perceived size of the store, its perceived reputation gauged from feedback of existing customers, perceived risk in transactions made with the store and awareness level about it act as some cues to assist consumers trust an online store (Doney & Cannon, 1997). It is quite obvious that perceived risk has a negative effect on trust, while others have positive influence on it.

Earlier studies have found that trust positively influences word-of-mouth communication (Chu & Kim, 2011). High e-Trust is more likely to germinate into positive word-of-mouth in online retailing (Cater & Zabkar, 2009).

Hypothesis 5: Trust in an online store positively affects intention to pass along e-WOM about it.

Attitude and e-WOM

Attitude can be defined as an enduring organization of motivational, emotional, perceptual and cognitive processes with respect to some aspect of the individual's world (Krech & Crutchfield, 1948). It is a learned predisposition to respond to an object, person, issue, or behavior in a favorable or unfavorable way (Rosenberg, 1960; Fishbein and Ajzen, 1975). The amount of affect or feeling for or against intention to pass along e-WOM can be a measure of attitude towards an online store.

In earlier researches, consumer's trust in a store was found to have a significant effect on consumer's attitude towards the store (Macintosh & Lockshin, 1997; Wang & Tseng, 2011).

Hypothesis 6: Trust in an online store positively affects favourable attitude toward it.

Word of mouth (WOM) is defined as "all informal communications directed to other consumers about the ownership, usage or characteristics of particular goods and services or their sellers" (Westbrook 1987:261). Information on products, services, and others can spread from one consumer to another either in person or via communication media (Brown, Barry, Dacin, & Gunst, 2005). WOM that spreads with the use of electronic medium is known as e-WOM. Consumers preference to rely on informal and personal communication sources instead of formal and commercial sources such as advertising make WOM important (H. S. Bansal & Voyer, 2000).

Earlier research work has shown that trust, which is considered as a belief, can indirectly mediate behaviors through attitudes toward the website (Chen & Dibb, 2010). This is in sync with both the Theory of Planned Behavior (Ajzen, 1985) and the Theory of Reasoned Action (Fishbein and Ajzen, 1975), suggesting that beliefs influence attitudes, which in turn affect behavioral intentions. Again, empirical research work has established that perceived security / privacy and perceived website social presence exert positive impacts on website benevolence and credibility, two important aspects of interpersonal trust. Benevolence positively influences consumers' emotional commitment toward the service provider (Walsh, Hennig-Thurau, Sassenberg, & Bornemann, 2010). Credibility and benevolence impact website attitudes directly and influence word-of-mouth indirectly (Toufaily, Souiden, & Ladhari, 2013).

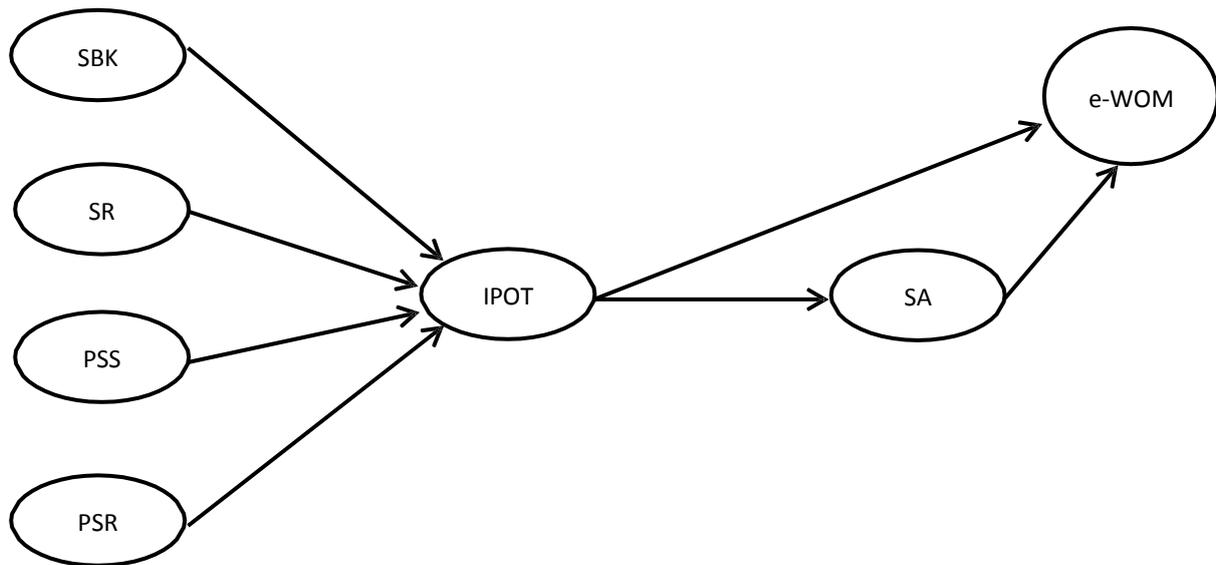
Hypothesis 7: Favorable attitude toward an online store positively affects the intention to pass along e-WOM about it.

Conceptual Model

The conceptual model, shown in Figure 1, depicts the hypotheses that the attitude of consumers towards an online store and ultimately their intention to pass along e-WOM about it is influenced by customers' trust in it. The model is consistent with Theory of Reasoned Action (Ajzen and Fishbein 1980), and Theory of Planned Behavior (I Ajzen & Fishbein, 1980; Icek Ajzen, 1991), which postulate that behavior is influenced by behavioral intention and beliefs can affect intention.

The conceptual model also indicates that willingness to patronize online stores is dependent on the trustworthiness of the sellers, while trust is associated with few characteristics of the online store, vis-a-vis store brand knowledge, store size, perceived store risk and store

reputation, as perceived by the consumers.



Methodology

Sample

Data was collected by means of an online survey conducted on 150 undergraduate and postgraduate students studying in prominent technical institutes in India. 33% of the respondents are female and rest are male. The mean age of the respondents is 23.23 years, ranging from 17 to 42 years, with a standard deviation of 4.40 years. Most of them use internet for more than 3 hours daily. This is in sync with a recent report which revealed that internet has highest penetration among Indian people in this age group (20-25 years) with a majority of male users (Boston Consultancy Group & Internet and Mobile Association of India, 2015). Another report found that Indian internet users spend nearly 5 hours online every day. Therefore, the sample of respondents for this survey represents the Indian OSM users fairly.

Measurement Development

The respondents were asked to choose one of three Indian online fashion retailers- Jabong, Myntra and Zovi. 54.3% chose Myntra, 27.4% Jabong and 18.3% opted for Zovi. The URL of these online stores and link to their social networking pages on Facebook, Google Plus, Twitter and LinkedIn were given to all respondents before the start of the survey to visit their chosen online store and its page on their preferred online social networking site. Since students staying in hostels away from their home are more likely to purchase fashion products than anything else for themselves, this category was chosen.

All constructs were multi-item and adapted from past research with minor modifications to suit the present context, measured on a 5-point Likert scale in the range of 1 to 5, with 1 conveying strong disagreement and 5 denoting strong agreement. Store Brand Knowledge (Bart, Shankar, Sultan, & Urban, 2005) had six items, Perceived Store Size (Jarvenpaa et al., 2000) had two items, Perceived Store Risk (Jarvenpaa et al., 2000) had three items, Store Reputation (Jarvenpaa et al., 2000) had two items, Interpersonal Organizational Trust (Eastlick & Lotz, 2011) had eight items, Attitude (Jarvenpaa et al., 2000) had two items and e-WOM (Sun, Youn, Wu, & Kuntaraporn, 2006) had five items each. Two faculty members and two research scholars in the institute, who are considered heavy users of OSM and online

shopping, reviewed the preliminary items for measurement.

Results

Descriptive Statistics

Table 1 mentions the means, standard deviations, standard errors and Shapiro-Wilk values of the indicator items of the latent variables, while Table 2 display the mean, standard deviation and Chronbach Alpha value of the constructs. All means being more than 50% of the highest possible value show that participants responded positively to the research constructs. Moreover, the data is not normal. Chronbach's α value is more than the standard level of 0.7 (Nunnally & Bernstein, 1994). Thus acceptable reliability of the survey questionnaire is established.

		Statistic	Std. Error	Shapiro-Wilk
Store Brand Knowledge 01	Mean	4.067	0.077	0.000
	Std. Deviation	0.946		
Store Brand Knowledge 02	Mean	3.793	0.064	0.000
	Std. Deviation	0.788		
Store Brand Knowledge 03	Mean	3.927	0.059	0.000
	Std. Deviation	0.724		
Store Brand Knowledge 04	Mean	3.787	0.071	0.000
	Std. Deviation	0.872		
Store Brand Knowledge 05	Mean	3.667	0.067	0.000
	Std. Deviation	0.825		
Store Brand Knowledge 06	Mean	3.680	0.075	0.000
	Std. Deviation	0.922		
Store Reputation 01	Mean	4.347	0.061	0.000
	Std. Deviation	0.742		
Store Reputation 02	Mean	4.080	0.059	0.000
	Std. Deviation	0.728		
Store Risk Perception 01	Mean	3.533	0.091	0.000
	Std. Deviation	1.109		
Store Risk Perception 02	Mean	3.160	0.086	0.000
	Std. Deviation	1.056		
Store Risk Perception 03	Mean	3.360	0.079	0.000
	Std. Deviation	0.971		
Perceived Store Size 01	Mean	3.713	0.068	0.000
	Std. Deviation	0.838		
Perceived Store Size 02	Mean	3.740	0.072	0.000
	Std. Deviation	0.878		
Electronic Word of Mouth 01	Mean	3.700	0.067	0.000
	Std. Deviation	0.825		
Electronic Word of Mouth 02	Mean	3.487	0.073	0.000
	Std. Deviation	0.895		
Electronic Word of Mouth 03	Mean	3.520	0.074	0.000
	Std. Deviation	0.910		

Electronic Word of Mouth 04	Mean	3.567	0.075	0.000
	Std. Deviation	0.915		
Electronic Word of Mouth 05	Mean	3.487	0.081	0.000
	Std. Deviation	0.988		
Interpersonal Organizational Trust 01	Mean	3.300	0.070	0.000
	Std. Deviation	0.857		
Interpersonal Organizational Trust 02	Mean	3.133	0.075	0.000
	Std. Deviation	0.917		
Interpersonal Organizational Trust 03	Mean	3.127	0.064	0.000
	Std. Deviation	0.780		
Interpersonal Organizational Trust 04	Mean	3.447	0.059	0.000
	Std. Deviation	0.719		
Interpersonal Organizational Trust 05	Mean	3.460	0.056	0.000
	Std. Deviation	0.682		
Interpersonal Organizational Trust 06	Mean	3.307	0.065	0.000
	Std. Deviation	0.794		
Interpersonal Organizational Trust 07	Mean	2.667	0.068	0.000
	Std. Deviation	0.833		
Interpersonal Organizational Trust 08	Mean	3.393	0.064	0.000
	Std. Deviation	0.785		
Store Attitude 01	Mean	4.03	0.812	0.000
	Std. Deviation	0.843		
Store Attitude 02	Mean	3.99	0.835	0.000
	Std. Deviation	0.886		

Table 1: Descriptive Statistics for Indicator Items

Construct	No. of Items	Mean	Standard Deviation	Chronbach Alpha
Store Brand Knowledge	6	3.822	0.861	0.786
Store Reputation	2	4.215	0.747	0.736
Store Risk Perception	3	3.350	1.058	0.926
Perceived Store Size	2	3.725	0.858	0.798
Electronic Word of Mouth	5	3.552	0.912	0.896
Interpersonal Organizational Trust	8	3.230	0.835	0.730
Store Attitude	2	4.01	0.865	0.871

Table 2: Descriptive Statistics for Constructs

Analytical Strategy of Measurement Model

Since variance-based Partial Least Square (PLS) structural equation modeling produces accurate results from relatively small sample size, does not involve assumptions of multivariate normality and can deal with both formative and reflective measures, it was used for analysis of the data with the help of SmartPLS 2.0 (Ringle, Wende, & Will, 2005). PLS works on the principle of minimization of unexplained variance. Thus, PLS has emerged as a robust alternative to the co-variance based structural modeling techniques in the last three decades.

The research model is founded on various theories as discussed in earlier section. Except

“Interpersonal Organizational Trust”, the other items of the constructs are considered as reflective indicators (Haenlein & Kaplan, 2004). Interpersonal Organizational Trust is measured by items which represent consequences of the construct (Rossiter E, 2002) and are a combination of indicators (Fornell & Bookstein, 1982). Moreover, the items are not mutually interchangeable (Jarvis, MacKenzie, & Podsakoff, 2003). Thus, this construct is treated as a formative one.

The data is devoid of any missing value. Path Weighing Scheme was applied with an initial value of 1 for each of the outer weights, setting the stop criteria to 0.00001. Maximum iteration was limited to 300. Bootstrapping was done with 1000 samples and individual sign change option.

Measurement Model

The analysis was done following guidelines provided by Hair Following recommendations of Hair (Hair et al. 2014). Thus, one item from Store Brand Knowledge (SBK04) and one from Interpersonal Organizational Trust (IPOT07) were removed from further analysis as its outer loading was below 0.4. Reflective indicators with sufficient individual reliability only were considered for the analysis. The result of the analysis done on the measurement model is depicted in Table 3.

	AVE	Composite Reliability	Cronbachs Alpha
SA	0.886	0.940	0.872
SBK	0.481	0.846	0.780
SR	0.749	0.854	0.736
PSR	0.870	0.953	0.927
PSS	0.817	0.899	0.798
eWOM	0.707	0.923	0.897

Table 3: Measurement Model Evaluation

The composite reliability exceeded the benchmark of 0.7 (Nunnally & Bernstein, 1994), proving high internal consistency. The average variance extracted (AVE) was also more than 0.5 for each construct (Fornell & Larcker, 1981). Thus, adequate convergent validity was also ensured.

On evaluation of cross loading, each reflective indicator's outer loading on the associated construct was found to be greater than all of its loadings on other constructs [Table 4]. Moreover, square root of the AVE of each construct was higher than its highest correlation with any other construct (Fornell & Larcker, 1981) [Table 5]. Both these evaluations indicated acceptable discriminant validity.

	SA	SBK	SR	PSR	PSS	eWOM	IPOT
SA01	0.941						
SA02	0.942						
SBK01		0.586					
SBK02		0.691					
SBK03		0.735					
SBK05		0.811					
SBK06		0.763					

SR01	0.735	
SR02	0.979	
PSR01	0.926	
PSR02	0.931	
PSR03	0.941	
PSS01	0.838	
PSS02	0.965	
eWOM01		0.818
eWOM02		0.858
eWOM03		0.894
eWOM04		0.873
eWOM05		0.752

Table 4: Outer Loading of Reflective Indicators

	SA	SBK	SR	PSR	PSS	eWOM
SA	0.941					
SBK	0.404	0.694				
SR	0.632	0.566	0.866			
PSR	0.222	0.182	0.287	0.933		
PSS	0.417	0.377	0.552	0.226	0.904	
eWOM	0.283	0.227	0.316	0.192	0.144	0.841

Table 5: Discriminant Validity Assessment of Reflective Constructs (Fornell-Larcker Criteria)

[N.B. Diagonals represent square root of AVE]

Redundancy analysis done on the formative construct “Interpersonal Organizational Trust” proved sufficient convergent validity of the formative construct (Chin, 1998). Moreover, tolerance values more than 0.2 and VIF less than 5 for each of them suggested that the formative indicators were free of multicollinearity (Hair et al. 2014), which is shown in Table 6.

	Tolerance	VIF
IPOT01	0.453	2.207
IPOT02	0.427	2.340
IPOT03	0.983	1.017
IPOT04	0.604	1.656
IPOT05	0.677	1.477
IPOT06	0.552	1.812
IPOT08	0.630	1.588

Table 6: Assessment for Multicollinearity (Formative Construct)

Structural Model

The structural model was found to be free from multicollinearity, with tolerance values more than 0.2 and VIF less than 5 (Hair et al. 2014) [Table 7].

	Tolerance	VIF
IPOT	0.898	1.114
SA	0.898	1.114

Table: 7(a)

	Tolerance	VIF
PSR	0.911	1.098
PSS	0.685	1.460
SBK	0.673	1.485
SR	0.531	1.885

Table: 7(b)

Table 7: Assessment for Multicollinearity (Structural Model)

The analysis revealed that Store Brand Knowledge ($\beta=0.244$, $p<0.05$) and Perceived Store Risk ($\beta=0.178$, $p<0.05$) significantly influence Trust, but Perceived Store Size and Store Reputation did not have any significant influence on it. Thus, Hypothesis 1 and Hypothesis 4 are accepted, while we fail to accept Hypothesis 2 and Hypothesis 3.

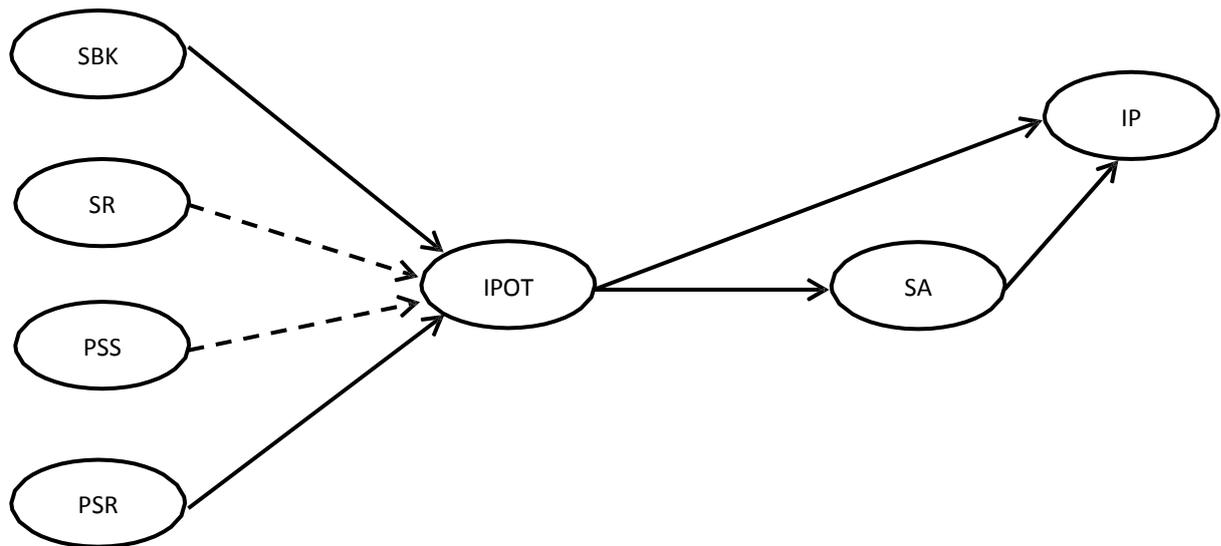


Fig 2: Structural Model [———> Significant; - - - - -> Not Significant]

*: Significant at 0.01; # Significant at 0.05

Trust is found to significantly influence Attitude ($\beta=0.319$, $p<0.01$) and intention to pass along e-WOM ($\beta=0.385$, $p<0.01$). Attitude is found to have significant influence on intention to pass along e-WOM ($\beta=0.161$, $p<0.10$). Thus, Hypothesis 5, Hypothesis 6 and Hypothesis 7 are also accepted. The validated structural model is shown in Figure 2.

Discussion & Conclusion

Discussion & Practical Implication

This study revealed that Perceived Store Risk and Store Brand Knowledge are two important factors contributing to the trustworthiness of an online store, which undertakes Online Social Media Marketing. Trust contributes more than Attitude towards the store for formation of intention to spread Electronic Word of Mouth.

The study also found that in terms of total effect, Store Brand Knowledge has the most significant influence on intention to spread Electronic Word of Mouth. This is followed by Perceived Store Risk. Both assume significance at $p < 0.05$. One interesting observation is that, although not significant, Perceived Store Size negatively influences intention to spread of Electronic Word of Mouth. It was also found that attitude has small mediating role between Trust and intention to spread Electronic Word of Mouth (VAF = 10.43%). This seems quite logical, as mere passage of information does not need formation of attitude (Bergeron, Ricard, & Perrien, 2009).

More in-depth observation of the analysis indicates that consumers are more likely to pass along Electronic Word of Mouth if their concern for security is minimized, sharing the information leads to good bargain from the store and the store is perceived to have good quality products, equivalent to its own standard.

The present study also found that perceived risk and brand knowledge are significant predictors of trust in an online store, whereas trust leads to formation of attitude and intention to pass along e-WOM. But while earlier researchers found the effect of perceived size to have a significant relation with trust (Kim & Noh, 2012), this study could not find any such relationship.

Online stores need to focus more on being trustworthy to ensure that more consumers are willing to spread Electronic Word of Mouth about them- which is one of the major objectives of Online Social Media Marketing activities undertaken by these stores. The present research study highlights some factors which can help in this regard.

Creating awareness about the brands and quality of products available through these stores may also play a significant role in spreading Electronic Word of Mouth. All these are under complete control of the stores. Implementation of these steps will increase trust in the stores and facilitate e-WOM.

Online Stores should try to make the information sharing easier and hassle-free. It has been observed that in an attempt to gather more customer information, some online stores compel users to authenticate themselves using various means. Sometimes these stores also make it necessary for users to install certain applications before users can share information with friends. The present study clearly establishes that this kind of practice hampers intention to spread Electronic Word of Mouth among users.

Ironically, the study finds that the size of the store may have negative influence on

intention to pass along Electronic Word of Mouth about it. Although this was not found to be significant and its cause was not analyzed, the reason may be because of the perception that information about those stores are too prominent on the media by themselves that consumers do not feel the urge to be their messengers.

Limitation and Scope for Future Research

In this study, perceived store characteristics have been considered as antecedents of trust on an online store promoting its products or services by using OSMM. This paper has focused on only those characteristics which are under considerable control of the stores. Further research on OSMM is needed to understand it better.

The present sample size, comprising of students, should be broadened to include other consumer groups, before the findings can be generalized. Trust on an online store depends on many other dimensions than those deliberated upon in this paper. Although this was intentionally done to maintain focus of the study, those other factors need to be analyzed systematically. The moderating role of various demographic factors may also be explored for a better understanding of the consumer behavior in relation to OSMM.

Emergence of OSM has given smaller organizations the ability to compete effectively with the bigger ones. Online stores need to carefully design their marketing strategy to reap more benefit of this emerging media by involving consumers properly and actively.

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An Empirical Study of Life Insurance Agents' Perception on Organization Identity (OI), Leader Behavior (LB), and Perceived Organization Support (POS) for Their Intended Behavioral Reactions (IT) in the China Context

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Abstract

In service operations, such as insurance, frontline employees are the direct sales force whose attitudes and behaviors are important because they represent the visage and tone of their organizations. For selling life insurance, an agent's job satisfaction and his longer retention by the organization adds value to the company. Because they are in the frontline having direct contact with consumers, the company depends on the agent to support its brand strategy and have the long-term effect of building up its reputation. Thus, an agent's intended behavioral reactions can affect the ultimate success of the insurer. From previous studies and with extensive literature review, the researchers developed and tested a model for job satisfaction with insurance agents in the China context. This paper aims to investigate insurance agents' job satisfaction (JS) and its influence on intended behavioral reactions (IT) based upon the perception of organization identity (OI), leader's behavior (LB), and perceived organization support (POS) of the agents. Data from 223 agents in the booming China life insurance industry provided evidence on the importance of those factors in influencing agents' job satisfaction and their ultimate intended behavioral reactions. The relationship between these factors exhibits interdependent correlation with behavioral outcomes. This study is important to the study of service organizations because it aligns with other western studies and shows that despite the differences in economic system like China, OI, LB, and POS are important factors for JS and the ultimate behavioral reactions of turnover. Finally, the researchers discuss the implications of these findings and results from the management perspective in the context of the increasing competitive arena of the industry in an emerging economy like China.

Keywords: organization identity (OI); perceived organization support (POS); leader behavior (LB); intended behavioral reactions (IT)

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An Empirical Study of Life Insurance Agents' Perception on Organization Identity (OI), Leader Behavior (LB), and Perceived Organization Support (POS) for Their Intended Behavioral Reactions (IT) in the China Context

Introduction

Following China's entry into the World Trade Organization (WTO) in 2001, and her full opening of the insurance industry to the world from 2005, China's insurance industry immediately expanded. Although this industry is not an emergent business in China, opening of the door to this industry is 'new' to China and resulted in a soaring increasing presence of insurance companies in China in terms of both domestic and foreign firms.

In the studies of organization identity, more than 90% of the research currently is done in western countries, such as in the UK, the US, European countries, and Australia. In view of the growth and changes in Asia, particularly in China, the editorial board of *Corporate Reputation Review* (2006) encouraged and provided future research directions to be in the Chinese context as well (Zyglidopoulos & Reid 2006). The editorial board apparently is on the right course. The 2009 DATAMONITOR reported an estimation of a compound annual growth rate (CAGR) of 22.6% in the insurance market for the period from 2005-2009 in China. It also anticipated a CAGR of 21.8% from the period 2009-2014. The recent 2015 Q1 report by *Business Monitor International* (BMI) indicated that life insurance ranked second to the health insurance group due to the liberation of this sub-sector by the Chinese government in support of private sector participation. The support by the Chinese government not only in favor of the health sub-sector, but also in the life insurance sector in the future increases the opportunities available to foreign companies. In order to take maximum advantage of these opportunities, insurance companies need to ensure job satisfaction of their insurance agents because they are the key service providers to customers, representing the image and tone of their organizations.

For service industry, the archetypical service profit chain (SPC) for company success clearly emphasizes the convoluted and interwoven relationship among company profit, customer satisfaction and loyalty, workforce job satisfaction for lower turnover rate, and high employee productivity (Heskett et al., 1994; Parsuraman et al., 1991). Since the SPC is value driven to a broad range of stakeholders, companies must perform above industry average. In addition, the SERVQUAL by Parsuraman (1991) is considered to be the initial research focused on the importance of services to customer satisfaction and eventually the purchase intention of customers. Moreover, the concept of service had been recognized Porter in 1980 (Dess & Davis (1984) as a strong generic strategic tool for firms to differentiate from their competitors for company performance. Therefore, it can be said that without the expertise of firms' workforce, their high job satisfaction and commitment of the service, the "gap" for service provision may be rather problematic. Despite these positive results one should not neglect the relationship among workforce job satisfaction, their job attitudes, and

the intended behavioral reactions towards the company. These intended behavioral reactions signify employee's intention to stay or to quit. Various studies already showed a positive relation between job dissatisfaction and withdrawal behaviors (Saari and Judge, 2004). Nevertheless, one should realize that good customer service is built from within to the outside; which cannot be created overnight. Therefore, the aims of this study are three folds. First, it aims to investigate OI as one of the antecedents shaping insurance agents' job satisfaction (JS) in the China environment. Second, it will examine if the two popular factors - leader's behavior (LB) and perceived organizational support (POS) which are vital factors for workforce job satisfaction (JS) and their ultimate behavioral reaction (IT) in western studies - are also applicable for insurance agents in the China context. Third, most importantly, this paper wants to demonstrate that organization identity (OI) also contributes to the development of potential managerial awareness for organizational effectiveness.

Literature Review And Framework Development

Organization Identity (OI)

OI is important for binding members together because it is a kind of social interaction (Dutton *et al.*, 1994). One of the critical challenges for organizations in today's dynamic and turbulent environment is to retain capable workforce for the maintenance and improvement of the firm's competitive edge. An early conceptual paper on organization identification by Foote (1951) suggested that identification provides "a compelling or inhibitory effect ... on the release of varying kinds of behaviour" (Edwards 2005). Study by Dutton *et al.*, (1994) already emphasized organization members' strength of identity with the organization can be reflected by their attributes shown to the company. These attributes usually alluded to job satisfaction, commitment, and eventually workforce retention. Balmer (2001) described organization identity through a "fog" metaphor. This implies OI is a highly intricate and complicated matter. In fact, extensive studies have recognized the multidisciplinary and multifaceted nature of organization identity (Barnett, et al. 2006; Brown *et al.*, 2006; Dowling 2001, Karaosmanoglu & Melewar 2006). These multifaceted attributes have four basic views: (1) core values and culture of a company (Balmer 1995, Cornelissen & Elving 2003, Dutton et al. 1994, Fombrun & van Riel 1997); (2) strategy for reputation building (Dowling 2001, Dowling 2006, Gray & Smeltzer 1985); (3) company prestige which helps to attract potential capable personnel, and to signify the best company for work (Cable & Turban 2003, Gatewood & Gowan *et al.*, 1993); and (4) employee's attitudes because employees who strongly identify with their organizations reveal positive attitudes and behaviors towards their organizations (Smidts *et al.*, 2001; Dowling 2001; Dukerich *et al.*, 2002; Dutton *et al.*, 1994; Stuart 2002; Smidts *et al.*, 2001; van Dick R. *et al.* 2004). Knippenbert & Sleebos (2006) also indicate that OI can be reflected in the committed attitudes of the workforce. These four multifaceted characteristics can be considered

as the macro view of OI. In addition, studies also indicate that company prestige, status and reputation is a popular factor used to assess and measure workforce's intended behavioral reactions toward the organization (Highhouse et al., 2003; Highhouse *et al.*, 2007). Recent research indicated that corporate and organization identity enhances a company's ability to recruit potential capable staff (Gatewood *et al.* 1993, Cable & Turban 2003). This is similar to what marketing researchers emphasize in employer branding – a new approach for gaining competitive edge in industry (Joo & McLean 2006). Despite all these views, researchers concede OI is a dynamic process that evolves over time as organizational context changes (Ashforth & Mael 1989; Balmer 2001; Dinnie 2003; Brammer & Pavelin 2004; van Riel & Balmer 1997), and links individuals into some “social group”, “targets”, or “social body” (Burke 1937, Cheney 1983, Dutton *et al.* 1994). In short, OI reflects the internationalization of membership by employees with the organization and it is also a part of the employee's self-concept and vice versa. Undoubtedly, this process involves other organizational supporting elements such as company structure, task, reward systems, individuals, and group as suggested by Brickson (2000).

Leader's Behavior (LB)

Successful salespeople are not born. This is the view held by most of the marketing practitioners, Bragg, (1988) pointed out that leader's or manager's behaviors played an essential role in shaping attitudes of salespersons since these followers and subordinates may look upon their leaders as a role model (Rich 1997) for future success. Leaders being looked upon as an icon create trust and positive example that helps and guides their teams. This role modeling is an essential factor in a sales context because salespeople usually work alone outside their organization premises; therefore, a leader can be an effective motivator for agent's performance. Research indicated that leadership style is more influential in the intrinsic motivation of sales force, such as insurance agents (Tyagi 1985, MacKenzie, Podsakoff & Rich 2001). In the study of leadership theory and its relationship with organization effectiveness, it is astutely noted that many writers and researchers tried to offer a definition to leadership. However, Stodgill (1969) asserted that it is unwise to generate one definition for the concept (Jago 1982). Prior to the behavioral discussion of leadership, Calder suggested that leadership is the personality or trait which only exists in the perceptions of others, particularly to followers (Jago 1982). In the 40s and the 50s, scholars from Ohio State University launched an intensive research trying to investigate the behaviors to be an effective leader (McShane and Von Glinow, 2003:420). The behavior patterns from that research became one of the popular descriptions to explain effective leadership in organizations.

In the Ohio Study, effective leaders were “presumably distinguished from ineffective leaders not by how they behaved on an intelligence or personality test but rather how they behaved when interacting with followers or potential followers” (Jago 1982).

Leadership style can be classified into two broad categories, namely, 1. *initiating structure* (task-oriented); and 2. *consideration* (people-oriented) (McShane & Von Glinow, 2003:421). The Ohio State Studies developed the Leaders Behavior Description Questionnaire (LBDQ). This survey instrument is a popular tool and is widely used in the study of organization related to leadership effectiveness, such as in studies by Eisenberger et al. 2002, Lok & Crawford 1999, Lok & Crawford 2001, and Stinglhamber & Vandenberghe 2003. In the 60s Blake and Mouton developed a Grid to help supervisors and managers to understand their managerial styles and possibly to improve it. The Leadership Grid postulates two basic assumptions about managerial / supervisory behavior: 1. concern for people; and 2. concern for production (Senior & Fleming 2006). Since leaders, managers, and supervisors act as ‘agents’ of the organization who have responsibility for directing, informing, and evaluating subordinates’ performance, employees’ perception of leader’s favorable or unfavorable orientation towards them would be indicative of the organization support (Riordan *et al.* 1997). Hence, leaders or supervisors do play a vital role in employees’ perception on organizational support. Riordan *et al.*, (1997) further argued that employees’ perception on leader and management performance influence employees’ perception of corporate image and identity which affecting employees’ job satisfaction and eventually their turnover intentions.

Perceived Organization Support (POS)

Researchers such as Eisenberger & Fasolo (1990) explained POS as employees’ general perception concerning the extent to which an organization values their contributions and cares about their well beings. Numerous researches had been done related to this area of organization study in which it is important to note that high POS would strengthen affective commitment to the organization (Stinglhamber & Vandenberghe 2003). The result of POS is found positive in most of the studies because it created a felt obligation to contribute to the organization, and employees then repay the organization through greater affective commitment. This is based upon the reciprocity norm (Eisenberger *et al.* 1997). Affective commitment results in the incorporation of employees’ membership and role status into their social identity. (Armeli *et al.* 1998, Stinglhamber & Vandenberghe 2003). In short, we can consider this membership as the sense of belonging to the organization. Moreover, POS generates an experience in which employees feel comfortable and perceive higher competence. This perceived support from the organization creates positive mood leading to greater organizational affective commitment (Eisenberger *et al.* 1997, Eisenberger & Fasolo 1990). Findings from the Eisenberger (1990) study substantiate that POS was negatively related to absenteeism and was positively related to employees’ job performance. Hence, POS also denotes member attachment and social identity. In a recent meta-analysis by Rhoades and Eisenberger (2002), it was revealed that there were three major categories of “beneficial treatment” received by employees from POS, namely: 1. fairness, 2. supervisor support; and 3. organizational rewards and favorable job conditions. The Rhoades *et al.* (2002) study also confirmed

that POS provides favorable outcomes related to employees' reactions, such as job satisfaction, positive mood, affective commitment, performance, and lessen withdrawal behavior (Rhoades & Eisenberger 2002). Thus, this affective commitment feeling from employees is also found in studies related to organization identity literature (Carmeli *et al.* 2006). In short, POS is more than just an emotional issue, it does relate to job attendance. The Carmeli *et al.* (2006) research shares the same view that POS is influenced by organization's various treatments of employees which in turn influence employees' interpretation of organization's motive (Eisenberger *et al.* 1986, Eisenberger & Fasolo 1990). The Tansky and Cohen (2001) study similarly concludes that POS and organizational commitment is significantly correlated with workforce job satisfaction. Thus, in most organization studies, employee's job satisfaction is an important factor for employee's intended behavioral reactions.

Job Satisfaction (JS) – Importance and Implications to Organization

'Employee is the asset of the company' – this was one of the key elements in the mission of HP back in the 80s when I worked there. The appreciation of human capital contributes to continuous success of an organization. For service operations, workforce job satisfaction is important. Zeithaml (2000) argued that satisfied employees produce satisfied customers (Malhotra & Mukherjee 2004). A meta-analysis by Harter *et al.* (2002), confirmed that increasing employee satisfaction might increase business-unit performance and, hence, eventually profit of the organization. Researchers in human resource management and organizational behavior suggest that the proper use of people enhances organizational effectiveness (Koys 2001). The Southwest Airline case (Miles & Mangold 2005) as well as the Korean case (Lee & Miller 1999) are good examples to illustrate the significance of the people element in organizations. Since organizations are made up of people, workforce job satisfaction (JS) is an indication of workforce behavioral attitude. Extensive research indicated that JS represents a person's evaluation of his or her job and work context, such as job characteristics, work environment, and job content. In fact, it is an appraisal of the job and emotional experiences at work. Satisfied workers have a favorable evaluation of their job based on their observations and emotional experiences. Some researchers regarded job satisfaction an important indicator of employees' relationship to the organization (Riordan *et al.* 1997). In addition, some researchers considered JS a predictor for organization performance (Lok & Crawford 2001, Van Dick *et al.* 2004). All these postulations are important because these studies found that workforce job satisfaction is linked to organizational commitment (Porter *et al.* 1974), and motivation of employees (Hackman *et al.* 1975). Griffeth *et al.* (2000) suggested that JS is the most concrete attitude toward the company. Eventually JS may influence employees' identification with the organization and decision to stay with the organization or not (Rousseau 1998).

Implications on Turnover

In organization studies, two important outcomes are usually linked with JS – i.e. turnover and absenteeism. Both behaviors are harmful to organizations. Employees' intention to stay or leave the organization is a deliberate will of the individual and has always been an important issue for human resource practice (Lambert *et al.* 2001). Cascio (1982) claimed that turnover is extremely costly for companies, particularly in jobs which require higher education and extensive on job training (Van Dick *et al.* 2004). Thus, turnover can be explained with a number of psychological concepts, such as organization affection and commitment (Griffeth *et al.*, 2000; Hom & Griffeth, 1995, Shaw *et al.* 1998, Van Dick *et al.* 2004). Empirical studies suggested that employees' commitment enhances organizational effectiveness. Staff retention can influence organization performance because employees with job satisfaction are supposed to be more committed and willing to take a step further or an extra mile to achieve organizational goal and try to meet customer needs (Koys 2001). These studies also suggested that employees' intention to leave has a direct negative link to job satisfaction (Riordan *et al.* 1997, Riordan & Weatherly 1999). The following research indicated that turnover intentions are an attitude indicating the dissatisfaction of employees towards the organization. A model by Mobley was developed to measure the relationship between JS and employee turnover (Mobley *et al.* 1979) which was also tested in studies done by Bedian and Amenakis (1981) and (Riordan *et al.* 1997). The study recognized that lower staff turnover can maintain organization performance or even increase organization capability and competencies because the retained staff has knowledge and skills to achieve organizational goals and better understand needs of the customers (Koys *et al.* 2001). All these studies suggested that employee's intended behavioral reactions (IT) such as intention of turnover has a direct negative link to JS (Riordan *et al.* 1997, Riordan & Weatherly 1999). Studies tried to examine the relationship between JS and turnover (Lambert *et al.* 2001, Glisson & Durick 1988, Wright & Bonett 2007, Tett & Meyer 1993, Currivan 1999). They all have a common argument that JS and commitment are interwoven feelings to influence the intent and final decision to quit. The Riordan, Gatewood & Bill (1997) study also confirmed a direct link between JS and intended behavioral reactions (IT) of turnover. For insurance organizations, the positive behavior of high JS can be considered a reflection of agent's commitment with the job which in turn produces high performance. Therefore, the well trained and experienced workforce (agents) is valuable capital of insurance companies (McElroy *et al.* 1993).

Conceptual Model And Hypothesis

In most of the studies, factors such as perceived organizational support (POS), leader's behavior (LB) are popular constructs for the study of employee job satisfaction and retention. Hence, one of the primary objectives of this study is to include OI together with LB and POS to test workforce JS which may affect workforce's intended behavioral reactions (IT). In this study, the researchers adopted the model which had been tested in their previous study with insurance agents in Hong Kong. Based upon literature review, we assumed factors such as POS, LB, and

OI are antecedents for life insurance agents' job satisfaction (JS) leading to their ultimate intended behavioral reactions (IT).

Therefore, our propositions are: Agent's job satisfaction (JS) depends on three key factors: namely organization identity (OI), perceived organization support (POS), and leadership behavior (LB). In turn, JS is a determinant factor for agent's intended behavioral reactions (IT) which imply his / her willingness to stay or to leave the job. Framework and hypothesized model for study is shown in Figure 1.

See **Figure 1** in appendix A for hypothesized model.

(Insert Figure 1)

Hypothesis 1 Organization Identity (OI) is positively related workforce Job satisfaction (JS)

Hypothesis 2 Perceived Organization Support (POS) is positively related to workforce Job Satisfaction (JS)

Hypothesis 2 Perceived Organization Support (POS) is positively related to workforce Job Satisfaction (JS)

Hypothesis 4 Job satisfaction (JS) is positively related to employee's Intended Behavioral Reactions (IT)

Methods And Research Operation

Research Design

This study adopted the same English version of the questionnaire as the survey instrument which was used by the researchers in their previous study for the Hong Kong insurance agents. The dimensions measurements were based on the literature reviewed. Items were selected from various sources. Measurement for OI (Organization Identity) was selected from Miller *et al.*, (2000). Measurement for LB (leader behavior) was selected from McShane & Von Glimow (2003). Measurement for POS (perceived organizational support) was selected from Eisenberger & Fasolo (1990). Measurement for JS (job satisfaction) and IT (intended behavioral reactions) were selected from Van Dick *et al.*, (2004). The survey instrument came up with 34 statements. The questionnaire was then first translated into the Chinese. Two teaching assistants, with good command in both languages (English and Chinese) were recruited to review the translation for semantics in the China context. The researchers were responsible for final approval of the translated questionnaire. A total of 34 statements were translated into Chinese. The operation of the research was using

the Likert seven-point scale (with 1 = strongly disagree and 7 = strongly agree). Respondents indicated the extent to which they agree or disagree to the statements. Nevertheless, respondents were welcome to discard the survey anytime they wanted to.

Sampling and Data collection

A pilot run was conducted. Participants include those who work in industry, university students, and academia. Thereafter, corrections and amendments were made. Data collection is always a difficult issue in China. Since this study did not aim at any particular insurance company, the researchers adopted an open online survey and snowball methods to invite potential participants. The research assistant prepared the questionnaire and uploaded it onto internet through an open survey source, such as www.wenjuan.com. (问卷网). The survey started during September 2014. The research assistant also made contact with potential insurance companies and people working in life insurance. Then, through snowball method, potential participants tried to encourage individuals to participate in the survey. The research assistant kept track on the return of the survey by respondents from September to December 2014. However, the response was not optimistic at all. Data collection period was extended till end of April 2015 with the help of a student who has connection with some insurance companies during internship in the past years. Finally, data collection period was cut off by end of May 2015, with a total of 223 usable questionnaires were collected.

Data Analysis

Factor analysis and factor confirmation were conducted accordingly. Validity and reliability of the questionnaire were tested by factor analysis and computation of Cronbach's alpha respectively. Constructs extracted from factor analysis were used in subsequent regression analysis to test the hypotheses of relationships among variables. KMO and Barlett's test was performed for factor confirmation. KMO and Bartlett's Test indicated **0.946** which was > 0.5 implying sampling adequacy. Bartlett's Test of Sphericity showing a high significance (p -value = 0.000) for satisfactory factory analysis to proceed to examine construct validity. See Table 1 in Appendix A for KMO and Bartlett's Test.

(Insert Table 1)

For factor analysis, if all items that are expected to load together and actually doing so, nomological validity is indicated. Discriminant validity is indicated if the factors and their items were truly different from another. These two aspects of validity were investigated. Three constructs were extracted by the Factor Analysis with **77.65%** variance, where their corresponding items were with factor loadings greater than 0.5. Items were mostly loaded together with predefined constructs (See Appendix B - Table 2 for Total Variance Explained). Factors reliability was calculated by

computation of coefficient α . All coefficients α were found greater than 0.8, indicating a good measurement, thus consider acceptable. Table 2 shows the reliability of the three organization constructs. All variables with Cronbach Alphas were greater than 0.8 indicating a high level of reliability. For example OI with level of 0.962; POS with a level of 0.891; and LB with a level of 0.963 all indicate a high level of reliability. See Table 3 in Appendix B for Factor Reliability.

(Insert Table 3 here)

Hypothesis Testing

For hypotheses testing, the regression technique was adopted to test the relationships between dependent and independent variables. In the regression model organization identity (OI), leader or supervisor behavior (LB) and perceived organization support (POS) were taken as independent variables whereas job satisfaction (JS) was taken as dependent variable. The result clearly shows that the model is significant and holds. **H1 (OI)** is accepted and shows a positive relationship to JS with standardized coefficient of **0.445**. **H2 (POS)** is accepted and shows a positive relationship with JS with standardized coefficient of **0.177**. **H3 (LB)** is accepted and shows a positive relationship with JS with standardized coefficient of **0.334**. Table 3 in below indicates the results of relationships between JS and the three organization factors – OI, LB, and POS, with R^2 of 0.773. See Table 4 in Appendix B

(Insert Table 4 here)

Below presents the result of the regression relationship between JS (H4) and IT. The regression R^2 is 0.226. With a standardized coefficient of **-0.476** indicating that JS is a potential factor influencing intention of agent's turnover.

See Table 5 in Appendix B

(Insert Table 5 here)

Results and Findings

As depicted in the path analysis, the model was significant and hypotheses **H1 (OI)**, **H2 (POS)**, **H3 (LB)**, and **H4 (JS)** were accepted with standardized coefficients of 0.445, 0.177, 0.334 and -0.476 respectively. See Figure 2 in Appendix C Path Analysis.

(Insert Figure 3 here)

Discussion And Implications

The current study empirically verifies previous research in western cultures that job satisfaction is contingent on workforce membership feelings (OI) (*see, e.g.* Ashforth & Mael 1989, Dukerich *et al.* 2002, Dutton *et al.* 1994, van Dick *et al.* 2004, Rousseau 1998, de Moura, *et al.*, 2009, Riordan & Weatherly 1999, and Rousseau, D.M. 1998), The findings also support earlier studies in the west((as well as a non-western study by Miao 2011) that workforce perception on organization support (**POS**) and leader behavior (**LB**) had positive relations with job satisfaction which in turn influence the ultimate behavioral reactions of the workforce's intention for turnover (Eisenberger *et al.* 1997, Eisenberger *et al.*, 2002, Therkselsen & Fiebich 2003, Tuzun & Kalemci 2011, Jago 1982). **Nonetheless**, in previous research, **OI** was adopted by van Dick *et al.* (2004) as a single construct for employee JS leading to the ultimate turnover intention of quitting the job. With an understanding that workforce JS is a complicated matter, therefore, in this study, we included three constructs (OI, POS, and LB) in the model. Results from this survey indicate that these three variables are positively related to JS and producing negative correlation with workforce intended behavioral reactions of turnover (IT) for life insurance agents in the China context as well. The negative relations between JS and IT implies the higher the feeling of job satisfaction the lower the turnover intention and vice versa. In this study **OI** is the most influential factor for life insurance agents' JS with a path coefficient of 0.454 in current study, whereas **LB** is the second with a path coefficient of 0.389, and **POS** comes in third with a path coefficient of 0.177.

This study authenticates the findings of Yousef (2000), de Vries *et al.* (2002), Stinglhamber & Vandenberghe (2003), Stogdill (1950), and Therkselsen & Fiebich (2003) that leader behavior (LB) and support are crucially related to workforce JS and turnover. Hence, it can be inferred that LB is a universal variable for workforce job satisfaction and their ultimate intended behavioral reaction (IT) of turnover. In this study, we adopted a general concept of overall satisfaction (such as was done by Miao 2011, Baker 2004 and Eisenberger *et al.* 1997) - whether the agents liked or disliked the company or the job. Nevertheless, researchers such as Fournet *et al.* (1966), and Wei (2009) asserted that JS depends on many factors such as job characteristics, including: individual differences, organization and management, pay system, the immediate supervisor or leader, and the social environment. Despite the above assertions, extensive literature on job satisfaction and turnover (as was done by Dutton *et al.* 1994, de Moura *et al.* 2009, Currivan 1999, and Yoon & Thye 2002), pointed out satisfied work behaviors and attitudes are reflected in employees' / workforce commitment, membership affective feeling, and sense of belongings with the organization. Most organizational studies (as was done by Therkselsen & Fiebich 2003, Eisenberger *et al.* 2002, and Yousef 2000) found that leader-employee relations are correlated for the eventual job satisfaction. Moreover, as inferred from the SPC (service profit chain) study, JS is vital for service industry because a satisfied employee will create high customer satisfaction (Heskett *et al.* 1994). Therefore, the front line personnel are valuable inherent capital of the company and they are the direct service providers to the customers. Their unswerving and trusty service will

generate higher level of customer satisfaction for an above industry average of performance of the firm (Loveman 1998, Heskett *et al.* 1994). Finally, on the relationship between JS and IT, this study also supports previous study by Fournet *et al.* (1966), **JS** is having strong negative relations with workforce intended behavioral reactions (**IT**) showing a standardized coefficient of -0.476 which means insurance agents with high JS leads to low turnover. The outcome of **H4** also agrees with findings from western studies by Wright & Bonett (2007), Tett & Meyer (1993), and Baker (2004) that agents' intended behavioral reactions (IT) is correlated with JS.

Implications

Although the insurance industry is not new in China, the experience of opening the entire industry to the world is neoteric to China. According to recent research (Leverty *et al.* 2004) the opening of the insurance business in China by WTO pushes foreign firms in China to alter unusual organizational forms, legal systems, business customs, and the language skills when conducting businesses in that country. China is also in a learning mode. In the preparation for meeting WTO accession, Sun (2003) pointed out that China changed her policy of ownership by foreign life insurance firms from 51% ownership to allowing full ownership (Leverty *et al.* 2004). Furthermore, in 2010, the Chinese government allowed joint ventures between domestic firms and foreign insurers (Chen & Lai 2011). These changes in policies create important implications to both domestic and foreign firms. First, the relaxation of the ownership policy in the booming life insurance business in China not only benefits the life insurance sector, but it also benefits the non-life sector such as in the wealth management products (BMI, Q1, 2015). The result is keener competition in the insurance industry. Second, as years go by, businesses in the first tier cities are getting more saturated. Hence, these insurance firms have to push to expand the market into *lower-tier cities* (BMI 2015, Q1). According to BMI (Q1 & Q2, 2015), for China the domestic firms are the major players in the market. The top three local firms are: China Life, Ping An Life, and Xinhau, constituting a total of 54.8% of the entire market between 2006-2013. Therefore, the opening of the insurance market not just increase competition among foreign firms, it also triggers competition among domestic firms as well. It implies both domestic and foreign companies need to equip themselves in terms of product varieties, management capability, and agents' loyalty when struggling in the market. Third, although the current study indicates a positive relation between LB and JS, findings from former study by D. C. Pelz (1952) pointed out an important concern: "if a leader or supervisor does not have sufficient influence to make his concern for the worker profitable in terms of benefit" it will not be adequate to ensure job satisfaction (Fournet *et al.* 1966). Therefore, LB may exert deeper meanings and thoughts to management and those in human resource management on identifying the various facets of behavioral actions from the leader for workforce retention and recruitment.

Future Research And Limitations

Sine workforce job satisfaction is a crucial factor for company performance as emphasized by Porter in 1980 (Dess & Davis (1984) which can differentiate the company from her competitors, as well as Heskett *et al.* (1994) support that these internal workforce satisfaction is important factor for company profit and added value to the ultimate customers. MacKenzie *et al.* (1998) further considered this internal workforce satisfaction created organization citizenship behavior (OCB) and eventually leading to effective company functioning (Bell & Menguc, 2002). **However**, this internal leader-member relation for job satisfaction cannot be constructed overnight and the orchestral process takes time. Moreover, the study by Tuzun & Kalemci (2012,) supported by the findings of Rich (1997), emphasized **trust** as being a key factor for building good interactions between the leader and his members and was indispensable for good relationship leading to job satisfaction and low turnover.

China, with the opening of her entire insurance industry creates keen competition between both domestic and the foreign insurance firms. Both foreign and domestic insurers need to hire local Chinese employees for their operations. This means the training and retention of the workforce is necessary for team and organization culture building. For insurance business, according to McElroy *et al.* (1993), the leader-member good relationship played a vital role in building team-spirit. According to the SPC study, high employee JS would bring about highly satisfied customers who then manifested low attrition rate and would be interested in the purchase of more products or service. By logical deduction, the benefits derived from the positive relation between LB and the workforce may fall in alignment with the Heskett (1990) SPC study that employee JS enabled the delivery of high service quality valuable to customers. In addition, this high internal workforce JS, according to those human resource experts, can help to retain and attract skilled persons. In the selling of life insurance, which is considered as a form of relationship marketing, one way or another, the business depends not just on the product, rather obviously on the relationship between the customer and the agent as well. Therefore, for management, the attraction of new agents, the maintenance of skilled workforce for low turnover rate may be important issues for companies of this kind. The various HR strategies for workforce recruitment and maintenance may be a major concern in the long run. Finally, foreign insurers also found themselves facing difficulties in operating in China due to the Chinese government's protection policy (Chen & Lai 2011). For example even when foreign firms succeeded in obtaining licenses to enter the China market, they still faced regulations on product and regional restrictions (Chen & Lai 2011). Eventually, even with joint-venture operations between domestic and foreign insurers, the two parties need to face issues on the "cultural" gap in operations. For future research it would be more meaningful if we could look into both local insurance and foreign insurers on policies and HR strategies for workforce motivation, recruitment and workforce retention in a booming industry under an emerging

economy like China. These strategies may be important in building company reputation in the long run.

Limitations

One major limitation of the current study lies in the sample frame and respondents. Due to the difficulty in securing companies for study, the researchers were unable to conduct an in-depth interview with agents to obtain more accurate information from agents in both local and foreign firms on particular factors / reasons for them to quit the job.

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Appendix A:

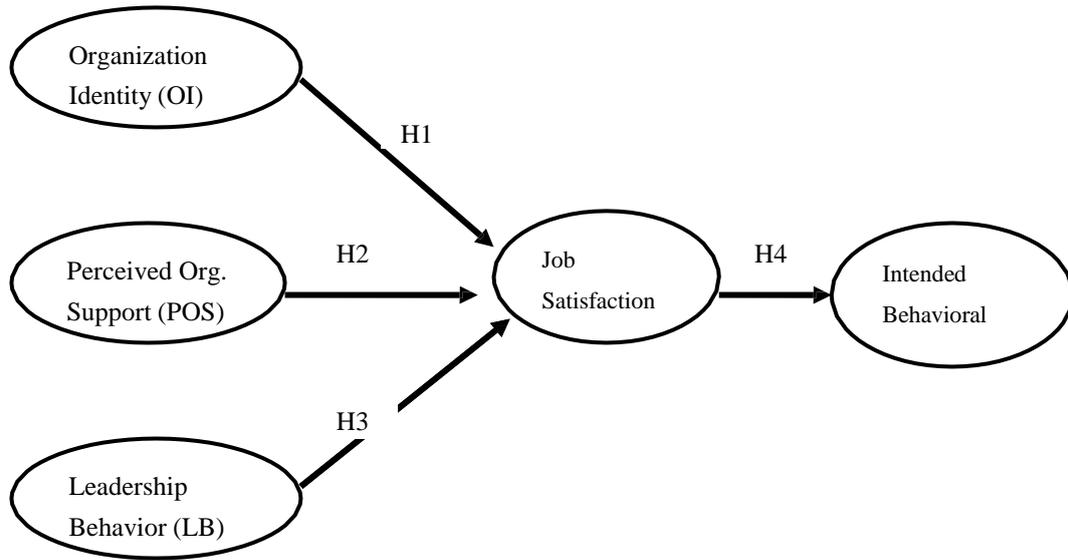


Figure 1. The Hypothesized Model

Table 1- KMO and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.946
Bartlett's Test of Sphericity	Approx. Chi-Square	7467.518
	df	351
	Sig.	.000

Appendix B:**Table 2 - Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	17.252	63.894	63.894	17.252	63.894	63.894
2	2.550	9.443	73.338	2.550	9.443	73.338
3	1.164	4.311	77.649	1.164	4.311	77.649
4	.659	2.441	80.089			
5	.600	2.221	82.310			
6	.558	2.067	84.377			
7	.493	1.826	86.202			
8	.427	1.582	87.784			
9	.375	1.389	89.173			
10	.328	1.216	90.389			
11	.293	1.083	91.472			
12	.275	1.018	92.491			
13	.244	.906	93.396			
14	.207	.765	94.162			
15	.188	.698	94.860			
16	.179	.662	95.522			
17	.161	.598	96.120			
18	.157	.580	96.700			
19	.150	.554	97.254			
20	.138	.510	97.764			
21	.131	.484	98.248			
22	.109	.404	98.652			
23	.094	.349	99.001			
24	.084	.311	99.313			
25	.081	.299	99.612			
26	.058	.213	99.825			
27	.047	.175	100.000			

Extraction Method: Principal Component Analysis.

Table 3 – Reliability Analysis

<u>Constructs</u>	<u>Cronbach's Alpha</u>	<u>Number of items</u>
OI (Organizational Identity)	.962	12
POS (Perceived Organizational Support)	.891	8
LB (Leader / Supervisor Behavior)	.963	8

JS (Job Satisfaction)	.913	3
IT (Turnover Intention)	.949	3

Table 4 - Regression Analysis between OI, POS, LB and JS
Coefficients^a

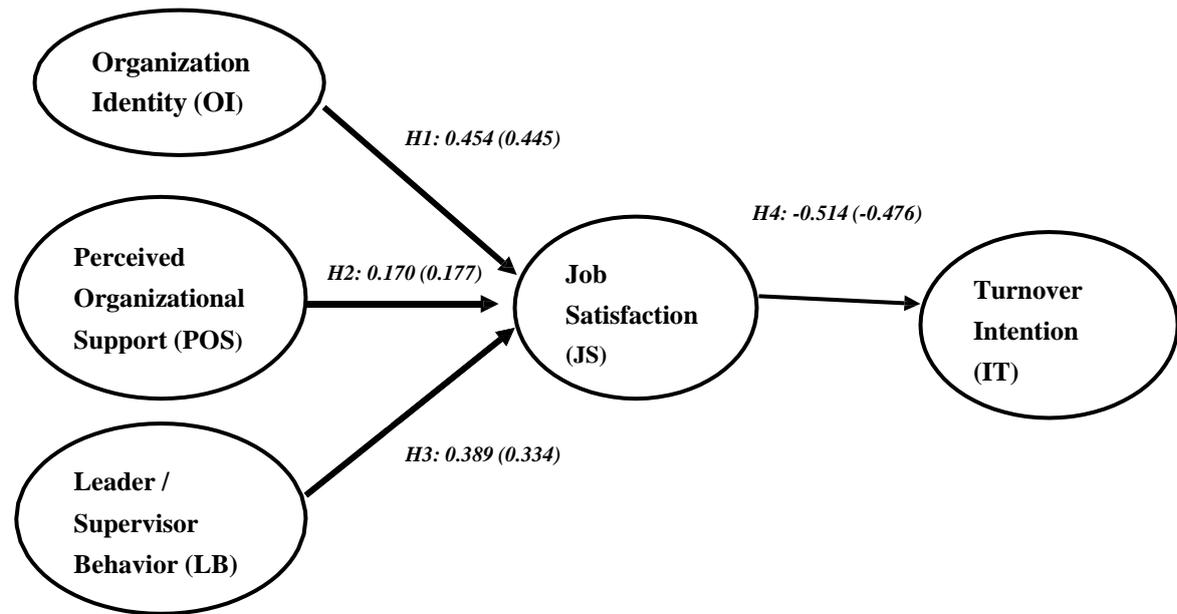
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error	Beta			Tolerance
1 (Constant)	-.078	.230		-.340	.734	
OI	.454	.077	.445	5.930	.000	.185
POS	.170	.065	.177	2.613	.010	.226
LB	.389	.055	.334	7.111	.000	.470

Table 5 - Regression Analysis between JS and TI
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
	B	Std. Error	Beta			Tolerance
1 (Constant)	4.981	.376		13.234	.000	
JS	-.514	.064	-.476	-8.040	.000	1.000

Appendix C:

Figure 2: Regression coefficients (standardized regression coefficients) are shown on the paths



Appendix D:

Table 5 - The Correlation for OI, POS, LB, JS, and IT

	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	
1 OI_Proud	0.78	0.62	0.60	0.63	0.55	0.62	0.71	0.58	0.61	0.71	0.58	0.48	0.56	0.42	0.51	0.54	0.56	0.67	0.24	0.06	0.09	0.07	0.00	0.02	0.08	0.03	0.04	0.02	0.03	0.09	0.06	0.00	0.04	0.04
2 OI_Talk	--	0.68	0.62	0.67	0.71	0.64	0.77	0.63	0.68	0.75	0.69	0.57	0.66	0.51	0.56	0.63	0.64	0.73	0.32	0.00	0.03	0.07	0.01	0.02	0.08	0.01	0.02	0.03	0.03	0.00	0.01	0.01	0.01	0.01
3 OI_fate	--	--	0.49	0.58	0.59	0.52	0.62	0.48	0.51	0.59	0.58	0.45	0.52	0.41	0.44	0.43	0.54	0.61	0.19	0.02	0.08	0.07	0.08	0.05	0.05	0.09	0.06	0.05	0.04	0.08	0.09	0.01	0.00	0.00
4 OI_warm	--	--	--	0.65	0.61	0.81	0.52	0.71	0.63	0.70	0.63	0.62	0.73	0.70	0.67	0.63	0.65	0.63	0.29	0.06	0.02	0.04	0.04	0.09	0.07	0.03	0.08	0.04	0.01	0.08	0.03	0.03	0.03	0.05
5 OI_spend	--	--	--	--	0.70	0.73	0.74	0.75	0.79	0.78	0.74	0.70	0.69	0.61	0.64	0.67	0.75	0.65	0.24	0.00	0.00	0.04	0.02	0.06	0.00	0.04	0.07	0.09	0.07	0.09	0.09	0.08	0.06	0.06
6 OI_dedicat ed	--	--	--	--	--	0.70	0.67	0.66	0.71	0.71	0.70	0.68	0.71	0.57	0.63	0.60	0.67	0.65	0.22	0.06	0.03	0.04	0.05	0.07	0.03	0.01	0.06	0.07	0.07	0.05	0.03	0.02	0.02	0.02
7 OI_family	--	--	--	--	--	--	0.62	0.81	0.72	0.81	0.73	0.68	0.74	0.73	0.74	0.72	0.71	0.64	0.22	0.06	0.01	0.08	0.03	0.01	0.09	0.07	0.05	0.02	0.07	0.02	0.04	0.03	0.06	0.06
8 OI_chosen	--	--	--	--	--	--	--	0.69	0.81	0.79	0.73	0.61	0.66	0.55	0.60	0.70	0.66	0.71	0.22	0.07	0.09	0.08	0.04	0.01	0.00	0.04	0.02	0.03	0.09	0.05	0.05	0.03	0.09	0.09
9 OI_care	--	--	--	--	--	--	--	--	0.84	0.83	0.71	0.69	0.75	0.77	0.74	0.75	0.73	0.62	0.23	0.05	0.06	0.07	0.08	0.09	0.07	0.03	0.03	0.07	0.03	0.01	0.07	0.04	0.05	
10 OI_represe nt	--	--	--	--	--	--	--	--	--	0.81	0.80	0.70	0.74	0.71	0.69	0.77	0.75	0.65	0.22	0.03	0.04	0.00	0.00	0.01	0.07	0.09	0.04	0.01	0.02	0.04	0.02	0.09	0.08	
11 OI_identify	--	--	--	--	--	--	--	--	--	--	0.82	0.70	0.77	0.68	0.69	0.76	0.73	0.75	0.25	0.07	0.00	0.06	0.05	0.03	0.05	0.03	0.07	0.08	0.01	0.04	0.03	0.02	0.00	
12 OI_values	--	--	--	--	--	--	--	--	--	--	--	0.74	0.76	0.71	0.65	0.72	0.75	0.73	0.24	0.01	0.00	0.01	0.07	0.04	0.02	0.08	0.00	0.06	0.06	0.04	0.01	0.02	0.08	
13 POS_goals	--	--	--	--	--	--	--	--	--	--	--	--	0.82	0.77	0.72	0.78	0.80	0.67	0.19	0.00	0.01	0.04	0.04	0.03	0.05	0.05	0.06	0.01	0.03	0.02	0.08	0.06		
14 POS_help	--	--	--	--	--	--	--	--	--	--	--	--	--	0.84	0.79	0.76	0.81	0.71	0.22	0.02	0.04	0.04	0.05	0.09	0.04	0.05	0.09	0.04	0.06	0.04	0.04	0.03	0.03	
15 POS_wellb eing	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.80	0.76	0.74	0.64	0.16	0.08	0.05	0.01	0.03	0.04	0.03	0.03	0.04	0.00	0.00	0.00	0.08	0.08		
16 POS_satisf action	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.79	0.68	0.59	0.22	0.05	0.06	0.02	0.08	0.03	0.02	0.07	0.05	0.00	0.08	0.05	0.05	0.05	0.02	
17 POS_opini ons	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.78	0.70	0.17	0.03	0.09	0.07	0.07	0.05	0.07	0.09	0.07	0.02	0.03	0.06	0.06	0.01	0.06	
18 POS_pride	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.81	0.21	0.05	0.03	0.09	0.07	0.01	0.09	0.04	0.07	0.00	0.02	0.09	0.01	0.08	0.06	
19 POS_proud	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.00	0.05	0.05	0.05	0.04	0.06	0.05	0.05	0.05	0.07	0.07	0.05	0.04	0.04	0.04	

**Linking Internal Branding Practice to Employee Performance and Store Performance:
A Line Management's Perspective – case study of a UK retailer**

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Abstract

This study intends to explore how line managers of a UK retailer perceive internal branding and its impacts on employee performance and store performance. A case study was employed and in-depth interviews were conducted in the British retailing sector. Several key themes were identified. A new conceptual model is developed on basis of the findings. Managerial implications and suggestions for further research are also discussed. To conclude, it is argued that line management is the prerequisite for successful internal branding.

Key words: internal branding, employee performance, store performance, line management

Linking Internal Branding Practice to Employee Performance and Store Performance: A Line Management's Perspective – case study of a UK retailer

Introduction

Recent studies in the branding literature reveal that internal branding could enable organisations, particularly those that rely on service elements, to fulfil the brand promise proposed to customers (Drake et al., 2005). It is widely believed that when employees are aligned with the brand values, a corporate brand could achieve a sustainable competitive advantage (Pringle & Thompson, 2001). It is supposed that in an ideal world, companies make promise to customers in the external branding; while companies make sure employees delivering the brand promises in their customer service in internal branding. However, it might be a question how these ideational concepts are reflected in daily business operation, especially at the line management level. Until now, how line managers perceive internal branding in business operation has attracted less attention as the majority of literature focuses on employees' perceptions.

This study seeks to explore line manager's perception of internal branding. To fulfil the major aims of this paper, several sections were arranged. First, we briefly reviewed the literature regarding internal branding, particularly including the definition of internal branding, the key tools of internal branding practices, and the linkage between internal branding practices, employee performance and store performance; and then we raised several research questions to facilitate the understanding of line managers' perspective of internal branding. Based on the literature review, a qualitative study was employed to explore how line managers perceive internal branding. As a result, several themes emerged from the findings, and a conceptual model was generated. In the conclusion of the study, we argue that line management is the prerequisite for successful internal branding.

Literature review

Internal branding

The existing literature defines internal branding as the process of aligning employee behaviour with organisational brand identity and brand value for consistent delivery of brand promises to customers (Burmam et. al., 2005; Vallaster & de Chernatony 2005; Punjaisri & Wilson, 2007). The process comprises all stages in internal brand management related to employees in an organisation, from its internal branding initiative to eventually the brand related performance at individual, business unit and organisational levels. Several brand practitioners and scholars overtly suppose the main steps in internal branding process. The first step is to define brand identity, brand value, and brand promise. Internal branding initiative is then undertaken to increase employees' buy-in in the brand and align their daily work behaviour to brand delivery. Finally, employee performance is assessed.

Although the literature relevant to internal branding reveals a lack of consensus about effective internal branding practices, two tools are widely accepted by researchers, namely brand-related HR activities (recruitment and training) and internal brand communication. Leadership is debatable among researchers. Some researchers take it as a crucial practice; whilst others think it is only a situational factor. In this study, we include leadership in the internal branding practices because we believe that if leaders act as a role model and give empathy and supports to employees, they will advance employees' motivation to a higher level which will eventually enhance employee performance and store performance. It is argued that training has significant impact on the delivery of brand image (Keller 2008) and brand value (Miles & Mangold, 2004), as well as employee's brand-supporting behaviours

(de Chernatony, 2001). Internal brand communication is argued necessarily to generate employee's brand awareness and brand knowledge. Several methods are identified as internal communication tools, such as brand manual, team briefing, group discussion, newsletters, intranet, email, social event, workshop, etc. staff recruitment is also identified as an internal branding mechanism, as recruiting right people whose personal values are congruent with brand value and corporate value can facilitate the alignment between employee behaviour and brand promise (Burmann, 2005). It is also claimed that brand leadership has significant influences on employees' in-role and extra-role behaviour (Morhart, et al., 2009).

The role of employees in internal branding

Internal branding literature argues that employees are the main strength of service brand, and emphasizes that every employee should get involved in the internal brand management. Employees are at the heart of a brand to deliver brand promise (Punjaisri et al, 2009). It follows from existing research that besides a good brand name and a proper brand position, employees' behaviour in the service process is an important determinant for conveying the brand image to customers. If employees can provide excellent service quality, the brand value perceived by consumers is high. If not, it is hard for a company to present a good brand image even with remarkable marketing. The logic of treating employees as 'internal customers' is that a firm should first meet the needs of internal customers, who then can deliver the quality desired to satisfy external customers (Papasolomou & Vrontis, 2006). As for a brand with service elements, the brand value is delivered in the service process, which largely relies on employees' service performance. Thus, employee satisfaction is vital for ensuring service brand quality. Gapp and Merrilees (2006) argue that internal marketing is a suitable method of brand communication in an organization.

It is argued that product, price, promotion, and placement are all replicable by competitors; the only thing difficult to replicate is the people of an organisation (Webster, 2002). It is also claimed that employees are a company's most important assets (Punjaisri & Wilson, 2007). The people of any organisation, especially in a firm with a heavy service component, provide the basis for the corporate brand image (Aaker, 2004). In any service industry, it is employees who are responsible for delivering the brand values that the company has promised to customers (Miles & Mangold, 2004). It is also employees who maintain the desired brand identity and a coherent brand image to customers (Vallaster & de Chernatony, 2005). De Chernatony and Dall'Olmo Riley (1999) propose that the success of service brands depends on carefully nurtured relationships between the employees and customers, which develop staff and consumer respect for certain functional and emotional values of the brand. Balmer (2005) argues that there is a strong alignment between employee behaviour, corporate brand identity or value, and brand promise. The more employees identify with their organisation, the more likely they are to have a positive attitude towards the organisation (Mael & Ashforth, 1992), and in turn, the more likely they are to accept the values of the organisation and its brand. Thus, it is more likely that employees' behaviour will be aligned with the desired brand identity.

It is evident that high quality customer service is achieved by frontline employees, if they are well trained and motivated to treat customers respectfully (Bitran & Hoech, 1990). Thus, it is necessary for all employees involved in the provision of products or services to understand their roles (de Chernatony & Dall'Olmo Riley, 1997), and to be informed of the relevant brand message, so that their behaviour can align with brand promise. Employees are the interface of both the internal and external environment of the brand (Punjaisri & Wilson, 2007). The brand experience of customers partly depends on the interaction with the

employees who provide the services (de Chernatony & Segal-Horn, 2001). The employee-customer-profit chain at Sears (Rucci, Kirn, & Quinn, 1998) reveals the causal relationships between employee performance and customer satisfaction. Employee performance will affect the customers' brand perception (Morhart, Herzog, & Tomczak, 2009). Poor employee performance will result in a gap between customer expectation and the brand promise (Rafiq & Ahmed, 2000). Thus, the success of a brand depends on employees' behaviours in delivering brand promise (Burmam & Zeplin, 2005), and employee behaviour is the heart of any brand (King & Grace, 2005).

Linking internal branding practice to employee performance and firm performance

The positive relationship between internal branding practice and performances of employees and firms is widely discussed in the internal branding literature, and it is argued that good internal branding practice can facilitate employee performance and firm performance (Thomson, et al., 1999; Aurand, et al., 2005). Studies in the literature report the multiple dimensions of performance, including both objective measure items and subjective measure items. As to employee performance, some common measures are customer satisfaction, service quality, quality of customer-brand relationship, brand equity, extra-role brand behaviour, in-role brand behaviour, and employee retention (Vallaster & de Chernatony, 2005; Burmann, et al., 2009; Morhart, et al., 2009). For firm performance, financial records, such as profitability and sales, are the common indicators (Harris & de Chernatony, 2001).

Research questions

Given the importance of internal branding and less attention on line management in the retailing sector, this study aims to explore how line managers perceive internal branding in daily their business operations. Particularly, this study raises several research questions as following:

- RQ1: What are the core values of your corporate brand?
- RQ2: What kind of internal branding practices have you done to convey brand message to the employees in your store?
- RQ3: What measures have you done to assess your employee performance? And what are factors influencing the employee performance?
- RQ4: What measures have you done to assess your store performance in terms of sales growth and profit? And what are factors influencing the store performance?

Research methodology

The research methodology of this study was qualitative in nature. A qualitative case study was undertaken to find out how line managers perceive internal branding. Data was collected via in-depth interviews, and analysed through three steps process: data reduction, data display, conclusion drawing and verifications (Miles & Huberman, 1994). This study is conducted within a known English apparel retailer. The reason of choosing fashion retailer is that this company has initially launched internal branding strategy, and its brands combine the attributes of both service and product, in which frontline employees play a crucial role in the brand success. Case study is appropriate for this selected company for two reasons. Firstly, the nature of this study is qualitative and exploratory. Case study can investigate a contemporary phenomenon within its real life context (Yin, 2009). Secondly, the perspectives of line managers have been given little attention by researchers. A sign case study contributes to present the richness and complication of the phenomenon in the real life.

In-depth interviews were conducted with the managers across its stores in the region of Great Manchester. The sampling strategy for these interviews was a combination of purposive and convenient sampling. The criterion of interviewee selection was based on the store financial performance (good, median, and poor) and one or two stores have been selected for each performance level. Considering the cost and time available, the stores located in the Manchester area were selected. Following this sampling strategy, five stores located in Manchester were selected. All participants are store managers or deputy store managers to explore line manager's perspective on internal branding, because compared to managers in the head office of the retailer, store managers and deputy store managers are at line management level, having regular interaction with employees, and having more direct observation and assessment of their employees than those at higher management level. Most importantly, store managers and deputy managers selected are in charge of the business operations of the stores, and they have rich work experience and better understanding of the stores. In total, four store managers and one deputy manager were selected for interviews. Among them, four are females, and one is male. Each of the interviews lasted between 45 to 80 minutes.

Prior to conducting individual interviews with managers, an interview protocol was developed on the basis of existing literature. In the interview protocol, three issues were given special consideration, namely internal branding practice, employee performance, and store performance. The interview protocol worked as a guiding tool in conducting interviews. In the real interviews, the question sequence was not followed exactly, to adjust to the interview situation and the interests of the interviewees.

Findings

Based on the analysis of the data collected, several themes were identified in terms of brand value, target customer, advertising; training methods and content, briefing, staff recruitment, importance of internal branding; assessment of employee performance and its determinants; store performance and its determinants. These themes are related to the issues presented in the interview protocol.

Finding 1: Limited knowledge and understanding of brand value

In addressing the questions related to brand value, brand identity, and branding strategy, all managers showed their hesitation. These store managers turned out to lack the knowledge of the brand value. None of managers could concisely describe their brand value. Some of them referred to what introduced in a training manual. Some of them shifted the topic from brand value to target customers and service. Among the five store managers, three managers clearly indicated their target customers. However, they could not describe the branding strategy of the firm. The majority of managers reported that the head office had started advertising programme on TV and fashion magazines for the first time. However, none of them remembered the slogans of the brand in the advertising activities.

Finding 2: Induction training focuses on service skills and team briefing makes contributions to daily business operations and employee motivation

All participants showed their high passion for training, and gave very positive comments on an updated training programme that was launched six months before our interviews. They reported that internal branding training has been integrated into the whole service training programme, and the information of the corporate brand was comprised in the sales advisor

operation manual (also called “workbook”). At the beginning of the training, brand value and company history were introduced on the first day by watching a DVD and reading the workbook. During the following six months, employees were mainly trained in their service skills session by session, moving from sales floor, to fitting room, tills, and stock room. This sales advisor induction training is compulsory for both newly recruited staff and old staff. In the training, the communication and learning tools varied from store to store, either by self-study or group discussion. In the daily operation, the store managers use team briefing as the main and effective communication method to pass on the daily sales target and service requirements to employees. The store managers believe that team briefing contributes not only to inform staff what they need to do that day and also to keep them motivated.

Finding 3: Providing good customer service has priority over understanding corporate brand value

The value fit between newly recruited employees and the corporate brand is widely ignored by store managers. This may be because none of them are really clear about their brand value, and they ignore the needed fit between an employee’s personal value and the value of corporate brand. As reported by three managers, in the process of new staff recruitment, they usually pay special attention to how employee candidates behave in customer service, their confidence and communication skills are in addressing customers, in addition to considering their work experience. When asking the importance of internal branding, especially its impact on employee performance, two store manager directly expressed their negative opinions. One manager argued that employees can provide good service, even though they do not know about brand. The other manager claimed, “At the start, employees need to know the corporate brand, but in the end, it is always about customer service”. In general, in the eyes of the store managers, internal branding is not what they really care about and customer service is the most important thing.

Finding 4: Factors influencing employee performance

Regarding employee performance, all the managers focused on employees’ customer service behaviour. Observation is the common method used by the managers to assess their employees’ service performance. Individual employee performance was observed and recorded on a daily basis. In order to improve the employee’s performance, feedback is provided to individual employees. In addition, a mystery shopper is employed by the head office to check the overall customer service in each store monthly, and the feedback is provided to all employees.

Among the factors influencing employee performance, leadership is the key factor underlined by all the managers. However, there is no consensus on the role of training. Two managers think training is important for employee performance. One manager holds a different opinion that training is not the major factor; rather it is more important to get the right people, the right product in the right place at the right time. One manager believes that daily observation and feedback to employees are important to improve employee’s performance. The question of whether or not good pay is a crucial motivator to employee performance was raised among the managers. One manager confidently expressed that money would not drive her and she would not go somewhere just because of double salary. On the contrary, two managers think pay is a good motivator.

Finding 5: Factors influencing store performance

These five stores have different performance in terms of sales and profit. Comparing with last year, two stores have achieved a much better performance; one store is just slightly over its sales; one store is more or less at the same level of sales as their performance in the last year,

but around 5 percent lower than two years ago; and one store has not achieved its target. When analysing the reasons of having different store performances, some managers think good customer service and good management team contribute to the performance, and some managers emphasise the importance of recruiting the right people, keeping the store tidy and customer friendly. On the other hand, some managers think the global economic recession is one reason affecting store performance, in addition to the less competitive store locations.

A conceptual model linking internal branding practice to employee performance and store performance

Drawn upon the findings in the interviews, a conceptual model that links internal branding practice to employee performance and store performance is developed (see Figure 1). This study has revealed that induction, team briefing, and leadership are three key internal branding practice tools in retailing environment, employees' customer service behaviour is the vital indicator to assess employee performance, and sales growth and profit are two crucial measurements for store performance in terms of its financial outcomes. This study has explored the relationships between internal branding practice, employee performance, and store performance that internal branding practice has positive impacts on employer performance which in turn has positive influences on store performance. Thus, we propose this conceptual model which presents a causal chain starting from internal branding practice, through employee performance, and ending with store performance.



Figure 1: a conceptual model of internal branding practice and its effects

Discussions

Reflecting on existing literature we reviewed, some of our findings strengthen the theories in the current literature, and some of them shed light on the issues which have not been addressed in the existing literature. Similar to what has illustrated in the literature, in this study we identified training and internal communications as crucial internal branding mechanisms. It is also commonly agreed that recruiting right people and leadership have significant influence on employee performance. In addition to the above common findings, we found in this study that daily observation and feedback are useful approaches to monitor and assess employee performance, which has not been addressed in the literature. Furthermore, the role that line managers may play in the process of internal branding has been generally ignored. Consequently, brand information has been underestimated in their daily business operation. Customer service has been paid high attention, but brand message has been ignored. Some store managers has drawn the attention to staff recruitment, but they failed to recognise the importance of personal-brand value fit.

This study reveals some key issues related to internal branding, employee and store performances in the retailing context. We found from this qualitative study that store managers' perception of internal branding is limited to some basic introduction of brand information to new employees, which indicates that line management is crucial for internal branding. Without a smooth transition of brand value and promise from the top management team to employees through line management, the internal branding process will not be integrated to the employees' service behaviour. Managers know well the importance of customer service. However, in contrast with the good knowledge store managers have about customer service, store managers have much less knowledge of their brand, their brand values and promises. There are several types of trainings and service quality control procedures operated at the stores to make sure employees may deliver good customer service, but these trainings don't really address brand values and brand promises directly. It is important to realise that line management is necessary for successful internal branding. For managers, internal branding process is firstly a matter of the alignment of their management behaviours with their brand values, thereafter knowing what to communicate and how to communicate about brand values and promises to employees, and then making sure the alignment of their employees' customer service with brand promise and values.

In this study, we found that customer service has a high priority on the mind of all store managers. However, failing to link customer service with brand value and brand promise that the company made to consumers maybe a hindrance for employees to deliver brand value and promise in their customer service. Most store managers understand customer service and internal branding as two separate things. In fact, there is no any conflict between customer service and internal branding and they should be integrated in the behaviour of managers and employees. When they are aligned, both employee performance and firm performance will be enhanced to a higher level. We argue that internal branding works as a directive to customer service behaviour, while customer service works as a substantial tool to achieve good employee performance. Aligning customer service with internal branding can maintain and improve employee's service quality.

Conclusion and implications

Based on this study, we argue that line management is the prerequisite for successful internal branding. For managers, internal branding process is firstly a matter of the alignment of their management behaviours with their brand values. Line managers' brand knowledge and identification is crucial here because without brand knowledge and identification they will have little idea about what to communicate and how to communicate about brand values and promises to employees, not to say making sure the alignment of their employees' customer service with brand promise and values. Drawing upon the findings and discussions of this study, we draw some practical implications for management:

- It is crucial for line managers to understand what the brand is about, and to buy in the brand, so that they do their job well in the process of internal branding and pass the brand value and promise on to employees.
- Internal branding cannot be solely fulfilled by HR training. It requires integrated cross-departmental operations, e.g. marketing, HR, corporate communication and operation management. Line manager s' brand knowledge and brand buy-in is especially important in the process of internal branding since they are the people

managing employees day to day and enhancing the congruency between brand promise and brand delivery.

- Internal branding should be put at the strategic level, not as a function of marketing. It needs to be integrated into the culture of an organisation. It might be beneficial for companies to use internal branding as catalyst for culture creation and development. This is especially relevant, if the company has staff with multi-cultural backgrounds.

We are aware the limitations of this study, which encourages us to do further research. Firstly, given the nature of case study and the small sample size, generalization is quite difficult. The second issue is could these findings be applied in an emerging economies such as China and India? In our further study, other research methodology such as survey with larger sample size is being considered for a large retailer from India. Secondly, the significance of line managers' knowledge and identification of brand values and promise, and the relationship between internal branding and customer service which emerged from this study needs to be explored in a wider context with larger sample size and multiple sources of data across different cultures. Furthermore, this study focuses on line manager's perception. In the further study, it is needed to uncover employee's perception as well. Nevertheless, the identification of these limitations does not invalidate the findings of this study. Even if using other forms of data collection, limitation cannot be avoided.

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**A Closer Look of “Mianzi” Influences on “Perceived Interactional Justice” by
Chinese Customers during Service Recovery Process**

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Abstract

Service Recovery has been one of the imperative issues for cultivating positive brand image and customer loyalty in long-term for service firms. The three dimensions of perceived fairness in service recovery processes have been suggested as one of the essential area for management attention when handling customer complaints (Tax and Brown (1998)). Marketing or service managers have put attention and resources to handle service failure such as offering complaint hotlines or having customer service department to handle customer matters. Managements in service firms attempt to response service failures promptly in order to prevent any negative impacts or negative word-of-mouth on their brand names.

Past studies showed that customers would feel dissatisfied if complaints had not been treated fairly. The perceived fairness in terms of handling complaints has influences on the customer reactions or behaviour (Seiders and Berry (1990)). However, it is difficult to control the perceived fairness by any service firms. The emotions of angry customers tend to be complex because negative emotional towards the service failure and service recovery management are influenced by various factors including cultural aspects. Past study reported that cultural values have influences on perceived justice perception in complaint handling (Mattila and Patterson (2004)).

Nowadays, Chinese consumers are better informed and have more disposable income to spend for services based on their preferences. “Mianzi” (or “saving face”) has been one of the important cultural values that influence perception, buying behaviour and counter responses of Chinese consumers. As a result, this conceptual paper attempts to discuss and explore the possible impacts of “Mianzi” (or saving face) on perceived interactional justice during the service recovery process by Chinese consumers. Research finds that “Mianzi” (or “saving face”) has both positive and negative impacts on service recovery.

Key Words: Chinese Consumer, Complaint Behaviour, Interactional Justice, Mianzi (saving face), and Service RecoveryProcess

A Closer Look of “Mianzi” Influences on “Perceived Interactional Justice” by Chinese Customers during Service Recovery Process

Introduction- Changes of Disposable Incomes - Chinese Consumer

The recent economic growth in China has stimulated both business opportunities and challenges to both local and overseas business organizations. Nowadays, Chinese consumers have more disposable incomes to spend and demand for more choices and quality services or goods. The Gross Domestic Product (GDP) per capita has been significantly increased by 52.7% from Reminbi 30,567 (USD4,799) in 2010 to Reminbi 46,652 (USD\$7,324) in 2014 in according to the statistics provided by the China's National Bureau of Statistics (<http://www.stats.gov.cn>) in September 2015. **Figure 1** shows that the disposable incomes for both urban and rural residents have been increased significantly by 51% and 77% respectively.

Figure 1 – Growth of GDP and Disposable Income in China (Urban and Rural Areas) During 2010-2014

年份	GDP (per capita) - Reminbi (yuen)	Disposable Income of Urban Residents (per capita) -Reminbi (yuan)	disposable income of rural residents (per capita) -Reminbi (yuen)
2010	30567 (USD4,799)	19109 (USD3,000)	5919 (USD929)
2011	36018 (USD5,655)	21810 (USD3,424)	6977 (USD1,095)
2012	39544 (USD6,208)	24565 (USD3,857)	7917 (USD1,243)
2013	43320 (USD6,801)	26955 (USD4,232)	9430 (USD1,481)
2014	46652 (USD7,324)	28844 (USD4,529)	10489 (USD1,647)

Remarks: 1) Currency Unit: Reminbi (yuen)

2) 1RMB = 0.157 USD

Source: China's National Bureau of Statistics (<http://www.stats.gov.cn>)

Increasing Trends of Consumer Complaints in China by Top Ten Industries

The changes in disposable incomes lead to changes in consumer expectations and their buying behaviour. The needs of Chinese consumers have become more sophisticated compared with past decade. For instance, they look for not only good value for money but also some psychological benefits such as personal status and self-image when making purchases. The statistics provided by State Administration for Industry and Commerce of the People’s Republic of China (SAIC) in **Figure 2** shows that there is an upward trend in terms of the Chinese consumer complaints by the ten industries in 2013.

Figure 2: Consumer Complaints in China (2013) – Top Ten Industries

Industry	Goods or Services	Complain Details	No. of Units (10,000)	Annual Increase in 2013 (%)
1)Smartphone and mobile phone & Repairing Charges	Goods	Quality of mobile phone handset (4.31 units)	10.12	99.68%
	Services	After sales services (3.84 cases)		
2)eCommerce, eShopping (TV and Internet), and Direct Mail	Services	Several reasons: - broken or over promises in promotional activities, fake products, late delivery etc. (main category: Internet eShopping 1.7 cases)	2.03	24.51%
3)Telecommunications	Services	Games, download, telephone, Internet access -service quality (1.08 cases) -contract (1.85 cases) -advertising (0.06 cases)	6.31	10.55%
4)Personal Computer and Peripherals	Goods	Personal computer, iPad and peripherals -quality (0.89 units) -after sales services (0.78 cases)	2.19	66.98%
5)Home Renovation Services	Services	Service quality and contracts (0.4 cases)	0.61	18.7%
6)Repairing Services	Services	Household electronic appliances (0.93 cases)	3.43	19.56%
	Services	Repairing of motor vehicles (0.86 cases)		
	Services	Telecommunication devices (0.78 cases)		
	Goods	Personal Computer (0.19 cases)		
7)Agency Services	Services	Property (0.5 cases)	0.77	31.71%
8)Motor Car and Accessories/Parts	Goods	Quality (1.28 units)	3.82	18.22%
	Services	After sales service (1.09 cases)		
9)Internet Services	Services	Internet access (3.55 cases)	4.29	21.25%
10) Fashion and	Goods	Fashion	4.25	13.12%

Shoes	Goods	Shoes -quality (4.54 units) -after sales service (1.62 cases)	3.37	0.46%
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Source: State Administration for Industry and Commerce of the People’s Republic of China (SAIC) Report on “National Top Ten Consumer Complaint Industries in 2013”.
http://www.saic.gov.cn/zwgk/tjzl/zxtjzl/xxzx/201403/t20140314_142974.html

Research Objective

Past study showed that only five to ten percent dissatisfied customers make complain and many dissatisfied customers switched to other providers without making any “noise” (Tax and Brown (1998)). Service recovery provides an opportunity for service firms to regain customers’ confidence, trust, and loyalty (Johnston (1995)). This may lead to positive effects on word-of-mouth (WOM) and brand image. On the other hand, perceived justice has been increasingly discussed in service recovery management to portray fairness to the complaint customers (Goodwin and Ross (1989)).

Perceived justice consists of three major components. They are (1) distributive justice, (2) procedural justice and (3) interactional justice (Tax et al., (1988)). The focus of this paper is on the interactional justice of which relates to the operational approach adopted for implementing service recovery process and the outcomes’ presentation to complaint customer. Interactional justice component is selected for the current study because lots of interactions or touch points exit between service firms and the complainers throughout the service recovery process. These interactions seem to be a “puzzle” of which leads to different levels of perceived justice and customer satisfaction or dissatisfaction.

Previous study reported that customers’ cultural orientations have influenced the evaluation of service failure and recovery (Becker (2000)) and perceived fairness of service recovery management (Mattila and Patterson (2004)).Furthermore, **Figure 2** has indicated that there is an upward trend of customer complaints in China so that it is worthwhile to discover more insights about customer complaint of service failures in China.

“Mianzi” (saving face) is a rooted culture in the Chinese society and many studies were conducted in this area during the past seventy years (Hu (1944), Cheng (1986), Chiu et al (1987), Chang and Holt (1994), Leung and Chan (2003), Li and Su (2007), and Zhang et al (2011)). Within the Chinese society, saving face is a crucial element to represent respect, individual status and ability to influence others in particular in front of others or in public areas.

With regard to perceived justice, only limited studies were conducted in the area of service recovery strategy effectiveness (Hoffman and Kelley (2000)). Mishandling customer complaint always leads to customer dissatisfaction and negative

word-of-mouth (WOM) (Becker and Wellins (1990)). This paper attempts to discover the influences of “Mianzi” (Saving face) on perceived justice in terms of interactional justice during service recovery process.

Chinese Culture – “Mianzi” (saving face) and Service Recovery

“Mianzi” (saving face) represents to respect others, particularly in public settings. For instance, Chinese people attempt to avoid inappropriate behaviour or comments that may create embarrassments and disappointments of others. Chinese have been very face conscious in social interactions (Chiu et al (2001)). Westerners may focus on seeking fairness treatments in service recovery, however from the Chinese culture perspective, handling the matter in a peaceful manner and keeping all parties’ dignity are essential (Crawford (2014)).

Nowadays, Chinese consumers are better informed and have more disposable income to spend for services based on their preferences, needs and status. “Mianzi” (or “saving face”) has been one of the important values that influences perception, buying behaviour and counter responses of majority Chinese consumers. Face has been perceived playing an important role in service recovery and customer emotion is found to have a significant relationship with customer recovery satisfaction (Du et al (2010)).

Face itself may enhance the interpersonal relationship between people (Cheng (1986)). “Face plays a role in consumers’ psychology and behaviour during service failure and recovery encounters (Du et al (2010), p.585). As a result, it is suggested to explore the possible impacts of Mianzi (saving face) on implementation of interaction justice.

Perceived Justice– Interactional Justice Perceived by the Chinese Consumers

Interactional justice is one of the core elements for perceived justice and it refers to the “interpersonal treatment” (Tax and Brown (1998)) received by the customer during the complaint handling process. The perceived justice affects the customer loyalty via emotions (Chebat and Slusarczyk (2003)). Past study has attempted to cluster the emotions of losing face into six different categories. They are anger, embarrassment, shame, remorse, despair, and moodiness (Zhu (1987)). As a result, the emotions of losing face customers may have impacts on both customer satisfaction and perceived justice.

Success in recovery strategy enables firms to enhance revenue and profitability. Nowadays, frontline employees have played a significant role to communicate with customers directly, discover customer needs and facilitate service failure recovery process. Many global service firms such as Federal Express and Ritz-Carlton have used the collected failure data for service improvement in order to improve service quality and enhance customer satisfaction in long-term.

A past study reported that majority of customers were not satisfied with the approaches that companies handle their complaints and had negative feelings regarding the service recovery process (Tax and Brown (1998)). It would be difficult for service firms to regain trust and customer satisfaction if they have a negative perception and losing face feelings of interactional justice.

Method and Data Collection

Past studies indicated that both quantitative and qualitative methods may be adopted for studying service recovery management (Kelly et al (1993), Keaveney (1995)). The details of qualitative methods allow researchers to obtain more insights and better understanding about the perception and buying behaviour of the Chinese consumer in terms of perceived justice.

Secondary research was conducted during summer 2015 by the researchers of the study. Information was collected from Internet, online newspaper in China, and discussion eforum. In brief, two types of secondary data relating to Chinese consumer complaints were collected. The first type was decision-making situations relating to “Mianzi” (saving face) (**Figure 3**). The second type data (**Figure 4**) was real-life customer cases covering both “Mianzi” saving face and losing face consumption situations in China. The collected information was translated from Chinese into English language and was validated by the researchers.

Key Findings by Secondary Research

The two types of secondary data relating to consumer complaints in China were collected for the exploratory study. They are (a) selected purchases or decision-making situations relating to “Mianzi” (saving face) (**Figure 3**) and (b) complaint cases in China and approaches adopted for handling the complaints with or without consideration of “Mianzi” (saving face).

a) Selected purchases or decision-making situations relating to “Mianzi” (saving face)

Figure 3 shows that some Chinese consumers may make purchase decisions mainly based on “Mianzi” (saving face) instead of the benefits providing by the services itself such as comfortability, good value for money and other benefits that perceived by the marketers or business managers. The economic growth in China (**Figure 1**) allows Chinese consumers to look for symbolic value more than monetary value (Bian and Forsythe (2012)).

Despite of “Mianzi” (saving face), there are about 50% of the selected consumption situations(**Figure 3**) relating to the performance of frontline employees of which may lead to either positive or negative customer experiences due to face issue. The attitudes of employees always hurt customer feelings directly (Du et al (2010)) and this is also supported through the findings of our secondary research (**Figure 3 and Figure 4**).

Figure 3: Selected Purchases or Decision-making Situations relating to “Mianzi” (saving face)

Selected Purchases or Decision-making Situations (1) -Having Dinner with Friends in a Restaurant	Perceived Having “Mianzi” (Saving Face) “Yes” or “No”
(i) Prefer having dinner with friends in a separated room in the Chinese restaurant instead of having dinner in the open areas of the restaurant	Yes
(ii) When ordering dishes, Chinese consumers tend to order more expensive dishes and in large quantities.	Yes
(iii) Enjoy being a VIP customer of a particular restaurant because he/she is able to receive free dishes or free desserts provided by the restaurant	Yes
(iv) Frontline staff provides respectful services	Yes*
(v) Bad surrounding environment or dishes has hygienic problems	No
(vi) The manner of frontline employee is arrogant and indifferent including unresponsive behaviour.	No*
(vii) Requests made (e.g. refill water, tracing orders, checking for the bills) to waiters or waitress of the restaurant but the customer requests have been ignored or the employees are unresponsive to the request.	No*
(viii) Making payment via coupons or discount vouchers	No
Selected Purchases or Decision-making Situations (2) -When Making Purchases in a Retail Store	Perceived Having “Mianzi” (Saving Face) “Yes” or “No”
(i) The frontline employees makes a high praise of customer regarding his/her purchase decision in front of others then he/she will make purchase accordingly.	Yes*
(ii) Various attentive services are provided by frontline employee(s) due to an expensive purchase transaction.	Yes*
(iii) Being look down by the frontline employees because the customers are perceived that the Chinese customer cannot afford to make expensive purchases.	No*
(iv) Frontline employee(s) has/have poor service attitudes in terms of indifferent expression and unresponsive manner.	No*
Selected Purchases or Decision-making Situations (3) -Travelling by Cruise (Cabin) and Hotel Accommodation	Perceived Having “Mianzi” (Saving Face) “Yes” or “No”
(i) Some Chinese consumers prefer taking first class cabin instead of economy class when travel by cruise. This is because the first class cabin	Yes

allows them to have “Mianzi” (saving face) in terms of social status instead of comfortability benefits.	
(ii) Prefer selecting 5-Star hotel accommodation because the 5-Star hotel itself already provides prestige image for having “Mianzi” (saving face).	Yes

Remark: * relating to frontline employee’s behaviour or attitudes

(Source (来源) Adapted and translated from: 陈效林, 张道成, 毛志娟, 李伟, 2015年 8.15-8.20, 消费者访谈 (in Chinese))

(b) “Real-life” complaint cases in China and approaches adopted for handling the complaints with or without consideration of “Mianzi” (saving face)

The following Figure 4 summaries four customer complaint cases covering both positive and negative customer experiences using different handling approaches.

Figure 4: Summary of Four Consumer Cases in China: Saving Face or Losing Face

Case	Consumer cases relating to Mianzi (“saving face”) <u>or</u> “losing face” consumption situations	“Mianzi” (saving face) and Overall customer experiences
1	<p>“Cashier insists to reject issuing invoices for customers after payment!”</p> <p>A Chinese customer was provided with three discount vouchers to dine in a restaurant located in Xiamen in 2014. The customer was told that only one voucher was allowed to be used for each service transaction. When the customer made payment with the discount voucher then the customer was told that no invoice would be issued. This was because the customer did not indicate using the discount voucher when placing orders. However, this company policy had not been printed on the discount voucher so that the angry customer kept on asking for an invoice regarding the cash amount paid for the meal. The angry customer thought that this was the consumer right to collect invoice.</p> <p>However, the responses received from the cashier were rude, unfriendly and impolite. The cashier told the customer “This is our policy and no matter whether you are going to make your complaint or not! If you want to have your invoice then you must pay the original prices for your meal instead of our promotional prices!” Furthermore, the reply received from the manager of the restaurant was also poor and inattentive. The customer was very angry, disappointed and shared the complaint with public in an eForum.</p>	<ul style="list-style-type: none"> -Losing face in front of others -poor staff attitudes -angry customer -negative word-of-mouth -high level of customer dissatisfaction -overall, <u>negative</u> customer experiences

Source Adapted from: “服务员态度强硬拒绝开发票” (天天 315 在线消费投诉平台)
<http://jingji.cntv.cn/20140315100936565.shtml>

2	<p>“Customer traces the order with the waiter but leading to losing face!”</p> <p>A small group of Chinese customers were rushed into a restaurant for a quick lunch in a busy commercial district in China. They were in hurry because they had to attend a meeting after their lunch. When entering the restaurant, they told the waiter that they were in rush and need to have quick lunch. The waiter replied that they could serve lunch quickly. Unfortunately, the service was very slow and the customers were hungry and asked the waiter to trace their orders. The waiter gave an impolite reply of “All customers here need to have lunch in hurry, you are not the only one group!” After waiting for about half hour, nothing was served on the table. They traced with the waiter again but the waiter was inattentive with poor attitudes and gave no response to the customers. Finally, all dishes were served with a rude manner. The customers were in rush so that they did not want to have any conflicts and arguments with the waiter. They left immediately after their lunch. However, they shared their negative service experiences with others in eForum.</p>	<ul style="list-style-type: none"> -Losing face in front of others -overpromise -unreasonable slow service -poor staff attitudes -angry customer -negative word-of-mouth -high level of customer dissatisfaction -overall, <u>negative</u> customer experiences
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Source adapted from: “催菜反被服务员甩脸子，呛话” (来源:天涯论坛)
<http://bbs.tianya.cn/post-funinfo-6584444-2.shtml>

3	<p>“Creatively use the praise tactic of “saving face” to deal with an uncooperative customers who did not follow the parking rules!”</p> <p>A security guard of a restaurant noticed an uncooperative customer who parked his car in a prohibited area. The security guard had use his creative solution of “saving face” to persuade the uncooperative customer to park his car in the provided area. The creative saving face statement made by the security guard was “Sir, you have an excellent driving skills. You are a greatest driver that I have ever seen for the past 3 years. Quick and accurate driving! I wished you were my driving teacher so that I could learn one more skills for my livings. Excuse me, teacher! Could you do me a favour to park your car over there? This is because other drivers might not have excellent driving skills like you!” The customer was very pleased and happy after listening to the wonderful</p>	<ul style="list-style-type: none"> -Saving face in front of others - good staff attitudes - happy customer -positive word-of-mouth -high level of customer satisfaction -overall, <u>positive</u> customer experiences
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	statements and parked his car in the provided areas.	
Source adapted from: “懂得利用赞美，给足客人面子” (来源:搜狐旅游) http://travel.sohu.com/20071129/n253706930.shtml		
4	<p>“Hai Di Lao Hot Pot Restaurant wins customers hearts through superior and creative services - respect all customers leading to “saving face”, meticulous caring and value-added services that help to reduce service recovery incidents”</p> <p>Chinese consumers enjoy having hot pot in “Hai Di Lao Hot Pot Restaurant” because the restaurant provides excellent and unique customer service. The customers feel being respected and have face throughout the service delivery process. For instance, several value-added and innovative services are provided to customers while they are waiting for the services as well as during the whole service delivery process:</p> <p>(i)drinks and refills, fresh fruits and dim-sum which are provided to customer free-of-charge</p> <p>(ii)shoes shining services, Internet and nail services are provided</p> <p>(iii)entertainment services like play cardsand chess are provided to customers</p> <p>(iv) Allow customer ordering half portion of the dish from the provided menu (flexibility is provide based on customers’ needs)</p> <p>(v) Variety of special caring services for different customers:</p> <ul style="list-style-type: none"> - free elastic hair band for ladies with long hair - cushions are provided to pregnant women -eyeglass cleaning cloths are provided to customers who wear glasses -toothpastes are provided in toilet for customers to clean their teeth 	<ul style="list-style-type: none"> -Saving face in front of others -respect customers - good staff attitudes with proper training - good level of attention - happy customer -positive word-of-mouth -high level of customer satisfaction -overall, <u>positive</u> customer experiences through the proactive caring services provided by the restaurant
Source adapted from: “骨汤门”依旧无法阻止海底捞续写神话”(来源:中国食品科技网) http://www.tech-food.com/news/detail/n0593686.htm		

Conclusions

Dealing with customer complaints requires a positive internal recovery culture. Senior management of service firms needs to pay more attention and cultivate an appropriate corporate culture to implement the interactional justice carefully during service

recovery process. Treating customers fairly during the service recovery process is a moment of truth that help service firms to enhance customer loyalty and reinforce customer relationships. As a result, the frontline employees play a strategic role in facilitating the success of interactional justice.

In addition, customer complaints offer opportunity for service firms to conduct root causes analyses of their service failures and provide valuable inputs on future service strategy. Management of service firms should attempt to response service failures promptly in order to prevent any negative impacts or negative word-of-mouth on their brand names. Provide training to the frontline employees, the cultural issue of “Mianzi” (saving face) should be taken into consideration throughout the implementation of interactional justice because this seems to have impacts on the customers’ emotion and perceived fairness by the Chinese consumers.

Developing lifetime customer relationship is strategic importance for pursuing long-term success and brand loyalty. The interactional justice consists of lots of touch points with customers during the service recovery process including “moment of truth”. Handling with care and having high level of sensitivity to the cultural aspect of “Mianzi” (saving face) is essential for service firm to sustain their leadership in the dynamic and highly competitive business environment. Senior management of service firms should pay more attention and effort for the implementation of the interactional justice of which have both positive and negative impacts on sustaining customer loyalty and brand image in long-term.

This paper attempts to discover the impacts of the rooted Chinese culture of “Mianzi” (saving face) through secondary research. The primarily findings through secondary research provide some useful insights for future study. Further investigations in this area regarding the perceived fairness and “Mianzi” (saving face) through the eyes of Chinese consumers are highly recommended.

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Brand building through the Analytic Hierarchy Process

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Abstract

Many researchers and practitioners agree that brands are salient for consumer purchase decisions. They constitute a substantial, intangible asset for most companies (Burmam et al., 2009). In particular, facing increasing competition in service markets, many companies have focused on branding strategies in order to gain competitive advantage (de Chernatony and Christodouides, 2004).

De Chernatony and Segal-Horn (2001) argued that brands seem more crucial in the service arena because service brands represent something that is intangible, while product brands represent tangible things. The intrinsic characteristics of services may pose particular challenges to marketers and might require an adaptation of the branding and marketing techniques usually used for physical goods (e.g., de Chernatony, 1999). Therefore, this study looks into hotel branding, a kind of service branding.

Grounded from Olin's (1995) model, this study identifies four brand image attributes including infrastructure, service quality, innovativeness, and corporate philanthropy that are considered as importance to the development of favorable brand image for the accommodation services. For each brand image attribute, it consists of various sub-factors. For example, innovativeness is comprised of product innovativeness and process innovativeness. This study focuses on the view point of the corporate consumers, who are mainly the tourism planners for corporate activities. This study further assesses customers' desired hotel images association by the investigation of the relative importance of various hotel brand image attributes using the analytical hierarchy process (AHP) introduced by Saaty (1980). AHP is a measure based on pair-wise comparison judgments to rank decision alternatives (Ngai, 2003). It is a multi-criteria decision-making technique good for evaluating complex multi-attribute alternatives, which may include subjective or intangible criteria, like brand image attributes.

The results of this study reveal that corporate consumers of accommodation services desire brand images associated with convenient locations, impressive tangibles, reliable service, knowledgeable employees, and process innovativeness. Surprisingly, corporate philanthropy is found to be the least effective factor for building a favorable hotel brand image though increasing corporate efforts are put on social service activities.

For a service industry with a competitive market and limited resources, this study provides insights on the priority of the use of resources and brand-development strategies. The results of this study can help hotel practitioners allocate resources to build a favorable and desired brand image. For instance, accommodation services should put more effort into creating an association of reliable services and knowledgeable employees so as to establish a favorable brand image that can adequately attract the potential customers. This provides strategic insight for practitioners.

Slovak Consumers' Readiness for Brands from Emerging Countries

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Abstract

This paper investigates the readiness of Slovak consumer for brands from emerging countries. First, literature review of consumer behavior and factors affecting this behavior is provided. Then description of research methodology is mentioned and finally, research results are presented. To be able to examine how the brand preferences of Slovak consumer have been changing and if they are ready now to accept brands from emerging countries, three separate researches from 2009, 2013 and 2015 were studied. It was clearly shown, there is a shift in the brand buying behavior. Typical for the period when the global crisis hit Slovakia in 2009 was that the main trigger in their buying behavior was low price. Based on the research results from 2013, Slovak consumers can be seen as very brand oriented and they care about brands and expect high quality from their favourite brands. In 2015, Slovak consumers do not behave as patriots when they are shopping. Retailers have already begun to see that part of Slovak consumers are becoming more price sensitive and they expect high performance but with decent prices. This could be the opportunity for emerging market brands which are becoming global and present in the Western world. To enter Slovak market with high quality and competitive prices.

Slovak Consumers' Readiness for Brands from Emerging Countries

Literature Review

Brands are projected values in the minds of customers and without this psychological commitment there are just unrecognizable products or services. Therefore brand is commitment and marketers need to understand consumer and how his mind works to be able to build a real relationship between consumers and products (Temporal, 2010). An understanding of consumer behavior frames a brand's competitive advantage (Greifenberger, 2009). Prior to a purchase the brand can increase consumer's efficiency of perception, processing and storage of information. The actual decision making activity can be easier because brands reduce uncertainty and reduce risk of a purchase and in the post purchase stage, the image benefits of brands emerge (Klaming, 2006).

There are products of various origins offered to customers, which is a consequence of globalization and merging and connecting markets. The formation of global economy has noticeably widened the presence of foreign products on domestic markets. This has stimulated interest in examining the role of country of origin and its consequences on consumer behavior. It can be considered a cue that is capable to summarize information on products, brands and firms from different countries. Therefore, country of origin can be seen as one element of a brand that helps consumers to connect the brand to a specific country. At times, product origin may suppose a barrier to the trade of goods and services within or between countries. Consumer preferences for foreign and domestic products could be influenced by trust in foreign firms, consumer ethnocentrism and negative feelings towards a specific country (Torres and Gutiérrez, 2007). The influence of country of origin on brand buying behavior has been studied for decades. But in times of globalization, when products are designed in one country, manufactured in another and assembled in another one, consumers are confused and are often not able to identify or recognize domestic products. Globalization has increased the opportunities for companies to distribute their goods to consumers all over the world. At the same time, consumers are able to choose from a broad range of products and services in almost any category. International product adaptation makes it difficult to differentiate between goods.

Consumer behavior is the study of the processes that individuals or groups go through when they are making their purchasing choices in order to satisfy their needs. This behavior is affected by broad set of factors such as: income, demographics, social and cultural factors. Beside these basic internal factors, which influence the buying behavior, there are also factors that are stimulated by the external environment surrounding the consumer. Therefore, the consumer behavior is a combination of customer's buying awareness combined with external motivators. This is the reason, why the consumer reacts to any change in the economic situation around him by changing his consumption. (Mansoor, Jalal, 2011)

The buying patterns of people tend to change during hard and stressful times such as economic crisis. Research from Euro RSCG Worldwide in 2010 showed a shift in consumer values and behaviors, as people begin to rethink what is important and how they want to live. The crisis has caused slowdown of consumer consumption and the priorities of consumers changed, as well as the perception and representation they have on brands and their benefits. (www.thenewconsumer.com) Each feature of the socio-economic situation has substantially changed not only the way the new consumer purchases, but also especially what they are buying and why they are buying. In developed countries, new consumers are more

economical, more responsible and more demanding than before. Currently, new consumers are increasingly aware of all aspects involved in purchase of products, from design, safety, origin, to their social and economic impact. (Voinea, Filip, 2011). Slowing economic growth and changing consumer behavior are reshaping the strategies marketers must use to attract and satisfy customers.

Methods

Data for this paper were drawn from primary and secondary resources. Secondary resources for this paper included information from two representative surveys from agencies GfK, and Publicis Knut on consumer buying behavior and their attitudes toward brands. The third source was an interview about Slovak consumers and their buying habits with analysts from GfK and Terno, both market research agencies. All the secondary data comes from the year 2009.

First set of primary data was obtained from marketing representative research. The data collection lasted from January to April 2013. Anonymous questionnaire on consumer buying behavior was presented to Slovak respondents who were older than 16 years of age. They were chosen on basis of demographic quotas – age, gender, education and income to match the proportional distribution of Slovak population. The sample size was determined 1067 to get permissible error of 3 percent and confidence level of 95 percent for the research results. The respondents were presented 26 statements concerning their brand buying behavior with emphasis on domestic versus foreign brands.

Second set of primary data originates in an online research. The sample of this study consists of 200 Slovak respondents and they were chosen on principles of convenience sampling. It is non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. It is fast, inexpensive and easy technique. Data were collected from September to October 2015 in Slovakia and the instrument for data collection was a questionnaire. The respondents were presented the same set of 26 statements concerning their brand buying behavior as in 2013.

Results

Slovak consumers showed no national sentiment in their purchases. More than one-fifth of the Slovaks were regularly shopping abroad, especially in the neighboring countries Hungary, Austria, Czech republic and Poland. Nearly 70 percent of these consumers said the main reason for their purchases abroad are lower prices and better quality of products. (Sedlák, 2009) Most people in Slovakia consider that brands deliver a certain status for them, which is depicted in purchasing the right branded product. The number of consumers who are “into” branded fashion is growing amongst both men and women. However, when it comes to fashion, Slovaks are most particular about the brand of their shoes.(www.gfk.at)

Typical for Slovak consumers was their price sensitivity and their decisions were made more on price and reliability of the products than their image or package. Majority of Slovak women were loyal to their favorite brands. More than 30 percent of consumers want to present their status with branded products. For consumers younger than 24 was very important to purchase famous brands.(www.knut.sk)

In 2013, Slovak consumer preferences for brands have changed. General attitudes of Slovaks toward brands can be described as follows: Consumers do have their favorite brands and they do not care if they were produced abroad or in Slovakia but they are very aware of the country of origin. They are brand oriented and they make their purchase decision based on brands. They are not willing to pay more for Slovak products, but they not hesitate to spend more money on their favorite brands. The consumers are interested in the country of origin and they are willing to take the time to search for the information of where the product they want to purchase was made. Brands play an important role for Slovaks, but the consumers are sometimes confused with the great variety of brands. Considering foreign brands, Slovaks think they are more available and they usually buy consumer goods, footwear and textiles of foreign origin. Consumers do not think that foreign brands do have better quality than Slovak brands.

In 2015, Slovak consumers do not behave as patriots when they are shopping and retailers have already begun to see that Slovak consumers are becoming more price sensitive and that they are more often ignoring a product's country of origin when shopping. This is caused both by lower purchasing power of Slovaks and by a lack of consumer patriotism that was never built in Slovakia. The biggest group of respondents makes their purchase decision based on price and after that comes the brand. Most of Slovak consumers agree they want to buy high quality products for reasonable price.

Discussion

At the beginning of the crisis in 2009, Slovak consumers could be distinguished by regions where they lived. Especially in the cities, there was a growing group of consumers who preferred quality and famous brand names. In small towns and villages, the main criterion for purchases of concrete products was the price. The country of origin was not important for these consumers; the key factor was the price. Majority of consumers agreed that domestic products are better, but almost one fifth of them made their purchases abroad because of lower prices. Typical for the period when the global crisis hit Slovakia was that the main trigger in their buying behavior was low price.

In year 2013, we can see a shift in the buying behavior. Slovak consumers are brand oriented, they care about products they buy regardless of the price. When they have their favorite brands, country of origin is not important for them and they are willing to pay more money for it. The main reason for buying Slovak products is to support the economy and we can say that Slovak consumers are very aware of the benefits of supporting domestic production. Nevertheless, consumer ethnocentrism is not typical for Slovaks.

In 2015, Slovak consumers do not behave as patriots when they are shopping. Retailers have already begun to see that part of Slovak consumers are becoming more price sensitive and they expect high performance but with decent prices. This could be the opportunity for emerging market brands which are becoming global and present in the Western world. To enter Slovak market with high quality and competitive prices.

Product development and marketing seem to be important in following the impact of consumer trends. Focusing in product and development of marketing channels are the areas where companies should be investing in. Slovak consumers are quality and brand driven and they have high expectations of products and their performance. The rise of e-commerce and social media, online marketing channels and Internet forums offer a platform for consumers to

gather the intelligence they need to make informed purchasing decisions. Slovak consumers spend searching for information on products 4 times more time than any other consumers from Central Europe and they are using social network platforms and forums for this purpose. Companies must be alert about this fact and shift their marketing activities to online environment in a larger matter and see this as a huge opportunity for online engagement with a brand.

In today's global economy from the customer's point of view is not easy to clearly recognize country-of-origin brand or product, especially when the product was not produced solely in one country. For instance, the product may be designed in one country and produced in another one; this is also concerning the assembly or production of parts and/or components. A brand can be part of the international brand portfolio, a brand used under the umbrella branding strategy or it might also be a regional or local brand. All things considered and additionally within the frame of the representative research in 2013, several marketing strategies oriented on introducing new brands with an emerging country origin in Slovak market can be identified (it can be also applied in other countries). In contrary to 44% of Slovak consumers preferring domestic products as they want to support the Slovak economy or to express their positive attitudes towards Slovakia as a native country, there is a large group of Slovaks that are ready to buy foreign products that may be considered as products with higher quality, more achievable or cheaper. In this way several possibilities are as follows: a) focus on building a strong brand for a product of a high quality in an emerging country and later entering into foreign markets; b) production under the private brands without a direct connection with an emerging market; c) acquisition of a strong known foreign international or global brand; d) acquisition of a set of local brands abroad covering particular markets with a higher market potential; e) introducing a set of new local brands abroad covering particular markets with a higher market potential pretending they are domestic; f) co-branding with the known international or global brand focusing on the same or similar target segment or to use so called piggybacking market entry method ; g) to apply for a quality standard or for a certificate guaranteed the international norms or quality; h) putting the stress on the country-of-origin when there is a relevant connection between the home country image and the product category; i) focus on the low price when commodities are produced and finally j) to apply for a state subsidies or other forms of incentives for reducing exporting price level. All of these strategies have to be considered under the process of a deep analysis and should be pre-tested on a small market to prevent potential losses and to minimize potential risk.

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How Innovations Influence IPO Performances in China?

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Abstract

Using the signaling theory and behavioral finance theory, we investigate the role of innovation in the initial public offerings (IPOs) . We develop and test a model in which R&D intensity and patent affect IPO performance under different market conditions. We find R&D improve the valuation(P/E ratios), and this effect is more important in hot market; while patents reduce information asymmetries and reduce underpricing, and the effect is more significant in cold market. We examine the model based on a sample of 355 IPOs from ChiNext and find support for our hypotheses. This study contribute to signal theory and IPO research by showing that the market condition contextualizes firm innovation's signal effects. Besides,R&D intensity and patents are interpreted differently by informed and uninformed investors, lead to heterogeneity in IPO performance.

Keywords: R&D Intensity, Patent, IPO, underpricing, Hot market

How Innovations Influence IPO Performances in China?

Introduction

Although a large body of research examines the performance of firms around their initial public offerings (IPOs), the effects of innovation on going public is still unclear. This question is particularly relevant given the reliance of young and entrepreneurial firms on public equity issuances to fund their R&D investments (Brown, Fazzari et al. 2009), and the critical role of innovation in promoting growth.

Pricing in the IPO market has received increasing attention from innovation scholars. This study focus on the effect of innovation in IPO. We examine the relationship between firm innovation and IPO performance, including offer pricing (P/E) and underpricing on the first day of trading, under different market condition, hot and cold market, drawing on the signaling model and behavioral finance theory.

Scholars following signal theory have examined a variety of innovative factors's effects on pricing in the IPO market, such as patents (Useche, 2014; Heeley, et al.2007), R&D investments (Guo, Lev & Shi, 2005; Heeley, et al.2007), with different IPO performance terms such as underpricing (Heeley, et al.2007), IPO proceeds and Tobin's Q (Useche, 2014). Many studies follows Spence's (1973) criteria for defining patents as quality signals: they are a readily observed attribute correlated with company performance, they are costly to obtain and they provide a selection mechanism which allows observers to distinguish among different qualities (Long, 2002; Hsu and Ziedonis, 2008). As a result in contexts where there is a transparent link between patents and potential value appropriation, patents reduce information asymmetries and benefit for companies. However, there is little evidence on how IPO subscribers use patents as a credible signal of high firm value and future firm performance in the stock markets. In the context in which IPO investors consider patents as valuable signals, companies desiring to go public may strategically increase the number of patent applications before an IPO in order to increase the firm's valuation. An endogenous process may appear if companies apply for patents before the IPO only to signal their value, looking to collect a higher amount of money at IPO.

On the other hand, R&D expenditures represent the amount of R&D effort the firm is undertaking and are an indicator of the level of firm innovation activities. Many studies argued that as the level of R&D rises it increases the need for more detailed firm-specific information to effectively evaluate the value of innovations of a firm. As a result increased R&D increases the information asymmetry about the value of firm in the initial public offering (Guo et al., 2005; Heeley et al., 2007). However, this information asymmetries maybe just increase between informed and uninformed investors but not between companies and investors. What is the effects of firm's R&D in IPO is still unclear.

Underpricing occurs when the initial offer price of an IPO is lower than the closing price at the end of the first day of trading. Previous studies usually explain underpricing using the

information asymmetry hypotheses. However, Purnanandam and Swaminathan (2004) find that IPOs are not underpriced but overvalued, suggesting IPO investors are deceived by optimistic growth forecasts in valuing IPOs. Behavioral finance theory offers several new possible explanations for the under-pricing phenomenon. Ljungqvist and Wilhelm (2002) state that there is a range of behavioral biases that exist in equity markets in general and IPO pricing in particular, such as investor overconfidence and excessive optimism (Welch & Ritter, 2002). The Chinese government plays a very important role in the IPO process. Based on such institutional context, we believe the P/E ratios are set mainly by institutional investors in the primary market, and the underpricing are mainly set by optimistic investors such as retail investors in the secondary market.

This study seeks to make three main contributions by examining how the innovation activities of issuing companies influence IPO performance, P/E ratio and underpricing, which reflect institutional and retail investors decision making respectively. First, we examine the determinants of IPO performance and explain that innovation's signaling effects are different when market condition is different. This finding extend the signal theory of innovation. When the market is hot, market sentiment and investors' optimistic expectations dominate the market, then R&D intensity could improve the valuation of IPOs, meaning more higher PE. When the market is cold, information asymmetry become the dominant factor, as patent could reflect a clear link between firm innovation activities and potential value creation, information asymmetries are reduced. As a result, patent reduce the underpricing. Second, the results for the effects of R&D and patents on IPO performance were heterogeneous. Whereas R&D was positively correlated with IPO P/E ratios, it did not reduce IPO underpricing. Patent effectively reduced IPO underpricing, meaning patent are valuable for reduce the information asymmetries. These findings illustrate the difference between R&D and patents in terms of incentives of investors. Third, we analyze the various metrics of IPO performance that have been used in the literature with the goal of identifying the difference of those measures, and find the best way to measure the value of innovation. IPO PE ratios and underpricing reflect the respective views of informed institutional investors and uninformed retail investors. We contribute to the IPO theory by integrating signal theory and behavior theory to evaluate innovation's effect.

Based on the extant literature, we develop a set of hypotheses and then draw upon a unique dataset of 355 IPOs in ChiNext between 2009-2012. Chinese growth enterprise market, named ChiNext (its aim to become Chinese NASDAQ), was setup since October 30, 2009. As at December 31, 2012, there were 355 companies listing on the ChiNext board through initial public offering (IPO), and the gross proceeds is more than 873.20 billion Yuan (140.62 billion US\$). It accounts for about 40% of the total IPOs and 20% of the total funds raised in Chinese stock market in the same period. As the financing amount concerned the China IPO market is the largest one of the world for the last four years (2009-2012), so the Chinese IPO market is becoming a hot issue for international academic and practical field. ChiNext encouraged and supported the IPOs of Chinese high technology ventures, however, it is also known for high offering price, high offering P/E ratios, high excess raises and drew criticism. The examples in ChiNext highlight the breadth of innovation in today's marketplace as well

as the many challenges that researchers and managers alike face in assessing its financial consequences. The unique combination of IPO prospectus data and official patent records strengthens the validity of our results.

Our empirical analysis demonstrates that companies' R&D intensity has significant effects on the P/E ratios of IPO firms. Further, we find that patents play an important role in firm underpricing. Consistent with our hypotheses, the information content depends on the market conditions, when the market is hot, R&D intensity's effect on P/E is more bigger, while when the market is cold, the patent's effect on underpricing is more significant. However, the effect of R&D intensity on underpricing is not significant, and the effect of patent on PE is weak. This result indicates that the influence of innovation in IPO is complex, P/E more reflects the valuation of informed investors, i.e., institutional investors, but underpricing is more affected by the uninformed investors' irrational behavior and market sentiment. The findings confirm that patents play an important signal effect on IPO underpricing for retail investors, but the value of patent for improve valuation is not support. Firms should not underestimate the signaling value of patents as they help to success in IPO, especially when the market is cold. For R&D intensity, although not significant for underpricing, it has important effects for PE ratios, suggesting firm with more higher R&D intensity could gain more higher valuation in IPO market. Our results have important implications for the practice of technology management and financing.

The paper is organized as follows. First, we describe the institutional background of ChiNext and discuss the difference and role of PE ratios and underpricing in IPO. Second, we review the role of innovation in IPO and the effects of hot and cold market, then present our model relating firm innovation to the IPO performance under different market conditions. We then describe the data set and define the variables used to test the model. Next we present the results of our multivariate regression analysis. Finally we conclude with a discussion of our findings and some suggestions for future research.

Theoretical Framework And Hypotheses

The Institutional Background of ChiNext

The empirical IPO literatures have increasingly recognized the importance and power of the institutional framework and the investor structure within which IPOs are conducted. The typical IPO conducting in the U.S. is well known as the pricing process of book-building. Book-building involves underwriters eliciting indications of interest from investors which are then used in setting the price and gives underwriters wide discretion over allocations. After collecting investors' indications of interest, the underwriter allocates no or few shares to any investor who misrepresents positive information and reward disproportionately large allocations of shares to the investors who bid aggressively and so reveal favorable information. Benveniste and Spindt (1989), Benveniste and Wilhelm (1990), and Spatt and Srivastava (1991) show that book-building could be an effective mechanism to extract positive information and raise the offer price.

Previous studies on China's IPO market found little evidence supporting the classic information theory on IPO underpricing but strong evidence supporting the behavioral arguments regarding IPO overpricing (Gao 2010). Besides, these studies are mainly based on data from the period of that Chinese IPO offer price was tightly controlled, and sometimes actually fixed, by the regulator.

As institutional investors increasingly gained power in the China market, the IPO pricing mechanism finally adopted the popular book-building system on January 1, 2005. According to this system, the IPO price is first set by institutional investors, and later individual investors can apply for shares at the set price. The adoption of the book-building system suggests that IPO pricing in China is finally determined by market force. This book-building method has heavy influence on China's IPO underpricing, empirical research on China's IPO market has started to become meaningful and comparable with respect to the literature on other capital markets. However, the current book-building mechanism is not yet completely market-driven. There are severe constraints on the underwriter's allocation discretion, it is common in China A-share market that require a large proportion of the shares to be allocated to retail investors with a fixed offer price, which reduces underwriters' ability to target allocations at the most aggressive institutional investors. In another word, the IPO pricing method of China now is a **hybrid offering** which composite book-building and fixed price methods. These characteristics significantly reduce the efficiency of this mechanism, but its consequence is largely neglected in previous studies. Some studies argued this situation force underwriters to rely more on price to reward institutional investors (Ljungqvist 2007).

There are several institutional differences between China and U.S. that are also important. The Chinese stock markets are barely two decades old, the notion of investing and public ownership is relatively new to most Chinese investors. As such, the Chinese are less sophisticated about investing as compared to investors from more capitalistic oriented countries. Chen et al (2004) found that Chinese investors make more trading mistakes (i.e., the stocks they sell outperform the stocks that they buy), they are reluctant to realize their losses, suffer from a disposition effect and tend to be "overconfident", they seem to trade often and exhibit a representativeness bias (buying recent short-term winners). Common shareholders' short-term behaviors is popular, 76.3% of investors' investment cycles are no more than half year, and 27% of investment cycles are shorter than one month. Thus, Chinese investors seem to suffer from behavioral biases and trading mistakes (Chen, Kim et al. 2004).

There are several typical characteristics in China stock market: (1) Percentage of State ownership is relatively high. (2) Most of the company's ownership concentration is very high. As such, the percentage of shares available to the open market is relatively low. Because majority shares are owned by the state and the companies themselves, common shareholders can not effectively monitor manager's behavior. In 2012, the biggest shareholder held 33.92% stake on average and more than 74% companies in ChiNext were controlled by signal shareholders. Institutional investors such as funds held only 5.62%. 49.6% of the companies are controlled by a single person, 30.4% of the companies are controlled by a family, more than 80% together. (3) Number of individual shareholders is relatively high: China securities

market is primarily made up of individual investors and lack institutional investors. However, the shareholding ratios are relatively low, and they cannot participate as effectively as American shareholders do. These three characteristics are also different characteristics from North American market, which are also three most important reasons weakening shareholders' abilities to participate in the corporate governance of public companies and keep the stock market's soundness. In addition, since only minority shares can be freely traded in the market, the stock price can not reflect companies' performance. It's easy for the stock price to be manipulated by public companies and large institutions or be distorted by the non-rational investors. For instance, the P/E ratio of the ChiNext IPO in 2009 was 105. These phenomena seldom appear in the U.S. because of widely held ownership. For example, in Canada, 60% of largest companies are widely held, and the single holders in the remaining 40% usually control no more than 20%.

Besides, the relative size of Chinese stock market is still very small. According to World Bank's report, the size of Chinese stock market equals about 40% of GDP, where the world average is 90.7%, and the average size in developed countries is 130% of GDP. The relative small size of stock market gives market manipulators opportunities to control the stock prices, which erodes common shareholders' position in the stock market.

In addition, the protection for shareholders, especially individual minority shareholders' rights is very weak. Chinese Criminal Law, Company Law, and Securities Law relatively neglect civil liabilities and compensation, and have not provided a procedure and specific clauses for enforceable civil actions. In addition, there is no provision for a class action lawsuit under Chinese law and it is very difficult for an individual shareholder to sue a public company for fraud. IPO pricing related to government regulators, various intermediaries, investors and listed companies, and many market players, can be said that multi-game results.

IPO performance in Chinese Market

IPOs earn large first-day returns (between 10% and 15%) in U.S after going public. This phenomenon is widely referred to as IPO underpricing. Ibbotson (1975) first finds this phenomenon. Ritter (1991) studies 1526 IPOs from 1975 to 1984 and finds that the average IPO initial return for the sample is 14.3%. One view is that the underpricing is with respect to fair value. The notion issuers intentionally underprice IPOs and offer them at prices below their fair value is prevalent in the theoretical literature on IPOs, especially the asymmetric information models (Rock, 1986; Benveniste and Spindt, 1989; Allen and Faulhaber, 1989; Welch, 1989; and Grinblatt and Hwang, 1989). Beatty and Ritter (1986) argue that the degree of underpricing depends on the uncertainty of IPOs after going public, since the higher the uncertainty, the higher the underpricing will be. Allen and Faulhaber (1989), Grinblatt and Hwang (1989) and Welch (1989) claim there is information asymmetry between issuers and investors, with issuers having more information. Good issuers usually send a signal of their high quality to investors by underpricing their IPOs. However, Purnanandam and Swaminathan (2004) find that IPOs are not underpriced but overvalued at the offer price relative to value metrics based on industry peer price multiples, suggesting IPO investors are deceived by optimistic growth forecasts in valuing IPOs. Recent years behavioral finance

theory offers an alternate view and several new possible explanations for the under-pricing phenomenon. Ljungqvist and Wilhelm (2002) state that there is a range of behavioral biases that exist in equity markets in general and IPO pricing in particular, such as investor overconfidence and excessive optimism (Welch & Ritter, 2002). In other words, IPOs may be underpriced but not overvalued. This notion of underpricing underlies the studies on the long-run underperformance of IPOs (see Loughran (1993), Loughran and Ritter (1995), and Brav and Gompers (1997)). Behavioral approaches are at present still in their infancy, though what evidence is available is generally consistent both with the presence of overoptimistic investors and with behavioral biases among the decision-makers at IPO firms.

IPO P/E Ratios

We value IPOs using price multiples, price-to-earnings. The use of accounting information in conjunction with comparable firm multiples is widely recommended for valuing initial public offerings (IPOs). These price multiples include the price-to-earnings (P/E), market-to-book, and price-to-sales, and so on. Kim and Ritter (1999) examine the valuation of IPOs using comparable IPO transaction multiples. Purnanandam and Swaminathan (2004) examined the valuation of initial public offerings (IPO) using comparable firm multiples with a sample of more than 2000 IPOs from 1980 to 1997. They found that the median IPO is overvalued at the offer by about 50% relative to its industry peers. This overvaluation is robust over time, across technology and non-technology IPOs, to different price multiples, industry classifications, and matching firms. In the cross-section, overvalued IPOs earn 5% to 7% higher first day returns than undervalued IPOs. Overvalued IPOs exhibit higher sales growth rates temporarily but earn persistently lower profit margins and return on assets. The results are inconsistent with asymmetric information models of IPO pricing and provide support for behavioral theories based on investor overconfidence.

IPO underpricing

One of the most well known phenomena associated with the process of going public is the frequent incidence of ‘underpricing’. The offering is said to be underpriced when the IPO offer price is below the closing price at the end of the first day of trading, investors which participate in IPO issuing will have high initial returns and the firm has “left money on the table” (Ritter 1998). Over long periods of time, underpricing in the U.S. averages between 10 and 20 percent, but there is a substantial degree of variation over time, for example it rose to 65% in the period 1999-2000 (Loughran and Ritter 2004). Besides, the extent of underpricing varies from country to country. For instance, it is markedly higher in Asia than in U.S. and Europe. In 1990-2000 the average level of underpricing in China’s A-share market was 256.9% (Datar and Mao 2006), and the average underpricing in Chinext during 2009-2011 was 37.53% in our study.

The empirical studies of IPO underpricing have motivated a large theoretical literature trying to explain its reasons. Theories of underpricing can be grouped under four broad headings: asymmetric information, institutional reasons, control considerations, and behavioral approaches. The best established of these are the asymmetric information based models. The key parties to an IPO transaction are the issuing firm, the bank underwriting and investors.

Asymmetric information models assume that one of these parties knows more than the others. Rock (1989) assumes that firms and underwriters will discount the initial offer price in order to induce investors to buy stock in absence of full information on firm's value. Benveniste and Spindt (1989) assume that underpricing compensates better-informed investors for truthfully revealing their information before the issue price is finalized, thus reducing the expected amount of money left on the table.

Innovation and IPO performance

Innovation is argued to be one of the most important strategic goal for technology-based firms, is a critical resource and a potential source of competitive advantage, and a primary driver of shareholder value for firms. Recent years many researchers have sought to understand the magnitude of this value and its effects in IPO. Yet we still lack a clear set of clear guidelines on what type of innovation maximizes company value, and how to organize it. For echnology-based firms knowledge is considered the firm's most competitive resource(Grant 1996). Firm's resources such as innovation are defined as strengths which can be used to conceive strategies and sustain a competitive advantage against the competition. Innovation reflects the key capability specially relevant for research-based firms. By examining a firms' technological innovation in IPO, can deepen the understanding of the nature of such critical resource. But determining the value of the innovation activity of a particular firm can require access to detailed confidential knowledge of that firm. Unfortunately, retail investors do not have access to such information(Heeley, Matusik et al. 2007). Instead items such as R&D spending data and patent data are used to assess firm innovation activities(Griliches 1990). Significant indicators of innovation include patents, R&D input and the development of products (products on the market and products under development)(Hagedoorn and Cloudt 2003), which provide evidence of the value or effectiveness of a firm's R&D program to potential investors.

Patents

Investors need to make their investment decisions under a high degree of uncertainty in IPO market. Technology start-ups are difficult to evaluate since they do not have a track record which outsiders can use to evaluate their potential, they are often very young, their assets are mostly intangible and they are defined as high risk.

The value of signaling lies in reducing information asymmetries (Spence 1973) as well as minimizing information costs (Long 2002). In general, the literature has identified three broad categories of signals that are relevant for technology-based startups. Signals of the first type include educational background as well as founder history (Eisenhardt and Schoonhoven 1990, Burton et al. 2002, Shane and Stuart 2002). The second group includes signals in the form of attributes of parties affiliated with a person or organization (e.g., Stuart et al. 1999). The third category includes previous accomplishments of the startup company.

Patent grants may be considered such an accomplishment, signaling a company's technical abilities. The value of signals generated during the patenting process is that they reduce information asymmetries between the investors and the new and unproven company seeking

IPOs. Patents have to follow strict guidelines and need to include technical information in a very structured manner. This allows individuals quickly assess the strengths and weaknesses of different companies. While previous research has extensively elaborated on the first two categories, our study investigates whether patents are a meaningful signal in the IPO. We hypothesize that:

Hypothesis 1a: Patents will be positively associated with IPO P/E ratios.

Hypothesis 1b: Patents will be negatively associated with IPO underpricing.

R&D Intensity

R&D intensity are an input to the innovation process. They represent the amount of research and development effort the firm is undertaking and are an indicator of the level of firm innovation activities. The existing literature have provided consistent evidence on the relationship between R&D intensity and firm performance (Li and Atuahene-Gima, 2001). Some studies have found that R&D investment is positively related to firm performance (e.g., Franko, 1989; Lichtenberg and Siegel, 1991; Eberhart et al., 2004).

However, Teece (1986) argued firms' ability to capture the rents generated by their innovation activities depend on its appropriability. An important feature of R&D investment is the degree of uncertainty associated with its output. Based on the view of information asymmetries, R&D investments generate information asymmetries between insiders and external investors(Heeley, 2007). Aboody and Lev (2000) found that in more R&D-intensive firm's insider trading is more likely, signaling that R&D investments increase information asymmetries. These information asymmetries may hinder the financing of innovation (Hall, 2002). In fact, as external investors have not the same knowledge of the innovation projects as the insiders, a problem of adverse selection arises. In response, external investors are not available to fund firm's R&D projects, or they fund them only if the expected rate of return (i.e., the cost of capital for the firm) is high enough. In IPO of young R&D-intensive firms, due to few track record on previous activities, information asymmetries are even more important and they can create strong financing constraints (e.g., Himmelberg and Petersen, 1994; Carpenter and Petersen, 2002). Some scholars (Guo, Lev et al. 2006; Heeley, Matusik et al. 2007) documented a positive relation between R&D intensity and initial IPO underpricing, thus singling out R&D as a major contributor to information asymmetries.

When the amount of innovative activity increases, so does the amount of information necessary to effectively evaluate all of these efforts within a firm. But the difficult of evaluation is different for big institutional investors and retail investors. This suggests information asymmetries will increase between informed and uninformed investors in R&D intensive firms. We hypothesize that:

Hypothesis 2a: R&D intensity will be positively associated with IPO P/E ratios.

Hypothesis 2b: R&D intensity will be positively associated with IPO underpricing.

Hot and Cold market

It is well documented that IPO markets follow cyclical hot and cold markets. The hot market issue is defined by periods of rising valuation and increasing numbers of IPOs. This situation exists when there is a window of opportunity and IPOs are highly valued and companies take advantage of a buoyant market. What is the reason to make of these patterns? The literature offers no consensus. There are numerous models of IPO underpricing, typically based on investor rationality in incomplete information settings, but they have shed little light on the hot IPOs market phenomenon. Behavioral financial theory is primarily empirical and emphasizes the role of investor sentiment and bounded rationality in explaining the price behavior of IPO stocks. The impact of investor sentiment is regarded as particularly acute in hot markets. Ljungqvist et al. (2006) developed a model of the IPO process links hot issue markets to a common source: the presence of a class of irrationally exuberant investors. In such a periods of excessive optimism, investor sentiment is high, rational investors are dissuaded by the cost of implementing arbitrage strategies (Shleifer and Vishny 1997; Lamont and Thaler 2003). During hot market periods, many companies do not necessarily go public for financial reasons at that time, but they choice to go public to take advantage of the overpriced IPOs, resulting from the prevailing favourable market conditions.

In such situation, it's easy to inflate any good news and ignore the bad news. As a result, the innovation's positive effects on P/E will be enhanced, and the patent's negative effects on underpricing will be weakened. We hypothesize that:

- Hypothesis 3a: The effect of R&D intensity on IPO performance is stronger when market is hot than cold.
- Hypothesis 3b: The positive effect of patent on P/E is stronger when market is hot than cold.
- Hypothesis 3c: The negative effect of patent on underpricing is weaker when market is hot than cold.

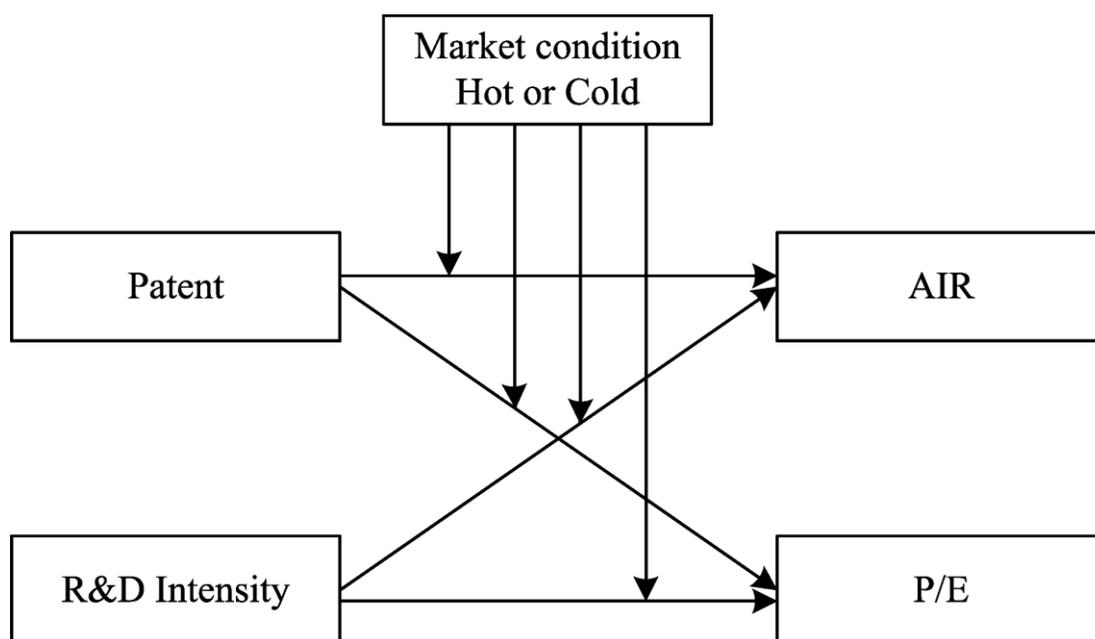


Figure 1. Analysis Model

METHODOLOGY

Research setting and Sample Description

The research setting of this paper is provided by companies that completed an initial public offering in the ChiNext (China's Growth Enterprises Market) during 2009-2012. The youth, size and the technical nature of GEM listed companies make them an excellent venue in which to study the effect of the innovations on the perception of potential investors about the value of firms.

The research sample was drawn from the Shenzhen Stock Exchange/Cninfo/Wind data set. We used this database to identify firms undergoing their IPO of stock on ChiNext and IPO value of each firm during the time period of January 1, 2009 through December 31, 2012. Searches in this database yielded a list of 355 firms. We obtained all IPO information from Shenzhen Stock Exchange and WIND, the leading capital market information provider. WIND is a dominant player in China and occupies 90% of the institutional market share. Even though WIND's target is the industry customer, we find that WIND has better data quality than other vendors that specifically serve the academic community. We obtained data on key variables from WIND's IPO database, including company name, IPO issuing and listing dates, underwriter name, company industry, initial offer price range, offer price, offer price P/E, first day market close price, book value per share after issuance, total offer proceeds, total number of shares outstanding after issuance, last year revenue, individual investor oversubscription multiple, first-day trading volume, the daily SSE Composite Index and industry index level.

Data

Information related to features of firms, R&D input, authorized patents and their types was obtained from the IPO prospectus of each firm. The prospectus is the document provided to the Securities and Exchange Commission (SEC) prior to the public offering, and it is also the document circulated by the underwriter to assess demand for the firm's stock. The SEC requires that firms follow strict guidelines in the format. This fact allows a high level of consistency.

We also obtained the information of patents from the State Intellectual Property Office of The P.R.C. A company may have patents granted by other international patent offices, we obtained this information from the company's prospectus. We used the prospectus as the main information source, which helps to maintain a certain level of consistency and comparability. In our study, the data from prospectus is found to be suitable in order to be consistent with the financial market analyzed. Among the data available in patents, we differentiate between the three types of "patent" to estimate the value of the stock of patents.

Measures

IPO P/E ratio is the dependent variable of the model regarding the success of the initial public offerings. We defined this variable as the stock's issue price divided by the earnings per share, using the most recent accounting year of pre-IPO earnings divided by the number of shares after issued. IPO P/E ratio was measured using data drawn from the ChiNext/Cninfo data set and the IPO prospectus.

IPO underpricing is measured as the first-day stock return: the percentage change in stock price during the first-day of trading for the IPO, i.e., $(closing\ price - offer\ price) / offer\ price$.

We included two independent variables regarding innovation: R&D intensity and patents.

R&D Intensity is measured as the ratio of R&D expenditures divided by Sales. We use the R&D and sales figures for the last three fiscal years before IPO (reported in the prospectus). Thus, our measures of R&D intensity are observable by investors prior to IPO.

Patent is measured by summing the number of patents that the firm has filed for prior to the IPO. To account for the skewness in the data we use a $\log(pat+1)$ transformation.

The control variables included size, age, underwriter reputation, Venture capital backed and industry. These are further described below.

Firm size at IPO was estimated through the net asset of the firms of the most recent financial reports.

Firm age at IPO was computed from the date of incorporation to the date of IPO. Firm size and age may increase the market valuation as they are associated with experience, process efficiency and potential higher returns.

LotteryRatio was the odds of winning the lottery for buying IPOs. Usually the investors are much more cautious when investing in IPOs in the secondary market. Therefore, the demand for IPOs in the primary market is much higher than that in the secondary market. The odds of winning the lottery are a good indicator of the demand of IPOs in the primary market, and the market return on the first trading day for an IPO shows the general market performance in the secondary market. We expect that the lower the odds of winning the lottery, the higher the demand in the primary market, and the higher underpricing.

Turnover indicates the amount of trading taking place on the first trading day of IPOs in the secondary market. Zhu and Tian (2002) find that the average initial daily turnover is 57.91%, much higher than that in developed stock markets, such as the 8.2% reported in Aggarwal and Rivoli(1990).The high initial turnover indicates high speculation on Chinese IPOs. The volatility of daily turnover for the overpriced IPOs is higher than that for underpriced IPOs(Chang et al., 2008).

Venture capital backed. We include a dummy variable to indicate whether the firm has received venture capital financing or not. Previous studies indicate that the relationship

between venture capitalists and IPO underpricing is more complex. For example, Brav and Gompers (2003) find that VC-backed offerings are more underpriced while Bradley and Jordan (2002) find that after controlling for the market exchange and the effect of underwriter there is no difference in underpricing.

Prestigious underwriter backed is measured by a dummy variable to indicate whether the firm utilizing a highly reputed underwriter. We use Heeley's (2007) version of the underwriter reputation measure. Following Loughran and Ritter (2004) we construct a dummy variable that equals 1 if the underwriter rank as a top 10 prestigious underwriter.

Industry dummies. To insure that any firm-level effects are not due to industry differences in innovation-based information asymmetries, we include dummy variables to reflect whether the firm is operating in a non-manufacture industry (non-manufacture dummy=1, 0 otherwise).

Market conditions is a factor that vary over time but affect all firms. The most frequently-used concept of "hot" IPO markets is based on volume. Loughran and Ritter (1995) describe the 1980s as "hot" because most of that decade had much higher issuance volume than the 1970s. Bayless and Chaplinsky (1996) define hot SEO markets using a moving average of gross equity issuance, as tabulated by the Federal Reserve Board.

Figure 2 shows the number of IPOs in Chinese Market each month from 2009 to 2012. The series shows extreme variation over time, with the three-month moving average ranging from more than 30 IPOs per month to as few as zero. The graph indicates that very few IPOs were completed in the first half of 2009 and the second half of 2012.

Hot and cold periods do not line up directly with calendar years, so we define our periods based on months. To define hot and cold months according to volume of issuance, we calculate three-month centered moving averages of the number of IPOs for each month in the sample (Helwege & Liang, 2004). The advantage of a moving average is that it avoids classifying seasonally low months as cold when they are in the middle of a neutral period.

We use the larger sample of IPOs (881 observations) that includes all issues in Chinese A-share market to determine which months are hot and which are cold. Those periods with at least three consecutive months that have a moving average of more than 21 IPOs (the top quartile of the monthly moving averages) comprise the hot months; those with fewer IPOs are considered cold months. The final sample of IPOs includes 116 cold IPO firms and 239 hot IPO firms. Accordingly, we coded market conditions as a dummy variable that takes value 1 when the market is "hot" when firm IPO and 0 when the market is "cold".

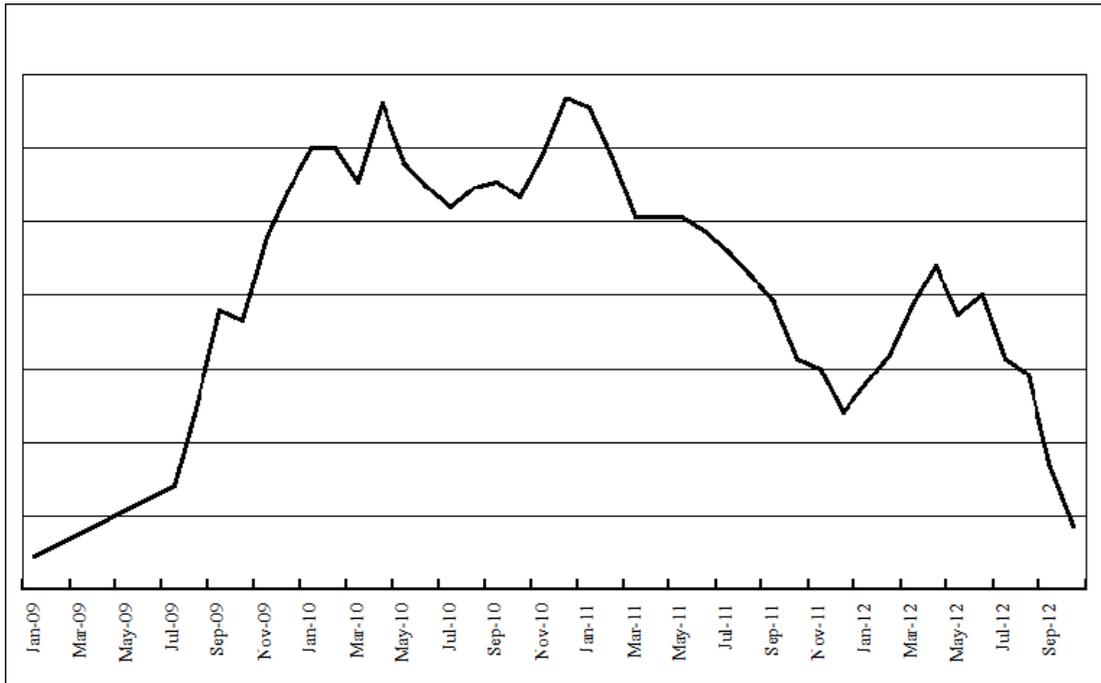


Figure 2. Three-month moving average number of IPOs in China(2009 - 2012)

RESULTS

Table 1 shows the description statistics of the variables used in the analyses.

INSERT TABLE 1 ABOUT HERE

The mean underpricing of 34.11% for the full sample is much bigger than similar studies in U.S. For example, Heeley et al. (2007) report a mean first-day stock return of 11.65 % for a sample of 1413 IPOs during the period of 1981 to 1998. The importance of innovation in ChiNext firms conducting IPOs can be seen by the fact that of the 355 firms in our sample, 95 % had conducted R&D prior to the IPO with a mean R&D intensity level of 5.80 %, and 84.2 % had filed for patents at the time of the IPO with an average of 20.54 per firm. The average age is 10.34 years and the average size is 1373.97 million RMB at the time of IPO, 64 % of firms are venture backed, and 33 % are underwritten by prestigious Underwriters. There is no discernable pattern to prestigious underwriter backing across the groups, the percentage of firms backed by venture capitalists is highest in the cold market (74 % versus 59 %), which suggesting that VC backed maybe useful for success IPO in cold market. There is much more higher P/E ratio in hot market than in cold (62.98 versus 38.25) and significant lower underpricing (35% versus 41%).

To further explore the relationships between the variables in our study we computed bivariate correlations (Table 2). Firm size are negatively correlated with first day stock returns suggesting that larger firms experience less underpricing. In contrast, non-manufacturing industry leads to more underpricing. However, we do not find significant correlate for VC back and prestigious underwriter backing. We also find a positive correlation between P/E ratios and hot market, while a negative correlation between underpricing and hot market. This result suggest that underpricing and P/E ratios reflect recent market conditions. Both P/E and underpricing are negatively correlated with patent. This is consistent with the view that patent will be correlated with reduced information asymmetries and consequently a lower level of underpricing. R&D is positive correlated with P/E, suggesting that R&D contribute to valuation in IPO. In the next section, we present and discuss the results of estimating our multivariate models.

INSERT TABLE 2 ABOUT HERE

The results of our regression analysis are shown in Table 3. We start by estimating a model that relates the R&D intensity and patent measures and the control variables to P/E ratios (Model I). In examining the effect of control variables we find that the effect of firm age, size, VC backed and Underwriter backed are all not significant. The effects of market variables turnover and lottery rate are both not significant, suggesting that P/E is determined by institutional investors, and little affected by market sentiment. The lack of an effect of control variables is surprising.

INSERT TABLE 3 ABOUT HERE

We then estimated model IV that relates the R&D intensity and patent measures and the control variables to underpricing. We find that the effect of firm age is still not significant, but the effect of firm size is negative and significant ($p < 0.1$), suggesting that information asymmetry about the firm's value or viability decreases as firm size increases. The effect of market variables turnover and lottery rate is highly significant ($p < 0.001$), suggesting that underpricing is affected by market sentiment and investors' speculative behavior. The effect of venture capital backing is positive and significant, suggesting that VC back add to the irrational expectations. Consistent with Loughran and Ritter's (2004) agency hypothesis, we find evidence that prestigious underwriters underpriced new issues in ChiNext. Finally, we observe no differences in the level of underpricing between the high-technology group and the non-manufacture group.

In looking at the effect of R&D intensity, while we find support for significant effect on PE (Model I) we do find evidence of a significant effect on underpricing (Model IV). On the other hand, the effect of patent on PE and underpricing is weak but negative. The lack of highly significant effect on underpricing is not surprising because we expect that the effect of patents on underpricing will vary depending on the market condition. But the negative effect of patents on PE, although weak, is interesting, this result suggest that institutional investors do not concern about patent very much, and that may be due in part to widely existed pre-IPO packaging behavior.

In our next models, we allow the innovation term to vary according to whether the IPO is in a bull market, using our measure of hot or cold market, respectively. The results provide strong support for our main hypotheses. We find that the effect of patents on underpricing varies according to the market condition. We estimate the effect of market condition using two independent sample depend on the IPOs were in hot or cold market. The effect of R&D intensity on PE in hot market is more higher (Model II) but not significant in cold market (Model III) indicate that for innovative firms in hot market an increase in R&D could improve the valuation. In contrast, the negative effect of patent on underpricing is more significant in cold market (Model VI, $\beta = -149$, $p < 0.05$) than in hot market (Model V), indicates that in hot market the signal effect of patent on underpricing is ineffective. Thus, we find support for Hypothesis 3. Finnal, figure 2 provides a graphical result of these relationships.

In conclusion, we find strong support for our main hypotheses. We find that increased R&D intensity results in increased PE, especially when the market is hot. Further, we find that patents play an important role in firm underpricing. Consistent with our hypotheses, the information content depends on the market conditions, when the market is cold the effects of patent on underpricing is more significant. However, the effect of R&D intensity on underpricing is not significant, and the effect of patent on PE is weak. This result indicates that the influence of innovation in IPO is complex, PE more reflects the valuation of informed

investors and institutional investors, but underpricing is more affected by the uninformed investors and market sentiment.

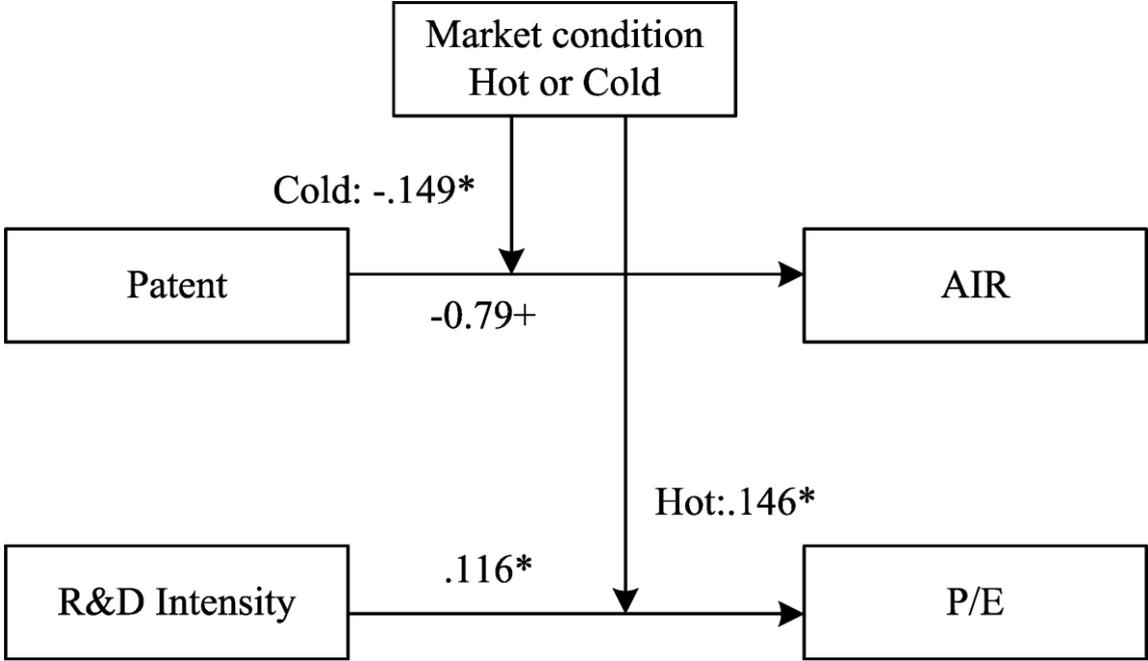


Figure 3. Results of Regression Analysis

DISCUSSION AND CONCLUSIONS

This study provides new insights into the literature on the role and nature of innovation as signals for investors in IPO.

First, we argue at a theoretical level that the market conditions are related to differences in the value of innovation as signals for investors to reduce informational asymmetries. We contribute to the signaling theory and underpricing literature by examining how innovation signal are evaluated in the IPO market. We develop and test a model that shows IPO market evaluations of these signal are context dependent. When the market is hot, market sentiment and investors’ optimistic expectations dominate the market, then R&D intensity could improve the valuation of IPOs, meaning more higher PE. When the market is cold, information asymmetry become the dominant factor, as patent could reflect a clear link between firm innovation activities and potential value creation, information asymmetries are reduced. As a result, patent reduce the underpricing.

Second, the results for the effects of R&D and patents on IPO performance were heterogeneous. Whereas R&D was positively correlated with IPO P/E ratios, it did not reduce IPO underpricing. Patent effectively reduced IPO underpricing, meaning patent are valuable for reduce the information asymmetries. These findings illustrate the difference between R&D and patents in terms of incentives of investors. The strategic patenting of firms that may increase the number of patent applications before IPO in order to increase the amount of cash (expected) at IPO. Informed investors, especially institutional investors, are well aware, even

involved in such behavior of packaging for list. While PE is more affected by informed investor, patent information disclosure was not able to improve valuation . In contrast, institutional investors concerns long-term growth, which R&D investment play a more important role. As a result, R&D intensity can significantly enhance the valuation especially in hot markets.

Third, IPO is a complex process which is influenced by many factors. Most studies based on information asymmetry theories view investors as a whole, however, there is not a investment community, there are significant difference between investors, such as institutional investors and retail investors. Information Disclosure of innovation activities could reduce information asymmetric between issuers and investors, contribute to the success of IPO, however, disclosure of such information is not sufficient to eliminate the information asymmetry between investors. Instead, these activities may expand the information asymmetric between investors, which result more significant behavioral biases.

Implications

This study extend the signal theory. Signal are only valuable within a context. Our study extends this theory by contextualizing it and showing that investor information requirements are more nuanced. This suggest for future studies to examine other contextualizing of other signals. The existing research on quality signals in IPO pricing may benefit from looking at contextual variables that moderate the existing relationships.

This study also have important managerial implications for firms decide to IPO. While prior research has identified a number of reasons for innovation, we provide another factor to take into account when deciding to R&D investment and patent. In a hot IPO market, R&D intensity could help the firm improve the valuation, while in a cold market the patents could help the firm reduce the cost of issuing equity.

Limitations

This study have some limitations. In our study, we assume that uncertainty about the value of innovation is influenced by market conditions, however, the data from 2009-2012 maybe not enough to reflect the hot and cold market. In addition, we find significant effect of patent on underpricing, but at the patent level, the value and quality of patent itself has enormous difference. Future research could also explore differences in the value of patents as signals across industry and countries.

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Table1. Descriptive Statistics

	Full Sample		Hot=0		Hot=1	
	Mean	Mean Median	Mean	Median	Mean	Mean Median
Patent	20.54	8.96	21.93	10.4	19.86	8.57
R&D	5.806	4.73	5.746	4.905	5.8338	4.6875
NMI	0.09	0.09	0.09	0.09	0.08	0.08
AGE	10.3444	9.5353	10.9884	10.1667	10.0318	9.3667
ASSET	373.9736	294.09	384.1249	299.495	369.0466	291.27
Turnover	0.7104	0.7583	0.715	0.775	0.7082	0.756
LotteryRatio	1.2046	0.794	1.2538	0.89	1.1808	0.7275
VC	0.64	0.64	0.74	0.74	0.59	0.59
UR	0.33	0.33	0.34	0.34	0.33	0.33
PE	54.9012	51.72	38.2484	35.725	62.9838	60.89
Underpricing	0.3411	0.2426	0.4148	0.2564	0.3054	0.2426

Table 2. Means, standard deviations, and correlations

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1.Patent	20.54	47.682	1											
2.R&D	5.8060	3.61160	-.008	1										
3.NMI	.09	.283	-.095	-.088	1									
4.Age	10.3444	4.66181	.055	.024	-.064	1								
5.Asset	373.9736	297.58719	.042	-.168**	.056	-.029	1							
6.Turnover	.7104	.18863	-.014	-.089	.159**	-.018	-.198**	1						
7.LotteryRatio	1.2046	1.50272	.098	.014	.110*	.064	.225**	-.154**	1					
8.VC	.64	.481	-.027	.040	.004	.084	.033	.010	-.009	1				
9.UR	.33	.472	-.043	.027	-.028	-.053	.056	-.088	-.027	.119*	1			
10.P/E Ratio	55.7898	23.45288	-.118*	.132*	.076	-.049	-.102	-.013	-.089	-.004	.037	1		
11.Underpricing	.3411	.36121	-.114*	.009	.109*	-.029	-.188**	.620**	-.274**	.091	-.104	.015	1	
12.Hot	.67	.470	-.020	.011	-.019	-.096	-.024	-.017	-.023	-.148**	-.018	.473**	-.142**	1

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

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3. Results of regression analysis for IPO underpricing and IPO P/E ratios

	IPO P/E Ratios			Underpricing		
	Model I	Model II	Model III	Model IV	Model V	Model VI
		Hot = 1	Hot = 0		Hot = 1	Hot = 0
Patent	-.098+	-.078	-.084	-.079+	-.062	-.149*
R&D intensity	.116*	.146*	-.016	.043	.092+	-.025
Non-manufacturing	.064	.036	.232*	.008	-.001	.006
Turnover	-.047	-.145*	.330**	.571***	.579***	.557***
Lotteryrate	-.071	-.099	.105	-.162***	-.164**	-.226**
Firm Age	-.039	.054	-.045	-.002	.055	-.059
Firm Asset	-.080	-.050	-.185+	-.080+	-.101+	.025
VC	-.009	.058	.081	.108*	.083	.112
Underwriter	.027	.050	.057	-.083*	-.069	-.125+
R2	.049	.079	.271	.450	.446	.549
Adjusted R2	.023	.041	.204	.435	.423	.508
F	1.907*	2.115*	4.048***	30.113***	19.929***	13.267***

Note: *** p < 0.001 ** p < 0.01 * p < 0.05 +p < 0.1 (two-tailed test)

**Do Firms “Green Wash” Carbon Information?
Evidence from S&P 500**

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Abstract

Previous studies provide mixed results on the relationship between corporate environmental performance and the level of environmental disclosure. We revisit the issue by testing the relationships among corporate hard carbon disclosure, soft carbon disclosure and carbon performance. In particular, we improve the prior literature by using a more rigorous research design to classify the hard carbon versus soft carbon disclosure. We rely on CDP questionnaire 2010 for S&P 500 and use factor analysis to identify hard and soft carbon disclosure. Our findings show that there is no significant relation between overall carbon disclosure and performance. However, we find a significantly negative relation between the disclosure of hard or key information (such as emission reduction, and emission control targets) and carbon performance. The results suggest managers of firms with lower carbon performance tend to strategically overstate their mitigation activities though the true outcome might be unsatisfactory. This can be seen as an evidence of “green washing” (i.e. manipulation) of carbon information, which is consistent with the legitimacy theory. The results should be useful for stakeholders and policy makers who concern about the transparency and reliability of corporate carbon disclosure and carbon policy.

Key words: Hard Carbon Disclosure, Soft Carbon Disclosure, Carbon Performance, Legitimacy theory

Do Firms “Green Wash” Carbon Information? Evidence from S&P 500

Introduction

Generally, disclosures provide benefits through reduced information asymmetry between the firm and outside, including its investors, thus facilitating efficient allocation of scarce resources (Healy and Palepu 2001). And both financial and nonfinancial disclosure are all important, as long as the information concerned is value-relevant (Margolis and Walsh, 2001; Orlitzky et al. 2003; Al-Tuwaijri, Christensen and Hughes, 2004; Dhaliwal, LI, Tsang, Yang, 2011). Matsumura、Prakash and Vera-Muñoz’s (2014) study provides empirical evidence concerning the extent to which investors incorporate often unassured, uncertain nonfinancial information in their firm-value assessments which on the extent give proof of importance for nonfinancial disclosures, especially for carbon emission.

As an indispensable part of nonfinancial disclosure, prior research focuses on the value relevance of the firm’s environmental disclosures and explores the relation between corporate environmental disclosure and environmental performance. But the results of previous empirical studies have been mixed, some find negative relation (Bewley and Li, 2000; Hughes, Anderson and Golden, 2001; Patten, 2002), while the others find positive relation (Al-Tuwaijri, Christensen and Hughes, 2004; Clarkson, Li, Richardson, Vasvari, 2008), and even though earlier studies didn’t find any significant relation between these two (Ingram and Frazier, 1980; Wiseman, 1982; Freedman and Wasley, 1990). Al-Tuwaijri et al. (2004) attributes the failure to find a significant and consistent relation between environmental performance and disclosure to their endogenous problem, so a better research design is required (Patten 2002). And literature has identified many methodological problems including failure to control for other factors associated with the level of environmental disclosure, inadequate sample selection, and inadequate measures of environmental performance and disclosure. Environmental disclosure indexes are discussed in more detail, example Clarkson et al. (2008) consider “hard” and “soft” environmental disclosure¹.

Following Matsumura、Prakash and Vera-Muñoz’s (2014) viewpoint, accounting research on the value relevance of the firm’s environmental disclosures falls into three broad categories. And they (2014, 701) argue that “The third broad category examines more recent research on the market valuation of voluntarily disclosed carbon emissions.” Following that, our study focuses on the effect of internal indicators of carbon disclosure on carbon performance, which could be an inevitable facet of environmental disclosure on environmental performance concerning the effects of climate change.

¹ In the study of Clarkson et al. (2008), hard disclosure items is four: 1) Governance structure and management systems; 2) Credibility; 3) Environmental performance indicators; 4) Environmental spending, and soft disclosure items are 1) Vision and strategy claims; 2) Environmental profile; 3) Environmental initiatives.

Based on legitimacy theory it is expected that firms with poor carbon performance would make more disclosure than firms with high performance. This is because firms with poor performance could have serious legitimacy threat so they tend to make more disclosure to mitigate the concern of the public. If we find a negative relation between performance and disclosure this is evidence that poor performers disclose more which is consistent with legitimacy theory. But voluntary disclosure theory predicts a positive association between carbon performance and carbon disclosure. The notion is that superior carbon performers will convey their "type" by pointing to objective carbon performance indicators which are difficult to mimic by inferior type firms.

We attempt to give a new explanation for the unresolved issue about the result on the relation between carbon disclosure and carbon performance, seeking to the differentiation characteristics in different types of carbon information. Following previous study (Clarkson et al.2008)², environmental disclosure could be classified in two categories: "hard" and "soft" disclosures. We apply different criteria from Clarkson et al. (2008) to classify "hard" and "soft" carbon disclosures. Similar to Verrecchia (1983) and Dye (1985) who put a heavy emphasis on objective measures of environmental disclosure as opposed to subjective (i.e., not easily verifiable) items, we take carbon items which reflect actual, specific and quantifiable emissions reduction figures as hard carbon disclosures and items such as carbon risks and opportunities, strategy and governance related to climate change and so on which mostly descriptive and analytical are treated as soft carbon disclosures.

Our research questions are: whether there is a significant association between carbon performance and disclosure and whether quantitative (hard) carbon information is more related to carbon performance than qualitative (soft) carbon information? We argue that different information has different degree of value relevance.

We use carbon reports (i.e. response to 2010 CDP questionnaire) of 71 S&P 500 firms in carbon intensive industries: energy, industrials, materials, and utilities with high pollution propensity. We focus on every item of the CDP report for each firm and score the items followed rating methodology of CDP questionnaire. We calculate the specific score for each item and the aggregate score for all items is the carbon disclosure index for the firm. Then we employ factor analysis to divide carbon disclosure items into four factors. We classify the factors into hard carbon disclosure which mainly discloses the quantitative carbon information and soft carbon disclosure if it mainly discloses the qualitative carbon information. And then we examine the relations between carbon performance and total carbon disclosure, soft carbon disclosure and hard carbon disclosure.

In brief, our results are as follows. 1) We find a negative and significant association

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between carbon performance and hard carbon disclosure. 2) We do not find a significant association between carbon performance and total carbon disclosure. 3) Carbon performance is not significantly correlated with soft carbon disclosure. Our findings imply that firms and managers with lower carbon performance are inclined to disclose more quantitative and hard information supporting legitimacy theory. So the study enhances the usefulness and predictability of legitimacy theory. On the other hand, our results indicate that firms and managers will selectively disclose different carbon information which maybe makes the relation between carbon performance and carbon disclosure more complicated and mixed. And this is to some extent consistent with prior studies that it is still an unresolved issue regarding the empirical association between the level of corporate environmental disclosures and performance.

The remainder of this study proceeds as follows: the following reviews the pertinent literature and the testable hypotheses; the next introduces our sample and methodology; next, provides the empirical results; and the final section summarizes the main findings of the study with a discussion of implications for future research.

Literature Review and Hypotheses Development

Environmental Disclosure and Environmental Performance

Archival empirical studies on environmental disclosure and environmental performance start from research of Ingram and Fraizer (1980). They examine the association between the content ratings of environmental disclosures appeared in corporate annual reports and the Council on Economic Priorities (CEP)³ environmental-performance ratings. Regression results indicated no significant association between environmental disclosure and environmental performance.

Wiseman (1982) designed an environmental disclosure index covering 18 items in four categories: economic factors, environmental litigation, polluting abatement activities, and environmental disclosures and compared it to CEP for the 26 largest US companies from 1972-1976. His results are same as that of Ingram and Fraizer (1980).

Since then, many environmental disclosure studies rely on the Wiseman Index to measure the extent of corporate environmental disclosures. Freedman and Wasley (1990) used Wiseman Index to examine the relationship between corporate pollution performance and pollution disclosures through the sample consisting of 50 US companies in four industries (Steel, Oil, Pulp and Paper, Electric Utilities). The results indicate environmental disclosures are not significantly associated with firm's actual environmental performance. Hughes, Anderson and Golden (2001) investigate

³ CEP is a non-profit organization specializing in the analysis of corporate social activities. CEP indices is used as a proxy for environmental performance by many researchers especially for earlier research, such as Ingram and Fraizer (1980), Wiseman (1982), Freedman and Wasley (1990), Hughes, Anderson and Golden (2001). Patten (2002) indicates the shortage of CEP indices that CEP only followed a narrow group of firms which would come out a problem for sample selection, and CEP did not use the same criteria and consistent methodology to assess corporate environmental performance in different industries.

whether disclosures differ between firms who had been rated good, mixed or poor in their environmental activities and whether these disclosure differences could be used to differentiate between actual environmental performance levels using a slightly modified Wiseman index to measure disclosures. They observe that poorer US environmental performers tended to make the most disclosures, consistent with their responsibility to report contingent liabilities under SFAS 5. Patten (2002) examines the relation and the results indicate that there is a significant negative relation between performance and the disclosure level of firms from non-environmentally sensitive industries which is more affected by toxic release levels than is the disclosure of firms from environmentally sensitive industries. Campbell (2003) has provided UK evidence for legitimacy theory as an explicator of variability in environmental disclosure. Al-Tuwaijri, Christensen and Hughes (2004) provide an integrated analysis of the interrelations among environmental disclosure, environmental performance and economic performance. The results they obtain are that “good” environmental performance is significantly associated with “good” economic performance and also with more extensive quantifiable environmental disclosures.

Other studies examine different types of corporate environmental disclosure on the environmental performance. Bewley and Li define two types of environmental disclosure: financial information and general information. The former refers to either specific dollar amounts of environmental-related items or accounting policies for environmental-related activities. The latter refers to qualitative aspects of corporate environmental performance, attitudes and action towards environmental control. They find that firms with more news media coverage of their environmental exposure, higher pollution propensity, and more political exposure are more likely to disclose general environmental information.

Clarkson, Li, Richardson and Vasvari (2008) develop a content analysis index and their disclosure scores of index are split in two parts: hard disclosures and soft disclosures. The result is consistent with the predictions of the economics disclosure theory but inconsistent with the negative association predicted by legitimacy theory. In summary, the existing studies find mixed results on the relation between environmental disclosure and environmental performance.

Carbon Disclosure and Carbon Performance

It should be noted that carbon disclosure and performance represent only one facet of a company’s overall environmental disclosure and performance. We focused on only carbon disclosure because there are limited studies on carbon issue and there are many differences between carbon and general environmental disclosure and performance (Luo et al 2012).

In conceptual analysis, carbon disclosure represents a form of “civil regulation” (Murphy and Bendell, 1999), a mode of corporate governance in which civil society actors employ information disclosure mechanisms to extent pressure on business to

establish and comply with environmental and social norms and standards (Cormier, Magnan and Velthoven, 2005). The advocacy of voluntary corporate carbon disclosure represents a form of institutional entrepreneurship geared toward leveraging carbon disclosure as a form of governance (Kolk, Levy, and Pinkse, 2008).

The strategic logic for organizational responsibility, accountability and sustainable development behind carbon disclosure is similar to that of environmental disclosure as forms of corporate governance. Li, Richardson and Thornton (1997) suggest that management has incentives to disclose environmental information in a strategic fashion. This implies that carbon disclosure can also be conceived as an effort to shift the broader field of governance of the energy system as it entails a change in the structures of corporate governance in a way that shifts attention toward environmental objectives and enhances the legitimacy and engagement of environmental NGOs in governance processes (Kolk, Levy, and Pinkse, 2008).

The efficacy of carbon disclosure relies on a particular chain of causal logic: the carbon reports need to be relevant and valuable to investors by conveying information that relates to the financial impact of climate risks and carbon controls on the valuation of corporate assets (Hassel, Nilsson and Nyquist, 2005). Carbon disclosure or reporting attempts to render complex organizational operations involving multiple gases and impacts in terms of a common carbon metric, tCO₂e (tonnes of carbon dioxide equivalent) which is more meaningful and more acceptable than environmental disclosure for investors and financial institutions. Meanwhile, the preparation of carbon disclosure requires significantly more technical skill and resources than for more general social performance reports which in return would get more attention from governments, institutions and investors and they would convince the information more accurately.

There are some empirical literatures of carbon disclosure. For example, Stanny and Ely (2008) examine factors associated with the US S&P 500 firms' decisions to disclose information about the current and projected effects of climate change to institutional investors. And they find that size, previous disclosures and foreign sales are related to disclosed information through the Carbon Disclosure Project (CDP) which is sponsored by institutional investors. Freeman and Jaggi (2011) document those firms from countries ratifying the Protocol and setting limits on GHG emissions are associated with higher GHG disclosures compared with firms in the US which has not ratified the Protocol. Stanny (2011) examines voluntary disclosures about GHG emissions by the US S&P 500 firms to the CDP and the results imply that frequencies of all three disclosures (answering the questionnaire, disclosing emissions and disclosing accounting methodology for emissions) increased from 2006 to 2008. And the differences between the high rates for answering the questionnaire and the lower rates for disclosing emissions and methodology support the legitimacy theory. Andrew and Cortese (2011) explore how dominant environmental discourses can influence and shape carbon disclosure regulations. They consider both the

construction of self-regulated carbon disclosure practices and the role that this kind of carbon information may have in climate change-related decision making. Taking the CDP and the use of the GHG protocol as a reporting model, they indicate that the methodological diversity underpinning carbon disclosures may inhibit the usefulness of climate change-related data. Tang and Luo (2011) observe a great disparity in carbon transparency between firms in different sectors and institutions using the Carbon Disclosure Transparency Score (CDTS) adopted from the CDP reports. They find firm size, leverage, industry membership, emission trading scheme, stringency of environmental regulation are significantly associated with carbon transparency.

The Measurement of Carbon Disclosure

This study uses the Carbon Disclosure Leaders Index (CDLI) scores to proxy for carbon disclosure. The CDLI provides insights into the characteristics and common trends among the leading companies on carbon disclosure, highlighting good practices in governance, risk management, carbon accounting and verification as well as emissions-reduction activities. CDLI scores are obtained from content analysis of companies' annual responses to the CDP surveys based on a set of standardized scoring methodologies (CDP Scoring Methodology, 2008, 2009, 2010, 2011, 2012). These responses are generally scored by two independent reviewers and a third reviewer where differences occur. The CDLI methodology uses a mixture of binary and scaled scoring types to capture the quality and comprehensiveness of carbon information. For the binary scoring type, scores may be either 0 or 1. One point is given for the presence of specific information regardless of details, and zero for the absence of disclosure. Often the binary scoring type is applied to questions that only ask for one piece of information or where a straightforward yes or no answer is required. The scaled scoring type is generally used for questions that require qualitative or narrative answers. Companies' responses are scored based on different types of scales by considering information quality in terms of: "(a) the information details and relevance to the company, (b) examples or case studies provided, and (c) quantitative or financial information" (Cotter and Najah, 2012, p.177). The importance and materiality of specific climate change information to particular users are also considered. For example, the disclosure of gross Scope 1 GHG emissions data were given three points in 2009 and six points in 2010-2012, because this information was expected to be of particular high importance and relevant to the investors and regulators. The relevance of each question to certain companies is pre-considered by the CDP. If a question is not applicable to a firm, the non-disclosing behavior will not be penalized. Different questions may be given varying weights.

Overall, the CDLI scores have the following advantages: First, since the CDLI methodology is designed and developed by CDP with guidance from PricewaterhouseCoopers (PwC) in its capacity as Global Advisor and expert in writing CDP reports, it may be significantly superior to author self-designed methodology (Cotter and Najah, 2012). Second, the CDP questionnaire covers various aspects of the climate change issues facing companies, including carbon governance

mechanisms, carbon strategies, carbon accounting and auditing, carbon initiatives, carbon risks and opportunities, and carbon communication and engagement. Thus, CDLI scores reflect both the depth and breadth of corporate disclosed information. Cotter and Najah (2012) pointed out that “companies tend to disclose a relatively small portion of the information that they provide to the CDP in their annual and sustainability reports” and that “companies that report most to the CDP also disclose more via their corporate communications” (p.182). Third, the content analysis method utilized by CDLI methodology facilitates analysis and interpretation of the relevance, importance and substance of disclosures instead of simply counting the amount and length of information (Al-Tuwaijri et al., 2004; Ingram and Frazier, 1980). Fourth, CDLI scores have gained widespread support. For instance, Google added the CDP scores to its “Key Stats and Ratio” section of Google Finance in April 2010. Increasing academic studies have applied CDLI scores in their research designs (e.g. Griffin et al., 2012; Luo and Tang, 2014; Prado-Lorenzo and Garcia-Sanchez, 2010; Tang and Luo, 2011). Thus, the use of existing methodology ensures the external validity and consistency with prior studies (Cotter and Najah, 2012). Despite this, it is recognized that the CDP data are voluntary in nature. So it is possible that management may use the disclosure for legitimization purposes, rather than truly reveal their carbon activities and outcomes.

Hypotheses Development

Prior empirical research examining associations between environmental performance and environmental disclosure has often been based on contradictory theoretical support. That is, the two competing theories –voluntary disclosure theory and legitimacy theory provide opposite predictions on how environmental performance may affect environmental disclosure strategies.

Voluntary disclosure theory suggests that firms with good performance will disclose “good” news in order to avoid the adverse selection problem. So voluntary disclosure theory predicts a positive association between environmental performance and the level of discretionary environmental disclosure and some prior studies provide supporting evidence (e.g., Al-Tuwaijri et al., 2004). Legitimacy theory suggests that firms are bound to carry out various socially desired activities in return for approval of its objectives and other rewards which ultimately guarantee its existence and sustainable development. According to this theory, firms facing greater legitimacy pressure, as firms with poorer environmental performance could be assumed to do, would be expected to provide more extensive environmental disclosures, and as such, a negative association between performance and disclosure is posited (Patten, 2002)⁴. And there are also many literatures confirm to this prediction (Hughes et al., 2001; Patten, 2002; Cambell, 2003). Based on the discussion, our hypothesis is:

⁴ In fact, besides legitimacy theory, there are other theories just as political economy, stakeholder theory are all have the same prediction with respect to the relation between environmental performance and environmental disclosure which researcher call them socio-political theories (Patten, 2002; Clarkson et al., 2008).

H1 Carbon performance is significant associated with carbon disclosures.

In addition, we also divide the carbon disclosures into two categories: hard carbon disclosures and soft carbon disclosures following Clarkson et al. (2008) and propose the following two hypotheses:

H1a Carbon performance is significant associated with soft carbon disclosures.

H1b Carbon performance is significant associated with hard carbon disclosures.

Research Design

Carbon Disclosure

A key research design issue in this study is to develop a proxy for a firm's carbon disclosure. Most prior studies usually use measures based on environmental disclosures made in annual reports and 10-K reports filed with the SEC (Ingram and Fraizer, 1980; Wiseman, 1982; Freedman and Wasley, 1990; Bewley and Li, 2000; Hughes, Anderson and Golden, 2001; Al-Tuwaijri, Christensen and Hughes, 2004). There are a number of issues we must consider for carbon disclosure measures.

The first is information selections. From voluntary disclosure theory perspective, superior environmental performers would highlight credible direct disclosures because objective quantified measures cannot be easily mimicked by poor environmental performers. For carbon disclosures, GHG emissions are the most direct objective measures.⁵ But carbon emissions data is limited in annual reports. Prior to the reporting requirements issued by the Environmental Protection Agency (EPA) in 2009 and interpretations of current disclosure requirements by the SEC in 2010 stakeholders have relied on voluntary disclosures for information about GHG emissions of US firms⁶. While the overall estimated costs from climate change are significant (Stern, 2006), most US firms have not been forthcoming in their annual reports (10-K) about how climate change will affect their businesses or about their levels of GHG emissions. Doran and Quinn (2009) find that only 24 percent of firms in the US S&P 500 mention climate change in their 2008 annual reports and only one quarter of these (5.6 percent of the total) disclose their GHG emissions.

The second is measurement methodology. Prior studies typically use the number of pages, sentences and words in the annual report to measure the level of disclosure (Frazier, 1982; Guthrie and Parker, 1989; Gray, Kouhy, and Lavers, 1995; Patten, 1995; Deegan and Gordon, 1996). While pages may include pictures that have no

⁵ The term "carbon" is commonly used to encompass the following greenhouse gases (GHG) covered by the Kyoto Protocol: carbon dioxide (CO₂), which is the major GHG, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons, perfluorocarbons and chlorofluorocarbons. These GHG are often measured as carbon dioxide equivalents (CO_{2-e}).

⁶ At the end of 2009, the EPA addressed the lack of reporting at the facility level by issuing mandatory GHG reporting requirements. The EPA reporting requirements will cover approximately 85 percent of the total US GHG emissions. But entities covered by the reporting requirements must begin collecting data in 2010 with the first annual emissions reports due to the EPA in 2011.

information on environmental or social activities, sentences and words may ignore necessary graphs and tables (Al-Tuwaijri, Christensen and Hughes,2004). Another measurement technique uses a disclosure-scoring measure derived from content analysis (Wiseman,1982; Freedman and Wasley,1990; Bewley and Li, 2000; Hughes, Anderson and Golden, 2001; Patten, 2002; Al-Tuwaijri, Christensen and Hughes,2004) to identify and analyze environmental issues. Clarkson et al. (2008) use the Global Reporting Initiative (GRI) reporting as a more objective environmental disclosure measure. However, GRI index is more suitable for environmental disclosure, but not for carbon disclosure⁷.

Our data were obtained from The Carbon Disclosure Project (CDP) which was registered as a non-governmental organization in the UK in 2000 and requests climate change related information from largest global firms on behalf of institutional investors. Since 2003 the sample size and institutional interest in the CDP has increased and the CDP has become the largest repository of publically available GHG emissions data (CDP 2010).⁸ The CDP data has been used in several research papers (e.g., Freedman and Jaggi,2009; Kolk et al., 2008; Stanny and Ely, 2008; Reid and Toffell, 2009; Manuel, Lorenzo, Maria and Sanchez, 2010). Stanny and Ely (2008) and Freedman and Jaggi (2009) and Manuel et al. (2010) use CDP report as an important measure for carbon disclosures. Kolk, Levy and Pinkse (2008) suggest CDP provides a reporting format that allows easy direct comparison across firms, and focuses more specifically on a set of questions containing components useful for investors to assess the value and relevance of carbon disclosure.

We use two proxies for the firm's carbon disclosure. The first is to use the 2010 Carbon Disclosure Leaders Index (CDLI) scores directly. The second is just as follows.

We use CDP questionnaire 2010 which consists of five sections including 49 specific items (questions): 1) governance; 2) risks & opportunities; 3) strategy; 4) GHG accounting, energy and fuel use, and trading; 5) communications. We score each of the 49 items for our sample firms followed rating methodology of CDP questionnaire. Thus we have specific score for each item and the aggregate score is the overall carbon disclosure index⁹ (see Table1).

We assessed the validity and reliability of the CDP questionnaire 2010. The content validity¹⁰ means whether the content of the questionnaire covers all dimensions of

⁷ The GRI was launched in 1997 as a joint initiative of Coalition for Environmentally Responsible Economies, a US non-government organization and the United Nations Environmental Program.

⁸ The S&P 500 were first sent the CDP questionnaire in 2006 and saw an increase in response rates of CDP's questionnaire, to the highest level ever: up to 70%(350) in 2010, from 66%(332) in 2009, 63%(314) in 2008, and 56%(280) in 2007(PwC and CDP 2010).

⁹ All scores we get have been standardized by centesimal system and compared the aggregate scores to scores of carbon disclosure quality of CDP database on its Web site. T-statistic test results find no difference between these two which confirm accuracy of our scores.

¹⁰ The validity of questionnaire could be divided into three: content validity, criterion validity and construct validity. Based on the characteristic of questionnaire and desire of study, here we focus on the content

research problem. CDP keep revising its questionnaire in order to encourage firms to respond and provide accurate data. CDP took efforts to improve the quality of the responses and standardize reporting to facilitate better comparison of data across and within sectors” (CDP, 2007, P.4). For example, from 2007 and onwards, firms were asked to disclose the methodologies used to arrive at GHG emissions estimations and In 2009 a pilot project was conducted to devise a system to assess a company’s performance in relation to climate change which has led to a performance rating being incorporated into the 2010 methodology. So the CDP questionnaire 2010 has good content validity. The reliability of the questionnaire is computed using Cronbach’s alpha for 18 indicators associated with each factor. The coefficient alpha is 0.852 which means the reliability is very good.¹¹

Hard Disclosure and Soft Disclosure

Following Verrecchia (1983), Dye (1985) and Clarkson et al (2008), we classify “hard” and “soft” carbon disclosures using different criteria. We take items which could reflect actually, specific and quantifiable carbon reduction figures and realized targets of carbon reduction as hard carbon disclosures, while information related carbon risks and opportunities, strategy and governance related to climate change etc., which are largely descriptive and analytical are taken as soft items.

Table1. Index assessing the quality of disclosures about carbon

Indicators	Map to CDP (items)	Denominator score range	
		min	max
A: Governance		4	5
A1: Group and individual responsibility	1.1-1.3	3	3
A2: Individual Performance Incentives	1.4-1.5	1	2
B: Risks and Opportunities		60	66
B1: Regulatory Risks	3.1-3.8	10	66
B2: Physical Risks	4.1-4.8	10	66
B3: Other Risks	5.1-5.8	10	66
B4: Regulatory Opportunities	6.1-6.8	10	66
B5: Physical Opportunities	7.1-7.8	10	66
B6: Other Opportunities	8.1-8.8	10	66
C: Strategy		6	14
C1: Strategy describe	9.1	3	3
C2: Targets	9.2-9.6	1	3
C3: Emission Reduction Activities	9.7-9.9	3	5
C4: Engagement with Policy Makers	9.10-9.11	0	3
D: GHG accounting, energy and fuel use,		59.5	82.5

validity.

¹¹ In general, the Cronbach’s alpha is lower 0.35 that mean the reliability is low. The reliability could be acceptable while the Cronbach’s alpha is more than 0.50. And the Cronbach’s alpha is range from 0.70-0.98 which means the reliability is high.

and trading			
D1: Emissions - boundary and methodology	10.1-10.2; 11.1-11.4	8	9
D2: Scope1 emissions	12.1-12.12	13	13
D3: Scope2 and Contractual Scope 2	13.1-13.8; 14.1-14.5	13	18
D4: Scope3	15.1-15.2	3	9
D5: Emissions avoided and carbon dioxide emissions	16.1-16.2; 17.1-17.2	2	4
D6: Emissions intensity 、 history and verification	18.1;19.1-19.2 20.1;21.1-21.3 21.4-21.5	20.5	29.5
Total score		129.5	167.5

This table presents four sections including 45 items covering the main items of questionnaire of CDP 2010 (total five sections including 49 items). “Denominator score range” means the full or maximum denominator score which range with the reporter’s different selection for questions.

18 items reflect quality of carbon disclosure (see Table 1). We use factor analysis to identify the underlying dimensions or structure of carbon disclosure to determine which items are associated with each factor. We extract the factors with an eigenvalue greater than unity. This results in 4 factors that retain 60.11 percent of the total variance in the original data. This reduced solution is then rotated using the Kaiser orthogonal rotation that allows the retained factors to be correlated in order to enhance interpretability of the factor analysis solution. We associated each factor with those variables that have a loading (or the correlation between the factor and an indicator) that exceeds 0.40 in absolute value. These 4 factors represent the underlying dimensions of carbon disclosure (see Table 2).

Table2. Factor Analysis

Factor	Loading Value	Variance explained	Cumulative variance explained
Factor1		18.467%	18.467%
B1: Regulatory Risks	0.672		
B2: Physical Risks	0.789		
B3: Other Risks	0.678		
B4: Regulatory Opportunities	0.544		
B5: Physical Opportunities	0.689		
B6: Other Opportunities	0.710		
Factor2		18.280%	36.747%
C2: Targets	0.612		

C3: Emission Reduction Activities	0.442		
D1: Emissions - boundary and methodology	0.688		
D2: Scope1 emissions	0.812		
D3: Scope2 and Contractual Scope 2	0.781		
Factor3		15.219%	51.966%
A1: Group and individual responsibility	-0.728		
A2: Individual Performance Incentives	0.721		
C4: Engagement with Policy Makers	0.695		
D5: Emissions avoided and carbon dioxide emissions	0.759		
Factor4		8.147%	60.113%
C1: Strategy describe	0.568		
D4: Scope3	0.540		
D6: Emissions intensity , history and verification	0.670		
Kaiser-Meyer-Olkin(KMO)		0.829	

Factors are computed using Factor Analysis where we retain all factors with an eigenvalue more than 1. We retain indicators where the absolute value of the loading exceeds 0.4. Variance explained % and Cumulative variance explained % are rotation sums of squared loadings % of variance. KMO is 0.829 which indicates that our sample is suitable for Factor Analysis.

Factor1 including 6 items (B1、 B2、 B3、 B4、 B5、 B6) relating firm’s carbon risks and opportunities. Special items are including “Do current and/or anticipated regulatory requirements related to climate change present significant risks/opportunities for your company? And explain why not”, “What are the current and/or anticipated significant risks/opportunities related to climate change and the associated countries/regions and timescales?”, “Describe the ways in which the identified risks/opportunities affect or could affect your business and your value chain “,” Describe any actions the company has taken or plans to take to manage or adapt to the risks/opportunities that have been identified, including the cost of those actions” and so on. As the factor1 mainly reflect the subjective assessment, we take factor1 as soft disclosure and label it as SD₁.

Factor2 is including 5 items (questions in C2、 C3、 D1、 D2、 D3) such as “Do you have a current emissions reduction target? Please complete the table, or please give details of the target(s) you are developing and when you expect to announce it/them, or please explain why not and forecast how your Scope 1 and Scope 2 emissions will change over the next 5 years”,¹² Special items of C3 is “Please use the table below to describe your company’s actions to reduce its GHG emissions”. Special items of D1 are “Please indicate the category that describes the company, entities, or group for which Scope 1 and Scope 2 GHG emissions are reported”, “Are there are any sources

¹² Scope1 emission means direct GHG emissions, Scope2 emission means indirect GHG emissions and Scope3 means other indirect GHG emissions, not included in Scope1 and Scope2.

(e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions within this boundary which are not included in your disclosure? Please complete the following table”, “Please give the name of the standard, protocol or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions and/or describe the procedure you have used”. Special items of D2 are “Please give your total gross global Scope 1 GHG emissions in metric tonnes of CO₂-e”, “Where it will facilitate a better understanding of your business, please also break down your total gross global Scope 1 emissions by business division and/or facility”, “Please break down your total gross global Scope 1 emissions by GHG type (Only data for the current reporting year requested)”, “Please use the table to give the total amount of fuel in MWh that your organization has consumed during the reporting year”. Special items of D3 are “Please give your total gross global Scope 2 GHG emissions in metric tonnes of CO₂-e”, “Where it will facilitate a better understanding of your business, please also break down your total gross global Scope 2 emissions by business division and/or facility”, “How much electricity, heat, steam, and cooling in MWh has your organization purchased for its own consumption during the reporting year?”, “Please estimate the level of uncertainty of the total gross global Scope 2 figure that you have supplied and specify the sources of uncertainty in your data gathering, handling, and calculations”.

Factor 2 describes carbon emissions including sources of Scope 1 and Scope 2, whether a firm has realized carbon reduction from its carbon reduction activities and a firm has met its carbon intensity and absolute reduction targets. Following our criteria we take Factor 2 as hard disclosure (HD).

Factor 3 is including questions A1, A2, C4 and D5. A1 and A2 indicate firms’ carbon governance, including “Where is the highest level of responsibility for climate change within your company?”, “What is the mechanism by which the board committee or other executive body reviews the company’s progress and status regarding climate change?”, “Do you provide incentives for the management of climate change issues, including the attainment of greenhouse gas (GHG) targets?”. Special items of C4 are “Do you engage with policy makers on possible responses to climate change including taxation, regulation and carbon trading? Please describe.” Special items of D5 are “Does the use of your goods and/or services enable GHG emissions to be avoided by a third party? Please provide details including the anticipated timescale over which the emissions are avoided, in which sector of the economy they might help to avoid emissions and their potential to avoid emissions.” We treat factor 3 as soft disclosure (SD₂) as it provides the information about carbon management and policies which is descriptive and difficult to verify.

The questions in C1, D4 and D6 are associated with Factor 4. Special items of C1 are “Please describe how your overall group business strategy links with actions taken on risks and opportunities”. Special items of D4 are “Please provide data on sources of Scope 3 emissions that are relevant to your organization”. Special items of D6 are

“Please describe a financial and an activity-related intensity measurement for the reporting year for your gross combined Scope 1 and Scope 2 emissions”, “Do the absolute emissions (Scope 1 and Scope 2 combined) for the reporting year vary significantly compared to the previous year? Please explain why they have varied and why the variation is significant”, “Please complete the following table indicating the percentage of reported emissions that have been verified/assured and attach the relevant statement”, “Do you participate in any emission trading schemes? Please complete the following table for each of the emission trading schemes in which you participate”.

The items in C1 and D6 mainly reflect descriptive and analytical information of strategies and emissions intensity, history and verification. Although indicator D4 reflect the data on sources of Scope 3 emissions (other indirect GHG emissions), most sample firms did not give the answer. Thus, we take the factor4 as the third soft carbon disclosure (SD_3). The score of every factor, SD_1 , SD_2 , SD_3 and HD, is just the aggregated score of items associated with each factor.

Carbon Performance

It is well known that greenhouse gas (GHG) emission is an important indicator for evaluating carbon performance. However, different definitions and interpretations of the same expressions abound, and there is no common understanding of how to report or analyze a company’s emission of GHG. Eco-efficiency literatures discuss the importance to place the absolute GHG emissions in relation to a business metric. Eco-efficiency measures use the economic output that is obtained from a given resource input or that generates a given environmental effect. Hoffmann and Busch (2008) also define four comprehensive and systematic corporate carbon performance indicators: (1) Carbon intensity; (2) Carbon dependency; (3) Carbon exposure; (4) Carbon risk.

Prior studies typically used the company rating charts of the Council on Economic Priorities (CEP) to measure environmental performance (Ingram and Fraizer, 1980; Wiseman, 1982; Freedman and Wasley, 1990; Hughes, Anderson and Golden, 2001). The major shortcoming of the CEP ratings is that different criteria were used to evaluate companies in different industries. Thus, inter-industry comparisons really were not possible (Patten, 2002). The US Environmental Protection Agency (EPA) is required to make information of the amount of toxics released available to the public. And this is a quantitative measure in contrast to qualitative rankings to measure environmental performance such as CEP. Fekrat, Inclan and Petroni (1996), King and Lenox (2001), Patten (2002), Al-Tuwaijri, Christensen and Hughes (2004), Clarkson, Li, Richardson and Vasvari (2008) use an environmental performance measure based on toxics release inventory (TRI) information.

To assess carbon performance, the absolute carbon emission is important, because for general or aggregated trend investigations with a sector-wide or macroeconomic view

it can help to identify situations in which individual companies or industrial sectors that continuously increase their absolute emissions even while governments pursue national emission reduction goals. Nonetheless, to compare the carbon emissions across companies and to incorporate changes in a company's business activities over time, it is necessary to place the absolute carbon emission in relation to business metric. The business metric could be sales (or turnover), total costs, value added, earnings before interest and taxes (EBIT) and market value (see Table 3). The generation of these types of ratios has been thoroughly discussed in the ecoefficiency literature.

Table3. Business metrics relevant to carbon performance indicators

Business metric: Unit of production	Description: Business output
Sales(turnover)	Value of the company's production step in the value chain plus all upstream business activities;
Total costs	Expenses for generating the business output; considers company's costs, including all expenses in the profit and loss statement;
Value added	Sales less intermediate costs for purchased goods and services;
Earnings before interest and taxes(EBIT)	The profitability of the company;
Market capitalization or equity	Market value of a company or value of equity;

Source: Hoffmann and Busch (2008), corporate carbon performance indicators.

We obtained the sum of Scope1、Scope2 and Scope3 generated by each firm from CDP reports and use the sales as business metric for our study. The carbon performance is measured as the inverse of GHG emission per million dollar sales turnover. This gives us millions dollars of sales per metric tonnes CO₂-e for our sample firms.

Empirical Models, Analysis and Results

Sample Selection

Our research setting is USA and particularly firms in carbon intensive industries including energy, materials, industrials and utilities are our research focus. There are 163 firms of S&P 500 from the four carbon intensive industries in 2010 and 114 participated in the CDP project and 94 of them provided completed responses to the questionnaire and allowed CDP to post their responses in a public database on its Web site. Our final sample include 71 firms that have complete financial data reported in COMPUSTAT and CRSP database and have not experience special activities (e.g. takeovers, mergers and acquisitions). Table 4 shows the industry distribution of sample firms.

Table4. Sample Distribution

Industries	No. of S&P	%	No. of taken	%	No. of Completed	%	No. of sample	%
Energy	39	24%	23	20%	19	20%	16	22%
Industrials	58	35%	37	33	28	30%	21	30%
Materials	32	20%	25	22%	20	21%	14	20%
Utilities	34	21%	29	25%	27	29%	20	28%
Total	163	100%	114	100%	94	100%	71	100%

Empirical Models

In order to examine our basic hypothesis, we employ the following model:

$$\begin{aligned}
 CDLI = & \varphi_0 + \varphi_1 CP + \varphi_2 FIN \\
 & + \varphi_3 TOBIN Q + \varphi_4 \\
 & ROA + \varphi_5 LEV \\
 & + \varphi_6 SIZE \\
 & + \varphi_7 LIQUIDITY \quad (1) \\
 & + \sum_{n=1}^m \kappa_n IND + \delta
 \end{aligned}$$

And in order to test the following hypotheses, the other three models are used just below:

$$\begin{aligned}
 SD_{\lambda(\lambda=1,2,3)} = & \alpha_0 + \alpha_1 CP + \alpha_2 FIN + \alpha_3 TOBIN Q + \alpha_4 ROA + \alpha_5 LEV \\
 & + \alpha_6 SIZE + \alpha_7 LIQUIDITY \quad (2) \\
 & + \sum_{i=1}^m \mu_i IND + \varepsilon
 \end{aligned}$$

$$\begin{aligned}
 HD = & \beta_0 + \beta_1 CP + \beta_2 FIN \\
 & + \beta_3 TOBIN Q + \beta_4 \\
 & ROA + \beta_5 LEV \\
 & + \beta_6 SIZE \\
 & + \beta_7 LIQUIDITY \quad (3) \\
 & + \sum_{j=1}^m \phi_j IND + \theta
 \end{aligned}$$

$$\begin{aligned}
 CD = & \gamma_0 + \gamma_1 CP + \gamma_2 FIN + \gamma_3 TOBIN Q + \gamma_4 ROA + \gamma_5 LEV + \gamma_6 SIZE \\
 & + \gamma_7 LIQUIDITY \quad (4) \\
 & + \sum_{n=1}^m \kappa_n IND + \zeta
 \end{aligned}$$

The variables in the regressions above are defined as follows:

CDLI - is the score of 2010 Carbon Disclosure Leaders Index.

SD_{λ(λ=1,2,3)} - are the total scores of soft carbon disclosures measured as the sum

of SD_1 , SD_2 and SD_3 which are the aggregate scores of items associated with each soft factor.

HD - is the score of hard carbon disclosures calculated by items associated with the hard factor.

CD - is total score of carbon disclosures which is the sum of **SD** and **HD** .

CP - is a carbon performance proxy which is the inverse of GHG emission (include scope1,2 and 3) per million dollar sales turnover(net).

We include the following control variable in the models as per previous literature.

FIN - is the amount of debt or equity capital raised by the firm during the year 2010 scaled by total assets at the end of the year 2010 (Clarkson et al. 2008). firms that raise financing in debt and equity markets have a higher propensity for disclosures in voluntary channels to lower their cost of capital (Frankel, McNichols, and Wilson, 1995).

TOBINQ- is defined as the market value of common equity plus the book value of preferred stock, book value of long-term debt and current liabilities, scaled by the book value of total assets in fiscal year. It is generally assumed in the voluntary disclosure literature that managers seek to lower information asymmetry through voluntary disclosures in order to lower the cost of capital (Healy and Palepu, 2001). We choose Tobin's Q as the proxy for information asymmetry based on the argument that firms with greater unbooked intangibles and a positive NPV investment opportunity set enjoy larger Tobin's Q (Barth and Kasznik, 1999; Smith and Watts, 1992) .

ROA - is the total return on assets measured as the ratio of income before extraordinary items over total assets at the end of the financial year. Lang and Lundholm (1993) and others have shown that firms with superior upcoming earnings performance have a higher disclosure propensity to reveal their "good news" to financial markets (Bewley and Li, 2000; Aerts et al., 2008; Magness, 2006; Clarkson et al., 2008).

LEV - is the ratio of total debt divided by total assets. Prior studies (e.g., Leftwich, Watts and Zimmerman, 1981) have argued that the monitoring demand for information increases as firm debt increases, thus voluntary disclosures are expected to increase with leverage.

SIZE - is the natural logarithm of the market value of common equity at the end of fiscal year 2010. Most voluntary disclosure studies control for firm size based on the assumption of firms of scale with respect to information production costs.

LIQUIDITY - is the ratio of the number of shares traded in year 2010 to the weighted total shares outstanding at the end of every month of year 2010. Disclosure quality (i.e., information quality) could lower investors' information uncertainty over the value of a stock and/or adverse selection among investors when stock trades occur. Higher disclosure quality could reduce liquidity risk by attenuating the sensitivity of a firm's share price to the non-diversifiable component of risk due to stock order flows (Jeffrey Ng, 2008).

IND - are the industry dummy variables. Since pollution propensity and related monitoring by opponents is well known to vary by industries (Little, Muoghlu and Robison, 1995; Deegan and Gordon, 1996; Niskala and Pretes, 1995; Al-Tuwaijri, Christensen and Hughes, 2004, Cho and Pattern,2007; Kolk and Pinkse,2007 Clarkson, Li, Richardson and Vasvari ,2008) and there are significant differences between industries in how firms respond to climate change (Jeswani, Wehrmeyer and Mulugetta, 2008), we developed a series of dummy variables for industrial sectors.

Descriptive Statistics

Panel A of Table 5 provides descriptive statistics for the variables used in the regressions. The mean (median) of total soft carbon disclosure, SD, for sample firm is 48.139(47.619) when the full soft carbon disclosure is 71.43.¹³ The mean (median) of one factor of soft carbon disclosure, SD₁, for sample firm is 28.165(27.899) when the full SD₁ soft carbon disclosure is 46.33.¹⁴ The mean (median) of one factor of soft carbon disclosure, SD₂, for sample firm is 5.921 (6.269) when the full SD₂ soft carbon disclosure is 7.16.¹⁵ The mean (median) of one factor of soft carbon disclosure, SD₃, for sample firm is 14.053 (14.196) when the full SD₃ soft carbon disclosure is 24.78.¹⁶ The mean (median) of total hard carbon disclosure, HD, for sample firm is 23.089(24.444) when the full hard carbon disclosure is 29.34.¹⁷ The results imply that sample firms have better carbon disclosure especial for hard carbon disclosure which also could be testify that mean(median) of holistic carbon disclosure CD is 71.229(71.786). In addition, the ROA is about 4.7% and the average leverage (LEV) is 63.3% means that sample firms have relatively high debt. The firm size measured by the logarithm of total assets (SIZE) is 9.698 imply that our sample consists of relatively larger firms. The mean of CP is 0.054, which indicates that sample firms generate 0.054 million dollars of sales with every metrics tones CO₂-e emitted.

¹³ The full soft carbon disclosure is the aggregate full scores of indicators including A1、 A2、 B1、 B2、 B3、 B4、 B5、 B6、 C1、 C4、 D4、 D5 and D6 standardized by centesimal system.

¹⁴ The full SD₁ soft carbon disclosure is the aggregate full scores of indicators including B1、 B2、 B3、 B4、 B5 and B6 standardized by centesimal system.

¹⁵ The full SD₂ soft carbon disclosure is the aggregate full scores of indicators including A1、 A2、 C4、 and D5 standardized by centesimal system.

¹⁶ The full SD₃ soft carbon disclosure is the aggregate full scores of indicators including C1、 D4 and D6 standardized by centesimal system.

¹⁷ The full HD hard carbon disclosure is the aggregate full scores of indicators including C2、 C3、 D1、 D2、 D3 standardized by centesimal system.

Table5 Descriptive and correlation statistics for variables used in estimation

Panel A: Descriptive statistics					
Variable	Mean	25 th Percentile	Median	75 th Percentile	Std dev
CDLI	65.944	55.000	66.000	77.000	14.486
SD	48.139	41.311	47.619	57.655	12.410
SD ₁	28.165	23.794	27.899	33.856	7.522
SD ₂	5.921	5.178	6.269	7.121	1.488
SD ₃	14.053	9.898	14.196	18.654	5.580
HD	23.089	21.981	24.444	25.559	4.535
CD	71.229	62.769	71.786	82.569	15.556
CP	0.054	0.001	0.003	0.022	0.177
FIN	0.057	0.007	0.029	0.068	0.072
TOBINQ	1.296	0.849	1.220	1.451	0.632
ROA	0.047	0.024	0.048	0.073	0.043
LEV	0.633	0.550	0.655	0.728	0.143
SIZE	9.698	8.945	9.663	10.386	1.011
LIQUIDITY	28.230	17.510	21.444	27.241	30.376

Panel B: Pearson correlation statistics												
	SD	SD ₂	SD	HD	C	CP	FIN	TOBI	R	LE	SIZ	LIQUI
	1		3		D			NQ	A	V	E	DITY
SD	0.900	0.605	0.803	0.600	0.907	0.001	-0.103	-0.090	0.001	0.106	0.002	-0.160
	(***)	(***)	(***)	(***)	(***)							
SD ₁	-	0.500	0.503	0.505	0.808	0.106	-0.006	-0.100	0.006	0.109	-0.006	-0.250
		(***)	(***)	(***)	(***)							(***)
SD ₂		-	0.500	0.501	0.609	-0.015	-0.107	-0.060	-0.007	0.009	0.101	-0.010
			(***)	(***)	(***)							
SD ₃				0.405	0.709	-0.014	-0.106	-0.070	-0.010	0.009	0.009	-0.020
				(***)	(***)							
HD					0.706	-0.012	-0.006	-0.050	0.013	-0.004	-0.103	-0.030
					(***)							
CD						-0.000	-0.100	-0.090	0.000	0.100	-0.000	-0.140

	02	2	04	3	2		
CP	-	-0.1 6	-0.33 (***)	-0. 09	0.2 5	-0.0 1	-0.03
					(**)		
FIN		-	0.27 (**)	-0. 09	-0.1 2	-0.0 8	0.02
TOBI NQ			-	0. 54	-0.6 3	0.2 4	-0.06
				(* **	(**)	(**)	
ROA				-	-0.4 8	0.3 6	-0.26 (**)
					(**)	(**)	
LEV					-	-0.2 5	0.08 (**)
SIZE						-	-0.11

This table presents descriptive and correlations statistics for variables used in multivariate tests. Statistics are presented for the full sample of 71 firms. SD₁ is the aggregate score of indicators B1、 B2、 B3、 B4、 B5 and B6. SD₂ is the aggregate score of indicators A1、 A2、 C4 and D5. SD₃ is the aggregate score of indicators C1、 D4 and D6. SD is the sum of SD₁、 SD₂ and SD₃ which means the total score of soft carbon disclosure. HD is the aggregate score of indicators C2、 C3、 D1、 D2 and D3. CD is the sum of SD and HD which means the total score of carbon disclosure. CP is the inverse of GHG emission (include scope1,2 and 3) per million dollar sales turnover(net). FIN is the amount of debt or equity capital raised by the firm during the year 2010 scaled by total assets at the end of the year 2010. TOBINQ is the sum of the market value of common equity, the book value of preferred stock, book value of long-term debt and current liabilities, scaled by the book value of total assets in fiscal year. ROA is the total return on assets measured as the ratio of income before extraordinary items over total assets at the end of year. LEV is the ratio of total debt divided by total assets. SIZE is the natural logarithm of the market value of common equity at the end of fiscal year 2010. LIQUIDITY is the ratio of the number of shares traded in year 2010 to the weighted total shares outstanding at the end of every month of year 2010. Spearman Correlation statistics provide similar results. ***,**,*represent significance levels(two-tailed) at 1%,5% and 10%, respectively.

We present in Panel B of Table 5 Pearson correlations between the variables. Table 6 presents comparisons of carbon disclosure by the two types of firms with high and low carbon performance. The difference in HD across between high and low score CP

firms is statistically significant at 10%. The difference in SD₂ across high and low score CP firms is statistically significant at 5%. The difference in SD, SD₃, CD across high and low score CP firms are all insignificant. The results suggest that carbon performance has different effect on different types of carbon disclosure.

Table 6 Mean comparison (Classified by the level of Carbon Performance)

SD (CP)			SD ₁ (CP)			SD ₂ (CP)		
Low (n=35)	High (n=36)	t-test	Low (n=35)	High (n=36)	t-test	Low (n=35)	High (n=36)	t-test
50.121	52.356	-0.877	26.861	29.432	-1.4513	6.2161	5.6331	1.6709*
6	9	5	2	6	*			*
SD ₃ (CP)			HD (CP)			CD (CP)		
Low (n=35)	High (n=36)	t-test	Low (n=35)	High (n=36)	t-test	Low (n=35)	High (n=36)	t-test
14.537	13.582	0.7182	23.260	20.924	1.6100	70.874	71.572	-0.1877
3	7		3	4	*	9	8	

This table presents the difference between SD₀, SD₁, SD₂, SD₃, HD and CD which divided by firms with high and low CP. High CP firms are firms have the scores of CP above the median. Low CP firms are firms have the scores of CP below the median. The significance levels presented in t-test column are from two-sample t-statistics that test the difference between the high and low carbon disclosure. ***, **, * represent significance levels (two-tailed) at 1%, 5% and 10%, respectively.

Main Results

We provide three models (see equation 1, equation 2 and equation 3) with the same independent variable and control variables. Therefore the error terms in these regressions are possibly correlated, so we estimate the regressions in a seemingly unrelated regression (SUR) system¹⁸ and present in Table 7 the results.

The first column presents the result for the total disclosure scores (CDLI). The estimated coefficient for our carbon performance proxy is negative, but insignificant. The same is the last column (CD). Those mean there is no significant association between carbon performance and disclosure, so H1 should be rejected. The same results are found for total soft carbon disclosure (SD) (in the second column Table 7). And the results for three factors of soft carbon disclosure are not consistent. The carbon performance proxy is negative associated with SD₃ but positive associated

¹⁸ A single model may contain a number of linear equations. In such a model it is often unrealistic to expect that the equation errors would be uncorrelated. A set of equations that has contemporaneous cross-equation error correlation (i.e. the error terms in the regression equations are correlated) is called a seemingly unrelated regression (SUR) system in which two (or more) unrelated outcome variables are predicted by sets of predictor variables. These predictor variables may or may not be the same for the two outcomes. If the set of predictor variables is identical across the two outcomes, the results from SUR will be identical to those from OLS. In other cases (i.e. non-identical prediction equations), SUR produces more efficient estimates than OLS (Greene, 2005).

with SD_1 and SD_2 and the relations are all insignificant. So we should also reject H1a. But as predicted by H1b, the estimated coefficient for our carbon performance proxy is negative and significant (t-ratio = -1.97, p-value < 0.05).

Table 7 indicates the signs of association for our control variables are generally consistent with prior literature and our prediction. The information asymmetry proxies (Tobin's Q) are negative and insignificant which similar to the results of Clarkson et al. (2008). Firm profitability (ROA) is positive just as predicted but also insignificant which is consistent with Bewley and Li (2000). Debt leverage (LEV) is negative which is opposite to our expectation, but it is not significant. Firm size (SIZE) is positive to carbon disclosures and some relations are significant, which are partly consistent with Clarkson et al. (2008), while the negative relation appearing in the study of Al-Tuwaijri et al. (2004). Propensity cost (FIN) is positively associated with carbon disclosures as we predicted but insignificant. This is partially consistent with Clarkson et al. (2008) who report the variable is positive but statistically significant only for the soft disclosure category in their sample.

Our results show that only hard carbon disclosure is negatively and significantly associated with carbon performance. But both general and soft carbon disclosure is not. These results do not suggest, generally speaking, US firms significantly attempt to "green wash" carbon information. However, a certain group of firms particularly, as findings indicate, firms with lower carbon performance do reveal more key carbon information which is not necessarily consistent with their underlying carbon mitigation outcome. This is consistent with legitimacy theory. Legitimacy theory shows that if a difference appears between organizational and social values, an organizational legitimacy state may be threatened and organizations may then carry out actions to close such a "legitimacy gap" (Gray, Kouhy and Lavers, 1995). The legitimation strategies they adopt can be focused on repairing, maintaining or gaining legitimacy (Tang and Luo, 2011). So the firm with lower carbon performance would seek a better method to repair the "legitimacy gap" effectively. Disclosing special carbon reduction figures and realized carbon reduction targets would make the carbon performance more convincing to investors and financial institutions that play a strategic role in corporate financial valuation. The hard disclosure would also be made to impress the other stakeholders such as governments and environmental NGOs that assess the firms' responsibility and accountability for the impact of the operation. But the soft carbon disclosures could not make a deep impression and in turn could not change the negative perception due to poor carbon performance. In other words, soft disclosure could not repair "legitimacy gap" effectively. So firms with bad carbon performance are inclined to disclose more quantitative information and do not attempt to disclose more qualitative and unverifiable information.

Our results imply that firms and managers tend to strategically select certain types of carbon information to disclose. Consequently the disclosed information does not necessarily reflect the underlying carbon activities and performance. Also it makes the

relation between carbon performance and carbon disclosure more complex. Thus, as the prior literature has claimed, the empirical association between the level of corporate environmental disclosures and corporate environmental performance is still an unresolved issue (Clarkson et al., 2008).

Table 7 Results of empirical model for carbon disclosure

	Dependent variables						
	CDLI	SD	SD ₁	SD ₂	SD ₃	HD	CD
CP	-12.569 (-1.19)	-2.090 (-0.23)	5.277 (0.85)	1.120 (0.98)	-4.451 (-0.93)	-7.367** (-1.97)	-9.456 (-0.77)
FIN	24.314 (0.93)	13.074 (0.69)	12.140 (0.93)	-0.772 (-0.32)	-12.81 5 (-1.27)	0.934 (0.12)	14.009 (0.54)
TOBINQ	0.110 (-0.08)	-3.297 (-1.09)	-1.537 (-0.74)	-0.504 (-1.31)	-0.037 (-0.02)	-1.760 (-1.40)	-5.056 (-1.22)
ROA	4.699 (0.09)	28.662 (0.74)	6.649 (0.25)	0.347 (0.07)	-29.61 3 (-1.42)	22.013 (1.36)	50.675 (0.95)
LEV	21.554 (1.02)	-2.873 (-0.22)	-0.862 (-0.10)	-1.008 (-0.61)	1.088 (0.16)	-2.011 (-0.37)	-4.884 (-0.27)
SIZE	-0.471 (-0.23)	0.567 (0.38)	0.896 (0.88)	0.476* (2.54)	1.570 (1.73)	-0.329 (-0.53)	0.237 (0.12)
LIQUIDI TY	-0.065 (-1.00)	-0.068 (-1.60)	-0.062* * (-2.11)	-0.0001 (-0.02)	-0.015 (-0.64)	-0.006 (-0.37)	-0.075 (-1.28)
_cons	68.306* ** (2.72)	54.688* ** (3.54)	24.982 ** (2.36)	3.542* (1.81)	4.300 (0.52)	29.706* ** (4.62)	84.393* ** (3.99)
IND	YES	YES	YES	YES	YES	YES	YES
R ²	0.2166	0.1801	0.2155	0.3145	0.138 4	0.2071	0.1759
CHI ² N	15.90 71	15.60 71	19.51 71	32.57 71	11.40 71	18.55 71	15.16 71

Dependent variables are carbon disclosures scores as indicated by the columns. CD is the total score of carbon disclosure. SD is the total score of soft carbon disclosure. HD is the score of hard carbon disclosure. SD₁, SD₂ and SD₃ are the factors of soft carbon disclosure. CP is the inverse of GHG emission (include scope1,2 and 3) per million dollar sales turnover(net). Equations are examined by Seemingly Unrelated

Regression (SUR). The significance levels are based on Chi-squared statistics. All control variables are defined in Table3. ***,**,*represent significance levels(two-tailed) at 1%,5% and 10%, respectively.

Sensitivity Analysis

In the robust tests, we seek new proxies for carbon performance and also attempt to address potential endogeneity problem.

Considering the carbon disclosure may be a lagging index, we use CP_{t-1} , the inverse of GHG emission (include scope1, 2 and 3) per million dollar sales in 2009 to proxy for carbon performance. This alternative proxy (see Table 8) results in the same levels of significance as that reported in Table 7. Except for hard carbon disclosure (HD), three factors of soft carbon disclosure (SD_1 , SD_2 , SD_3), total soft carbon disclosure (SD) and total carbon disclosure (CD and CDLI) are all insignificantly associated with carbon performance. The total carbon disclosure(CD and CDLI) are also insignificantly associated with carbon performance. The finding that hard carbon disclosure is inversely and significantly correlated with carbon performance has been confirmed (t-ratio =1.97, p-value<0.05).

Table8 Results of sensitivity analysis

	Dependent variables						
	CDLI	SD	SD ₁	SD ₂	SD ₃	HD	CD
CP	-20.82 (-1.03)	-2.947 (-0.22)	7.533 (0.80)	0.950 (0.54)	-4.356 (-0.61)	-10.827* *	-13.428 (-0.73)
FIN	-14.28 (-0.51)	-1.288 (-0.07)	-0.104 (-0.01)	-3.39 5 (-1.44)	-16.681 * (-1.76)	-3.934 (-0.52)	-2.473 (-0.10)
TOTALCD	-2.162 (-0.53)	-2.066 (-0.68)	-0.535 (-0.25)	9 (-0.75)	0.349 (0.22)	-1.304 (-1.05)	-3.598 (-0.87)
CDLI	11.848 (0.18)	40.260 (1.02)	16.532 (0.60)	2.496 (0.48)	-26.585 (-1.28)	25.964 (1.61)	63.987 (1.19)
SD	23.949 (1.40)	9.724 (0.82)	9.572 (1.17)	1.285 (0.83)	4.475 (0.72)	2.576 (0.51)	9.875 (0.62)
SD ₁	-1.049 (-0.46)	-0.912 (-0.69)	-0.349 (-0.38)	0.212 (1.22)	0.954 (1.37)	-0.843 (-1.49)	-1.474 (-0.82)
SD ₂				-0.00 2			
SD ₃	-0.070 (-1.15)	-0.078* (-1.78)	-0.007 (-2.51) *	-0.32 (-0.75)	-0.017 (-0.75)	-0.009 (-0.53)	-0.085 (-1.44)

	48.541	56.158*	26.352*	3.780		30.064*	85.964*
_cons	*	**	**	*	4.799 (0.58)	**	**
	(1.85)	(3.54)	(2.39)	(1.82)		(4.66)	(3.98)
IND	YES	YES	YES	YES	YES	YES	YES
R ²	0.1505	0.1327	0.2155	0.314 5	0.1290	0.1735	0.1409
CHI ²	14.58	10.87	19.51	32.57	10.59	20.17	11.65
N	71	71	71	71	71	71	71

Dependent variables are carbon disclosures scores as indicated by the columns. CD is the total score of carbon disclosure. SD is the total score of soft carbon disclosure. HD is the score of hard carbon disclosure. SD₁, SD₂ and SD₃ are the factors of soft carbon disclosure. CP is the inverse of GHG emission (include scope1,2 and 3) per million dollar sales turnover(net). Equations are examined by Seemingly Unrelated Regression (SUR). The significance levels are based on Chi-squared statistics. All control variables are defined in Table3. ***,**,*represent significance levels(two-tailed) at 1%,5% and 10%, respectively.

Scope1 emission is firm's direct GHG emissions from on-site production processes, from direct combustion of fossil fuels in boilers and furnaces and from on-site power generation. This interpretation comes from World Business Council for Sustainable Development and the World Resources Institute (WBCSD and WRI 2004) which developed a sophisticated accounting method for GHGs. Scope1 emission is the most important part of GHG and represents 1.54 billion t CO₂-e or 84% of total emissions reported (CDP, 2010) in 2010. Thus, we use the inverse of only scope1 emissions per million dollar sales as carbon performance proxy. We have the same results that only hard carbon disclosure is negatively and significantly associated with carbon performance.

Considered carbon performance and carbon disclosure may have endogeneity problem (Al-Tuwaijri et al. 2004)¹⁹, we provide simultaneous equations defined in the following structural form to test our H1b.

$$\begin{aligned}
 HD &= \varphi_0 + \varphi_1 CP + \varphi_2 FIN + \varphi_3 TOBIN Q + \varphi_4 ROA + \varphi_5 LE + \varphi_6 SIZE \\
 &+ \varphi_7 LIQUIDITY \quad (5) \\
 &+ \sum_{i=1}^n \phi_i IND + \theta \\
 CP_{t-1} &= \omega_0 + \omega_1 HD + \omega_2 TOBIN Q + \omega_3 ROA + \omega_4 LEV + \omega_5 SIZE \\
 &+ \sum_{j=1}^n \lambda_j IND + \varepsilon \quad (6)
 \end{aligned}$$

¹⁹ Al-Tuwaijri et al. (2004) follows the viewpoint of Ullmann (1985) that in executing the corporation's strategic business plan, management implements policies and initiates decisions that simultaneously affect the firm's environmental performance, environmental disclosure, and economic performance. If these corporate functions are endogenously determined, then piecemeal Ordinary Least Squares (OLS) estimation of pair-wise relations among these three functions will produce biased and inconsistent results (Al-Tuwaijri et al., 2004).

In equation 6, CP_{t-1} is the inverse of GHG emission (include scope1,2 and 3) per million dollar sales in 2009. We firstly examine the consistent estimate of using OLS regression analysis to estimate two equations by employing a Hausman test. Then we reject the null hypothesis of no any endogeneity with respect to HD ($p < 0.0969$). We continue our analysis using two-stage least squares (2SLS) and three-stage least squares (3SLS) simultaneous equation models in order to control for endogeneity while obtaining asymptotically unbiased results. The results are shown in Table 9.

The result of equation 5 from the 2SLS shows a negative relation between carbon performance and disclosure at 10% significance level (t-ratio=-1.79, p-value<0.10). The same relation exists between carbon disclosure and past carbon performance using equation 6 (t-ratio=-1.86, p-value<0.10). The results of the 3SLS are similar to 2SLS but are more significant at 5% level. Hence, after controlling for endogeneity, the tests do not alter our inferences.

Table9 Results of simultaneous equations for hard carbon disclosure

	2SLS		3SLS	
	Equation5	Equation6	Equation5	Equation6
CP	-7.367* (-1.79)		-7.677** (-2.10)	
HD		-0.087* (-1.86)		-0.087** (-2.01)
FIN	0.934 (0.11)		0.102 (0.15)	
TOBINQ	-1.759 (-1.27)	-0.144 (-1.11)	-1.708 (-1.46)	-0.144 (-1.20)
ROA	22.013 (1.24)	2.067 (1.15)	23.541 (1.54)	2.067 (1.24)
LEV	-2.011 (-0.34)	-0.115 (-0.22)	-1.778 (-0.34)	-0.115 (-0.24)
SIZE	-0.329 (-0.49)	-0.033 (-0.55)	-0.349 (-0.59)	-0.032 (-0.59)
LIQUIDITY	-0.006 (-0.34)		-0.0002 (-0.108)	
_cons	29.706*** (4.21)	2.566* (1.66)	29.531*** (4.63)	2.566* (1.79)
IND	YES	YES	YES	YES
R ²	0.2071	0.1270	0.2055	0.1207
F-stat	1.40	1.01		
CHI ₂			56.28	18.69
N	71	71	71	71

HD is the score of hard carbon disclosure. CP is the inverse of GHG emission (include scope1,2 and 3) per million dollar sales turnover(net). All control variables are defined

in Table3. ***,**,*represent significance levels(two-tailed) at 1%,5% and 10%, respectively.

Further Analysis

Here, we conduct an alternative method, namely the switching model to test whether the association between hard disclosure and performance is more significant than the relation between soft disclosure and performance.

In this model, the dependent variable is still carbon disclosure which is split into two: hard carbon disclosure and soft carbon disclosure. All the independent variables are the same plus a new variable, which is a cross multiplication of a dummy variable D with carbon performance proxy CP. The dummy variable D coded “1” when the dependent variable is hard carbon disclosure and “0” otherwise. The equation is as following:

$$\begin{aligned}
 Y(CD_{\lambda}, \lambda = 1, 2) = & \alpha_0 + \alpha_1 CP + \alpha_2 D \times CP + \alpha_3 FIN \\
 & + \alpha_4 TOBINQ \\
 & + \alpha_5 ROA + \alpha_6 LEV \quad (7) \\
 & + \alpha_7 SIZE + \alpha_8 \\
 & LIQUIDITY \\
 & + \sum_{i=1}^m \mu_i IND + \varepsilon \\
 \text{IF } \lambda = 1, \quad \text{THEN } CD_{\lambda} = HD, \quad D = 1; \\
 \text{IF } \lambda = 2, \quad \text{THEN } CD_{\lambda} = SD, \quad D = 0
 \end{aligned}$$

In equation 7, a significantly negative (positive) coefficient α_2 of $(D \times CP)$ would suggest hard carbon disclosure is more (less) significantly associated with carbon performance than soft carbon disclosure. Our result is shown in Table 10. As we predicted, the estimated coefficients for cross multiplication is negative and significant (t-ratio =-3.51, p-value<0.01) which mean the relation between hard carbon disclosure and performance is more significant relative to that of performance and soft carbon disclosure. The results of switching model test further confirm our predictions.

Table10 Switching model of carbon disclosure

Variables	Dependent variable: $Y(CD_{\lambda}, \lambda = 1,2)$
CP	21.002 (t=1.63)
D×CP	-51.460*** (t=-3.51)
FIN	7.004 (t=0.31)
TOBINQ	-2.528 (t=-0.71)
ROA	25.338 (t=0.55)
LEV	-2.442 (t=-0.16)
SIZE	0.119 (t=0.07)
LIQUIDITY	-0.037 (t=-0.75)

_cons

42.196*** (t=2.32)

IND	YES
R ²	0.1191
N	71

CP is the inverse of GHG emission (include scope1,2 and 3) per million dollar sales turnover(net). $Y(CD^\lambda, \lambda=1,2)$ is dependent variable, when $\lambda=1$, then $Y(CD)$ is hard carbon disclosure, when $\lambda=0$, then $Y(CD)$ is soft carbon disclosure. $D \times CP$ is a variable when D is a dummy. When $Y(CD)$ is hard carbon disclosure, then D is equal to 1, when $Y(CD)$ is soft carbon disclosure, then D is equal to 0. All control variables are defined in Table3. ***, **, * represent significance levels (two-tailed) at 1%, 5% and 10%, respectively.

Conclusions

Previous empirical evidence provides mixed results on the relationship between corporate environmental performance and the level of environmental disclosures. We revisit this issue by testing the relationships among corporate carbon disclosure and performance. In particular, we improve the prior literature by using a more rigorous research design to classify the total disclosure into hard carbon disclosure and soft carbon disclosure in order to provide extra insights.

Our results are as follows. We find a negative and significant association between carbon performance and hard carbon disclosure, but performance seems unrelated to total carbon disclosure and soft carbon disclosure. Our findings imply that managers of firms with lower carbon performance are inclined to disclose more key and quantitative carbon information which is consistent with legitimacy theory. With the emphasis on the key message disclosed managers would more effectively convince stakeholders and investors that the firm cares about the environment even with a relatively poor carbon records. Our findings are robust when we perform alternative sensitivity analyses.

Finally, our results suggest important directions for future research on discretionary disclosure of carbon information. For example, our focus is on US setting and US is not a member of Kyoto Protocol. Further studies may choose a country that signed Kyoto total Accord so that the relation between carbon disclosure and performance could be different. In addition, our sample firms are large, but how about medium and small firms? Would these firms with less politically visibility take a different carbon reporting strategy? Such a research design should add significant insight and enhance our understanding of firms' green policy and practice.

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Market Reaction of China's Carbon Policies to Copenhagen Climate Summit

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Abstract

With the carbon policies implemented by the Chinese government over the Copenhagen Climate Summit from 2009 to 2011 and the attitude in response to climate change as a sample, this paper selects a representative market price index in the world to estimate China's capital markets expected return. Using an event study method, this paper analyzes China's capital market reaction caused by carbon policy events through calculating abnormal rate of return. Finally, t-testing shows that China's capital market reaction caused by carbon policy is significantly positive. Further testing shows that the market reaction of the high-pollution industry is more significant than that of a low-pollution industry market reaction. Our research results indicate that Chinese carbon policies related to Copenhagen Climate Summit are in accordance with the interests of Chinese enterprises and the requirements of social development, and obtain the affirmation and support of investors in China's capital market.

Key words: market reaction, Copenhagen Climate Summit, event study method , high pollution industry

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Market Reaction of China's Carbon Policies to Copenhagen Climate Summit

Introduction

The issue of climate change has always been an important environmental problem of earnest concern for governments and the public. In order to better take effective measures to slow the global warming process, the United Nations released United Nations Framework Convention on Climate Change (UNFCCC) in May 1992, and set “to keep atmospheric greenhouse gases concentration over the level in the prevention of dangerous anthropogenic interference with the climate system”¹ as the ultimate goal of the Convention/UNFCCC².

According to the principle of fairness and “common but differentiated responsibilities,” UNFCCC-COP 3 was held in Kyoto, Japan, on December 11, 1997. The Kyoto Protocol, with legal binding force designed to limit greenhouse gas emissions in the developed countries to curb global warming, was passed by representatives of 149 countries and regions, which specified the types, schedule, and credits of greenhouse gas emissions of main developed countries before the year 2012. The Kyoto Protocol took effect on February 16, 2005, and it is recognized as a milestone in international environment change and is the first legally binding treaty calling for a reduction of greenhouse gas emissions to prevent global warming.³

On December 15, 2007, the COP 13 of the United Nations conference on climate change finally passed the resolution of the Bali Roadmap through negotiations in Bali, Indonesia. However, the United States and other industrialized nations have not signed the Kyoto Protocol agreement, thus the UNFCCC has not fostered good implementation. From December 7 to 19, 2009, at the United Nations Climate Change Conference in the Danish capital, the Copenhagen Treaty, with no legal binding force, was finally drafted after rigorous negotiations for dozens of days.

According to general understanding, when a government implements the carbon reduction policy and takes responsibility for carbon emissions, investors will regard such policies as bad news and worry that the enterprises' response to global warming

¹Greenhouse gas (GHG) mainly include carbon dioxide (CO₂, the main content of the GHG), methane (CH₄), nitrous oxide(N₂O), sulfur(SF), fluoride hydrofluorocarbons (HFCs), perfluorocarbide (PFCs) and chlorofluorocarbons, and usually carbon dioxide equivalent CO₂ – e is used to measure the greenhouse gas.

²UNFCCC is the first international convention for the comprehensive control of greenhouse gas emissions including CO₂ to cope with the economic and social disadvantages that global warming has brought to humans, and it is also a basic framework for the international community to have cooperation in dealing with global climate change. Until now, 192 countries have authorized UNFCCC. It is stipulated in UNFCCC that greenhouse gas emissions of contracting countries shall be 5.2% less than 1990 in the first commitment period from 2008 to 2012 on average, among which, a cut of 8% in the European Union, a cut of 7% in the United States, a cut of 6% in Japan, a cut of 6% in Canada, and a cut of 5% to 8% in eastern European countries.

³The officially valid Kyoto Protocol stipulates that from 2008 to 2012, greenhouse gas emissions of the main industry developed countries shall be on average 5.2% less than 1990, and six kinds of greenhouse gas emissions reduced 8% in the European Union, 7% in the United States, and 6% in Japan. It also sets specific emissions proportion and reduction schedule. At the same time, the Kyoto Protocol makes the some demand on the responsibility of greenhouse gas emissions of developing countries.

may lead to potential costs that surpass their benefits.⁴ However, developing countries, such as China, are mainly responsible for voluntary emissions, but the Kyoto Protocol clearly regulates the carbon credits and schedule for the developed countries. To achieve carbon reduction commitment, contracting parties of developed states put efforts in the development, application, and dissemination of technology and proprietary technology beneficial to the environment. The practice and process of taking all practical steps to promote climate change actually provides international trade and export trade opportunities for the developing countries such as China to some extent. For example, the explosive development of China's photovoltaic industry in the past five years is closely related to the implementation of new low-carbon energy measures in European Union countries.

In addition, according to article 11 of the Kyoto Protocol, contracting parties of developed countries and other developed contracting parties shall provide new and additional funding to pay all of the cost incurred by the performance of the existing commitments of developing countries agreed in the protocol, and provide the funds that the developing country parties need, including the technology transferring funds to pay for all the increased cost due to the performance of the existing commitments agreed in the protocol.⁵ All these terms and conditions are of great significance for the economy of developing countries.

Therefore, the developed countries represented by the United States and Canada do not support but, rather, reject the Kyoto Protocol and require that the developing countries represented by China should also accept carbon emissions constraints. Before and after the Copenhagen Climate Summit, whether the Chinese government will adhere to the fairness principle of the Kyoto Protocol and the principle of common but differentiated responsibilities and whether the Copenhagen Treaty can continue, the opinions of the Kyoto Protocol on the whole will psychologically influence Chinese investors.

With the carbon policies implemented by the Chinese government of the Copenhagen conference from 2009 to 2011 and the attitude to respond to climate change as a sample, we selected a representative market price index to estimate China's capital markets expected return using an event study method and calculating the abnormal returns to analyze China's capital market reaction caused by carbon policy events. Finally, we found that market reaction caused by carbon policy is significantly positive through use of the t-test. We then further divided sample stocks of HS300 Index (HS300) into two types: high-pollution industry and low-pollution industry. Using the t-test under the condition of the same variance, we found that high-pollution industry is more significantly positive than low-pollution industry. In robustness

⁴ It is also one of the reasons why in 2001, the US President George W. Bush announced the US's withdrawal from the Kyoto Protocol on his first term of office and because the protocol brings heavy burden to the economic development of the United States.

⁵ See the Kyoto Protocol: <http://baike.baidu.com/view/41423.htm?fr=aladdin>

testing, with sample stocks of HS300 as the research object, we selected 222 companies as the final research samples and again prove that high-pollution industry is significantly positive in market reaction related to carbon policy events, and its significance is greater than the low-pollution industry through multiple regression analysis. Our results indicate that before and after the Copenhagen Climate Summit, the attitude of the Chinese government toward carbon policy supported adherence to the Kyoto Protocol, which not only maintains the interests of developing countries but also expands enterprise development space and accords with the interests of short-term and long-term cooperation among Chinese companies and investors; thus, Chinese carbon policy gains affirmation and support from investors in the Chinese capital market.

The possible innovation and features of this paper lie in that firstly, this paper studies the market reaction caused by the carbon policies in China's capital market environment. A multi-events study method is used to examine the market reaction caused by these events, which further enriches the literature of using the event study method to study the market reaction and of carbon information disclosure. Secondly, this paper comprehensively collects a series of relevant policies and measures to reduce carbon emissions issued by the Chinese government since its participation in the Copenhagen Climate Conference, which provides the theoretical foundation and empirical evidence for the government to issue relevant carbon policies. Thirdly, this paper is conducive to the enterprise and the government through the discussion of the market reaction carbon policy. On the one hand, through standardizing carbon information disclosure, the enterprise can find the opportunity of carbon reduction to actively develop new energy, take measures of energy conservation and emissions reduction in daily business activities, initiatively take the environmental protection responsibility and promote the sustainable development of itself; On the other hand, the government can set more scientific carbon emissions standards, strengthen cooperation with the developed countries, endeavor to improve the status of China in international climate negotiations, and safeguard the interests of the developing countries.

Literature Review

It is in recent years that research has emerged on market reaction to carbon policy and low-carbon economy events, and the early research has been based on the attention and market reaction caused by environmental events.

Event study is the commonly used method to test environmental legislation and regulations as well as some environmental events market reaction. The existing environmental laws that have been examined through research include the National Environmental Protection Act of 1969, the Clean Air Act Amendments of 1970 (Blacconiere & Northcut, 1997), and the Superfund Amendments and Reauthorization Act (Shane, 1995) issued by the American federal government in 1986. The primary

environmental events that have been studied include the chemical leak event of the Union Carbide plant in Bhopal, India, in 1984 (Blacconiere and Patten, 1994), the 1989 Exxon Valdez oil spill in Alaska (Patten and Nance, 1998), the Songhua River pollution incident in China in 2005 (Xiao & Zhang, 2008), and the oil contamination event of the China National Petroleum Corp. (Deng, Xuqian, & Xiang, 2012). Capelle-Blancard and Laguna (2010) examined 64 major chemical pollution events occurring worldwide from 1990 to 2005, which were open to the public through media coverage.

From the test method, single event study (Blacconiere and Patten, 1994; Patten and Nance, 1998) and multi-event study method (Blacconiere and Northcut, 1997; Capelle-Blancard and Laguna, 2010; Chapple, Clarkson, & Gold, 2013; Klassen and McLaughlin, 1996; Shane, 1995; Shane and Spicer, 1983; Zhang, 2007) are adopted. Market model (Blacconiere and Patten, 1994; Capelle-Blancard and Laguna, 2010; Klassen and McLaughlin, 1996; Patten and Nance, 1998; Shane, 1995), fixed market model (Blacconiere and Northcut, 1997; Chapple, henriette van niekerk, and Gold, and 2011), average adjustment model (Shane and Spicer, 1983), market and scale adjustment model (Klassen and McLaughlin, 1996) and generalized least squares model, etc. (Chapple, Clarkson, & Gold, 2013; Patten and Nance, 1998) are applied to calculate the excess return. Research results find the value relevance of environmental law and policy, negative market reaction of environmental events and so on.

From the test results, Dasgupta, Laplante, Mamingi, & Wang (2001), Gupta and Goldar (2005) found evidence that the market price declines or that abnormal returns are significantly negative after the release of negative environmental information. Briand W.J acobs (2008) analyzed the specific environmental announcement market reaction from 2004 to 2006 and found that the environmental charitable donation events and International Organization for Standardization 14001 certification received significantly positive market reaction, whereas voluntary emission reduction commitments were met with significantly negative market reaction. Therefore, on the whole, for capital market reaction to the “bad news” environmental pollution events is remarkable, and cumulative abnormal returns (CARs) used to measure the market reaction are generally negative.

Apart from the analysis of single market reaction caused by environmental pollution incidents, the existing research has focused on using the event study method to study market reaction caused by laws and policies related to climate change.

The Australian government passed the controversial Clean Energy Act (effective July 1, 2012) in 2011, which requires companies to pay \$23 per ton of carbon emissions. Lin and Tang (2012) selected seven important events affecting the passage of the act and investor expectations. Their research proves that the carbon policy market reaction is negative, and also finds that investors will not only punish the heavy carbon pollution enterprises, but also reward those who use clean energy and adopt

positive strategies to combat climate change. In addition, their research results also show that the reduction of enterprise market value is associated with the cost for enterprises to comply with relevant laws and regulations. However, the negative effect of avoiding carbon policy will transfer the cost from enterprises to customers. This may lead to the failure of clean energy legislation to achieve the expected goal of carbon emissions restriction.

In March 2008, the Australian government announced it would carry out an emissions trading scheme (ETS), which was expected to be implemented formally in 2015. Chapple, Clarkson, & Gold (2013) are the first to do empirical research on whether the implementation of the Australian ETS will influence the enterprise value. They selected five independent events expected to affect the passage of the proposed ETS. By using the event study method to test the influence of ETS on enterprise value, they found that capital market prices for a proposed ETS were indeed affected. This effect was mainly manifested such that before the formal implementation of ETS, the extent of the effect on enterprise market value depended on the possibility of the ETS's passage as evaluated by capital market and the specific implementation details of the ETS. The final results of the event study show that market value of enterprise with severe intensity of carbon emission is under a greater negative influence, and the market value dropped by 7% to 10%.

In addition, with South Korea's public companies that provided CDP emissions information from 2008 to 2009 as samples, Lee, Park and Klassen (2015) used the event study method to test whether investors realize that enterprises should assume highly uncertain future liabilities and how investors respond to it. Their empirical results show that the enterprise that voluntarily discloses information on climate change has a negative market reaction, and the negative effect is reflected immediately, suggesting that investors regard the carbon information disclosure as bad news and fear that in response to the global climate warming, enterprises will face the potential costs beyond their income. In addition, their research results also show that the enterprise's periodic disclosure to investors regarding carbon management performance and the effects of the media can reduce the negative impact of carbon disclosure on the enterprise.

Research Background and Proposal of Research Hypothesis

Research Background

China's early policy on low carbon economy development focuses on environmental protection and pollution control. With an increasingly serious environmental situation, global warming receives extensive attention from the international community. The Chinese government has put forward the "new policy of low carbon economy," mainly composed of green tax, green capital market, green trade, green insurance, environmental charging, ecological compensation, and emissions authority trading market to gradually establish a development path to a low carbon economy.

Under the guiding principle of common but differentiated responsibilities, the Kyoto Protocol established in December 1997 in Kyoto, Japan, requires that developed countries of larger greenhouse gas emissions should assume the responsibility of carbon reduction since 2005, and each developed country must achieve some specific targets from 2008 to 2012. For developing countries, there are no legally binding regulations of emission reduction tasks in the protocol, but, rather, reduction should be achieved through voluntary means.

Different countries hold different opinions toward the signing of the Kyoto Protocol:

Russia, Canada, and Japan are firmly against the responsibility in the second commitment period of the Kyoto Protocol, and Canada announced it would formally withdraw from the Kyoto Protocol on December 12, 2011.

The Australian government is the last to join the Kyoto Protocol and hesitated in the implementation of the responsibility required in agreement. Australia also makes no commitment of emissions reduction in the second phase of the Kyoto Protocol.

Although the United States government signed the Kyoto Protocol in 1997, the senate has not yet approved. Until now, the United States is the only developed industrialized country who has not signed the Kyoto Protocol.

The European Union has always remained a positive leader in climate change negotiations, and has been trying to persuade the indecisive countries to join the treaty and uphold the responsibility together. The participating countries have almost no dispute in signing the Kyoto Protocol, and still maintain the emission reduction target of 20%.

As one of the contracting parties of the UNFCCC and the Kyoto Protocol, China is always committed to promoting the implementation of the convention and the protocol, earnestly implements the relevant obligations of carbon reduction, and actively fulfilling carbon emissions responsibilities. At the news conference of the release of the white paper *China's Policies and Actions in Response to Climate Change (2011)* held on November 22, 2011, China made it clear that it firmly supports the second commitment period of the Kyoto Protocol. In addition, China is committed to joining the legally binding emission reduction framework as of 2020, under the premise of a developed country putting in place an emission reduction target for the second commitment period.

China is in a stage of rapid economic growth, and with carbon dioxide emissions over that of the United States, China has become the world's largest carbon emission country. However, faced with emissions reduction pressure from developed countries, the Chinese government makes clear the following views:

1. Over the past 200 years of the modern industrial revolution, emissions in developed countries accounts for 80% of the total global carbon dioxide emissions while that of developing countries, only beginning industrialization in recent decades and per capita emissions, is far lower than the developed countries. The requirement that developing and developed countries should take the same responsibility does not conform to the principle of fairness.

2. Carbon emissions of developed countries are outsourced to the developing countries. China is known as the “world factory” and bears the production activities of high carbon emissions. Therefore, it is the consumer countries rather than the export countries of these products that should be responsible for carbon emissions in the production process.

3. Developed countries have lived a rich life, but in developing countries, a large number of the population remain in a state of absolute poverty. The response to climate change should be adapted to the social and economic development level of each country, and we cannot improve climate change at the expense of continuing the poverty and backwardness of developing countries. It obeys the fair principle to require China to assume the emissions reduction obligations beyond their duty and ability.

4. The international community should make overall arrangements under the guidance of the convention, on the one hand, to encourage the developed countries to take the lead in deep and quantified emission reduction; on the other hand, to supervise and urge developed countries to provide financial support for developing countries. Also, developing countries should, under the financial and technical support of developed countries, take the initiative to assume emission reduction responsibility, improve production efficiency, and reduce greenhouse gas emissions as much as possible to adapt to climate change.

Finally, a Copenhagen protocol with no legal binding force was signed at the world climate conference in Copenhagen in 2009. The protocol maintains the principle of common but differentiated responsibilities established in the UNFCCC, and its Kyoto Protocol adheres to the authorization of the Bali Roadmap, adheres to and maintains the “double-track” negotiations, and made arrangements about mandatory emission reduction in the developed countries and voluntary emission reduction action in developing countries. Broad consensus has been reached on such controversial issues as global long-term goals, financial and technical support, and transparency.

On December 11, 2011, another significant conference of contracting parties was held in Durban, South Africa, adhering to the Bali Roadmap. Each party had marathon proportion negotiations, lasting for nearly 14 days, under the guiding principle of common but differentiated responsibilities and other principles. The Durban conference finally passed a resolution to establish the Working Group for Long-Term

Cooperative Action platform and decided to implement the second commitment period of the Kyoto Protocol and officially start the green climate fund as well as set up the green climate fund management framework.

From the carbon policy development of the Chinese government, we can see that the China's economic development pattern transfers from "high emissions, high pollution, and high energy consumption" to "low emission, low pollution, and low energy consumption." The Chinese government is actively constructing a low carbon economic development model with "resource-conservation and an environmentally friendly approach to production, life, and consumption" as its main characteristics. However, considering the differences of the development history between developed countries and developing countries, China's principle and attitudes towards the climate conference in Copenhagen retain ample leeway for the development of the Chinese economy and Chinese enterprises.

Proposal of Research Hypothesis

With global warming, global climate change receives more and more attention. A series of climate conferences reflect the increase of awareness of the importance of environmental protection. At the same time, investors also begin to pay close attention to the gradual fulfillment of social responsibility of enterprise in the process of production and operation, and carbon emissions information of the enterprise is naturally becoming part of the content of disclosure that investors expect.

From the existing literature (Blacconiere & Patten, 1994; Freedman and Jaggi, 2005; Patten and Nance, 1998; Shane and Spicer, 1983; Stanny, 2013; Stanny and Ely, 2008), we know that environmental pollution events will cause market reaction; relevant laws and regulations will affect the carbon disclosure level of the enterprise, thus affecting enterprise carbon performance and investors' expectations towards enterprises. In addition, Lin and Tang (2011), by the use of the event study method, proved that the Australian carbon tax policy caused a negative market reaction. Lee, Park, & Klassen (2015), looking at South Korea's listed companies that provide carbon emissions information for CDP from 2008 to 2009 as samples, proved through event study that carbon market reaction to the enterprise information disclosure was negative. Chapple, Clarkson, & Gold (2013) first carried out empirical research on the impact on the enterprise value due to the ETS that will be carried out in Australia. The results of the existing research indicate that the implementation of the carbon policies and carbon information disclosure will cause market reaction. Also, if Chinese investors can realize the importance of carbon policy-related events, there will be market reaction after the government releases a series of policies and measures to reduce emissions. Based on this, it could be concluded that the series of Copenhagen carbon policy events this article selected will have impact on China's capital market.

The Kyoto Protocol established in 1997 requires developed countries with larger carbon emissions to assume the carbon reduction commitment from 2005, and

specifies emissions reduction targets that all the developed countries must complete from 2008 to 2012; and developing countries are not supposed to take the responsibility of greenhouse gas emissions control with legally binding force. In addition, emissions reduction methods such as “carbon emissions authority trading” and “net emissions” stipulated in the Kyoto Protocol maintain the fundamental interests of the developing countries and helps the developing countries in achieving their economic growth and gradually achieve carbon reduction at the same time.

To replace the Kyoto Protocol, which expires in 2012, another major climate summit was held in the Danish capital Copenhagen on December 7, 2009. Pointing out the direction of the response to climate warming action, the meeting involved all countries in the world in 2012-2020. In the face of the developed countries’ urge for developing countries to undertake the same tasks to reduce emissions, the Chinese government, on the one hand, firmly supports a second commitment period for the Kyoto Protocol; on the other hand, it also firmly points out that all countries should take carbon emissions reduction responsibility under the guidance of the principle of common but differentiated responsibilities. The Chinese government strongly confirms the emission reduction targets and reduction confidence in the Copenhagen Climate Conference and maintains the fundamental interests of the developing countries at the same time, especially in protecting the potential benefits of China’s enterprises, and retaining ample opportunity for the development of domestic enterprises. Therefore, this article puts forward the following hypotheses:

Hypothesis 1: China’s capital market reaction to the series of Copenhagen carbon policies is positive.

Ministry of Environmental Protection in China issued *A Technical Guide for Publication of Environmental Protection Standards* in September 2010, which divides the high-pollution industry into 14 industry categories: thermal power, steel, cement, electrolytic aluminum, coal, metallurgy, building materials, mining, chemical, petrochemical, pharmaceutical, light industry, textile, and leather. Carbon emissions of high-pollution industry is usually much higher than those of the low-pollution industry through the process of production and business operation, so the sensitivity of the high-pollution industry to carbon policy is much higher than that of the low-pollution industry. Therefore, we infer that there should be differences between the impact of the implementation of related carbon policies and carbon reduction measures taken by the Chinese government on the high-pollution industry and the low-pollution industry. It is necessary to further explore the significance of influence of the related carbon policies and measures on high-pollution industry and the low-pollution industry to prompt enterprises of different industries to take measures, disclose carbon emission information, and integrate carbon emissions reduction into long-term planning for the enterprise strategic management. Investors can more comprehensively understand the enterprise’s management status and implementation of social responsibility and make the right investment decisions.

Hypothesis 2: Compared with low-pollution industry, high-pollution industry market reaction to Copenhagen carbon policy is more significant.

Empirical Research on China's Market Reaction to Copenhagen Carbon Policies

Selection and Analysis of the Carbon Policy Event

In response to the global climate change, many countries signed the Kyoto Protocol and actively participate in the climate change conference to discuss their emissions reduction targets, projects, and mitigation measures. With the Chinese government's attitude and actions to combat climate change since the Chinese government's participation in a series of climate conference including Copenhagen conference as the core, this paper mainly selects important events involving the signing of Copenhagen protocol. The principles of the selection are as follows:

- (1) The event is one of the series of events over Copenhagen Climate Summit.
- (2) The event can reflect the carbon policy guidance of the Chinese government.
- (3) There are no other major economic events affecting China's capital market on the day when the incident happens.

Based on the above principles of the event selection, this paper selected the carbon policy released through public media to study market reaction caused by the occurrence of these events. The test for market reaction of the carbon policy measures can help us fully understand the attention of investors to carbon emissions and put supervision and pressure on carbon disclosure of enterprises. The relative carbon policy events this paper selected lasted three years from 2009 to 2011, involving the following aspects:

- (1) On May 20, 2009, the Chinese government issued *Implementation of the Bali Roadmap - the Chinese government's Stance on the Copenhagen Climate Change Conference*, stating China's stance on the Copenhagen Climate Change Conference.⁶
- (2) On December 5, 2009, the Chinese youth delegation, left for Copenhagen to participate in COP15 of the UNFCCC. The Chinese youth delegation is the first team selected and organized by the Chinese young people themselves.⁷
- (3) On December 7, 2009, the 15th conference of the contracting parties of the UNFCCC and fifth conference of the contracting parties of the Kyoto Protocol (Copenhagen World Climate Conference) was held in Danish capital Copenhagen and lasted until December 18, 2009. Negotiators from 192 countries had a summit to discuss the follow-up scheme after the expiration of commitment of the first stage of

⁶The central government gateway website: http://www.gov.cn/gzdt/2009-05/21/content_1321022.html

⁷<http://green.sohu.com/20091130/n268582430.shtml>

the Kyoto Protocol, namely, the Global Emissions Reduction Treaty from 2012 to 2020.⁸

(4) On December 14, 2009, Chinese journalism and communication center held a media briefing inviting the head of the Chinese delegation and deputy director of National Development and Reform Commission, Xie Zhenhua, who attended the Copenhagen Climate Change Conference to introduce the negotiation progress and answer questions from reporters. Xie said that China hopes that the Copenhagen conference can achieve positive effects and may reach a legally binding agreement. Developing countries should, under the framework of sustainable development, according to their own national conditions, implement sustainable development policies and take appropriate mitigation and adaptation actions and guarantee to give priorities to their development.⁹

On December 15, 2009, the foreign ministry spokeswoman, Jiang Yu, said that Premier Wen Jiabao would leave Beijing for the Danish capital Copenhagen to attend the Copenhagen Climate Change Conference on the afternoon of December 16, 2009. According to Jiang Yu, Premier Wen Jiabao would deliver an important speech at the meeting, stating that the Chinese government would actively respond to climate change and promote international cooperation on climate change.¹⁰

(5) On December 18, 2009, Premier Wen Jiabao delivered an important speech at the leaders meeting of Copenhagen Climate Change Conference in Denmark titled *Build consensus, strengthen cooperation and promote the historical process in response to climate change*.¹¹

(6) On December 21, 2009, the Chinese ministry of foreign affairs spokesman had an exclusive interview with a reporter from Global Times and refuted the accusation from Britain had China “hijacked” the negotiation process at the Copenhagen Climate Change Conference.¹²

(7) On December 30, 2009, international public opinion praised China for its positive efforts in promoting international cooperation in response to climate change and spoke highly of China for its important contributions to promote the achievements in the Copenhagen Conference on Climate Change.¹³

(8) On March 9, 2010, China sent a letter to the United Nations climate change secretariat, informing them of its formal approval of the Copenhagen Treaty.¹⁴

⁸<http://wenku.baidu.com/view/01d22c1ac5da50e2524d7f8d.html>

⁹Ministry of Foreign Affairs of the People's Republic of China: [http://www.fmprc.gov.cn/wjb/search.jsp?Page=1235 & channelid = 75004 & prepage = 50](http://www.fmprc.gov.cn/wjb/search.jsp?Page=1235&channelid=75004&prepage=50)

¹⁰CCTVNet: <http://news.cctv.com/china/20091215/104458.shtml>

¹¹Xinhua net: <http://www.xinhuanet.com/world/wjb200912/>

¹²Web: <http://www.huanqiu.com/zhuanti/world/climate2009/>

¹³Web: <http://www.huanqiu.com/zhuanti/world/climate2009/>

¹⁴Financial Network: <http://www.caijing.com.cn/2010-03-10/110393253.html>

(9) On September 29, 2010, reporters learned from the news office of the state council that China would undertake international negotiations on climate change for the first time in Tianjin. The China meteorological administration would undertake the exhibits arrangement and exhibit work as well as partake in relevant negotiations.¹⁵

(10) On October 2, 2010, 16 members of the Chinese youth delegation of COP16 traveled to Tianjin to participate in international negotiations on climate change held in the Tianjin Meijiang Convention and Exhibition Center. It was the second time for Chinese youth to voluntarily organize to participate in the climate change negotiations¹⁶.

(11) From October 4 to 9, 2010, the 12th conference of the ad hoc Working Group for Long-Term Cooperative Action of the UNFCCC and the 14th conference of parties of ad hoc working group of further commitment of the Kyoto Protocol attachments was held in Tianjin.¹⁷

(12) On December 10, 2010, the national development and reform commission deputy director and Chinese delegation leader of the Cancun Climate Conference, Xie Zhenhua, stressed China's stance of resolutely defending the Kyoto Protocol.¹⁸

(13) On November 22, 2011, China issued the white paper *China's Policies and Actions in Response to Climate Change (2011)*.¹⁹

(14) From November 28, 2011 to December 9, 2011, COP17 of the UNFCCC and COP7 of the Kyoto Protocol was held in Durban, South Africa.²⁰

(15) On December 1, 2011, China youth environment friendly messenger delegation led by Jia Feng, the director of publicity and education center of the Ministry of Environmental Protection, left Beijing for Durban, South Africa to participate in the United Nations Climate Change Conference with the purpose of showing Chinese youth's action in response to climate change to the international community. It is the first time for the Ministry of Environmental Protection to organize young Chinese environmentally friendly messengers to attend the United Nations Conference on Climate Change²¹.

The above content summarized into 11 events was shown in Table 1.

¹⁵http://www.cma.gov.cn/2011xwzx/2011xqxxw/2011xqxyw/201110/t20111027_127014.html

¹⁶Tencent News: <http://news.qq.com/a/20101005/000796.htm>

¹⁷China Arid meteorological network: <http://www.chinaam.com.cn/detail.asp?ID=2047>

¹⁸The global net of energy conservation and environmental protection:
http://www.gesep.com/News/Show_176_270515.html

¹⁹News website of the Communist Party of China: <http://theory.people.com.cn/GB/16350780.html>

²⁰http://news.timedg.com/2011-11/29/content_7465348.htm

²¹Xinhua Net: http://news.xinhuanet.com/environment/2011-12/02/c_122368580.htm

TABLE 1 ABOUT HERE

Model Building and Testing of Hypothesis 1

Multi-event study method refers to the use of the change of market yields generated by a series of related events to reflect market reaction of this series of events. This paper, through the multi-event study method, calculates the excess yields AR of HS 300 Index (HS300) to weigh the impact of a series of carbon policies on China's capital market.

The Calculation of Expected Return

The market model method is mainly used to calculate the expected yield in this paper, and we continue to adopt the method of Zhang (2012), Armstrong, Barth, Jagolinzer, & Riedl (2010), using daily return of other capital market index at the same time on the globe to estimate the daily expected return of HS300. We selected the S&P 500 Index (S&P 500) of the United States that reflects capital markets of North America, the S&P composite price index of Canada (TTOCOMP); UK Financial Times Index (FTSE100) that reflects Europe capital market; European Dow Jones index (DJEURO, except the UK); Nikkei 225 index (NIKKEI225) that reflect Asia's capital market; Hong Kong's Hang Seng Index (HK); Singapore's straits times index (SNGPO) as well as the s&p index of Australia (ASX200) that reflects Australia's capital market to estimate. Considering China as an emerging market country, we also selected the Dow Jones emerging market price index (DJIWEM)²² for a control. Due to differing global time zones, the opening time of the capital market of each nation is different, so the control for reflecting time differences of the events was introduced in part of the daily return rate. The t represents the day when the event happens, $t - 1$ represents the day before the day on which the event occurs. Specific calculation model 1 is as follows, and the parameter β_0 - β_{13} and ε_t are obtained through the calculation of the regression model with the data of last year.

$$\begin{aligned}
 HS300_ERet_t = & \beta_0 + \beta_1 S\&P500_Ret_{t-1} + \beta_2 S\&P500_Ret_t + \beta_3 TTOCOMP_Ret_{t-1} + \\
 & \beta_4 TTOCOMP_Ret_t + \beta_5 FTSE100_Ret_{t-1} + \beta_6 FTSE100_Ret_t + \beta_7 DJEURO_Ret_{t-1} + \\
 & \beta_8 DJEURO_Ret_t + \beta_9 ASX200_Ret_t + \beta_{10} HK_Ret_t + \beta_{11} NIKKEI225_Ret_t + \beta_{12} SNGPO_Ret \\
 & + \beta_{13} DJIWEM_Ret_t + \varepsilon_t
 \end{aligned} \tag{1}$$

In the above formulation:

HS300_ERet is the daily expected return of HS 300 Index

S&P 500 is the daily return of the S&P 500 Index of the United States

TTOCOMP_Ret is the daily return of the S&P Index of Canada

²²Dow Jones emerging market index includes 12 stock markets (South Korea, Taiwan, Malaysia, Indonesia, the Philippines, Thailand, South Africa, Mexico, Brazil, Chile, Colombia, and Venezuela).

FTSE100_Ret is the daily return of UK Financial Times Index
DJEURO_Ret is the daily return of European Dow Jones Index
ASX200_Ret is Australian s&p Index dayyield
HK_Ret is the daily return of Hong Kong's Heng Sheng index
NIKKEI225_Ret is the daily return of Japan's Nikkei 225 index
SNGPO_Ret is the daily return of Singapore Straits Times index
DJIWEM_Ret is the daily return of Dow Jones emerging market price index

On the basis of model 1, we can then calculate the AR according to model 2, and the specific formula is as follows:

$$AR_t = HS300_Ret_t - HS300_ERet_t \quad (2)$$

In this formula:

HS300_Ret_t is the daily return of HS 300 index

HS300_ERet_t is the daily expected return of HS 300 index

The selection of Copenhagen carbon policy events involves related events from 2009 to 2011. Correspondently, the calculation of model 1 and model 2 also involves the data of more than 3 years (2008–2010). The relevant test results are shown in Tables 2 and 3. Table 1 is Pearson correlation coefficient of each market index daily return in the estimated period. We find the HS300 return mainly has significantly positive correlation with the S&P500_{t-1}, FTSE100_{t-1}, FTSE100_t, DJEURST_{t-1}, DJEURO, ASX200, HK, NIKKEI225, SNGPO, and DJIWEM, indicating that it is feasible for us to use these daily index returns to estimate the HS300 return.

TABLES 2 and 3 ABOUT HERE

The Determination of Event Window and the Calculation of the CAR Value

According to the event study method, we first select the following seven events window: (-5, 5), (-3, 3), (-2, 2), (-2, 1), (-1, 1), (-1, 2), (-1, 3). If the event happens to be a holiday, its window period will be prolonged. This paper selected 15 events related to the series of Copenhagen carbon policies. We will carry out t-test for each event in each of the 7 window periods, yielding a total of 105 t-tests.

For example, for event 3 on December 7, 2009, the 15th conference of the contracting parties of the UNFCCC and the fifth conference of the contracting parties of the Kyoto Protocol (Copenhagen World Climate Conference) was held in Danish capital Copenhagen, negotiators from 192 countries participate in a summit conference to discuss the follow-up scheme after the expiration of commitment of the first stage of the Kyoto Protocol, namely, the Global Emissions Reduction Treaty, from 2012 to 2020. We have t-tests of the AR values in the seven events window period of (-5, 5), (-3, 3), (-2, 2), (-2, 1), (-1, 1), (-1, 2), (-1, 3), and the results of the significance in window period is shown in Table 4.

TABLE 4 ABOUT HERE

Based on the method for window period determination of event 3,²³ we selected seven significant events from the 11 selected events, and the event window period and the CAR value can be seen in Table 5.

TABLE 5 ABOUT HERE

From Table 5 we find that five events are significantly positive and two are significantly negative. We take the seven events as a whole to consider the whole reaction of China's capital market to these events. CAR values of the seven events shown are significantly positive under the significant level of 5% ($t = 2.3938$), suggesting that the overall market reaction of China's capital market to Copenhagen carbon policy events is significantly positive.

Analysis of Test Conclusions

Based on the event study method, we find that the Chinese capital market reaction to the Copenhagen Climate Conference carbon policy events was significantly positive, and the possible reasons are as follows:

Firstly, China insists what had been proposed by the Kyoto Protocol in Copenhagen conference: that people worldwide should jointly cooperate with climate change policies and adhere to the principle of common but differentiated responsibilities, and also refuted developed countries' requirements for China to undertake the same responsibility to reduce emissions, which won the support of the investors.

Secondly, China is now at a key stage of rapid development, urbanization, and industrialization. With coal as its main energy structure, it is very difficult to develop the economy and improve people's lives. Thus, China needs to reduce carbon emissions with the support of developed countries according to its own national conditions, which gain support and understanding from investors.

Thirdly, carbon emission reduction targets put forward by the Chinese government and the attitude in response to climate change exert pressure for emissions reduction by the enterprise in its production and operation. With gradual strengthening of enterprise awareness of environmental responsibility, investors are optimistic in the long-term enterprise development and have faith in the support of the government.

At the Copenhagen conference, China remained resolved in being responsible for carbon emissions, and also opposed the insistence of developed countries to demand China take excessive carbon emissions responsibility. China's opposition not only greatly maintains the fundamental interests of the developing countries but also maintains the interests of China's economic development. China's attitude and commitment at the conference maintains the fundamental interests of the vast number Chinese enterprises and retains greater opportunity for the development of domestic enterprises. Therefore, the capital market reaction to the Copenhagen conference carbon policy is generally positive.

²³If an event is significant in more than one window period, we chose the window period of shorter days and the same number of days before and after the window period, which can reduce the impact of other events within the window period; If an event is not significant in any selected window period, then we can conclude that the event has no significant market reaction.

Model Building and Testing in Hypothesis 2

With sample stocks within three consecutive years (2008–2010) in the Shanghai and Shenzhen 300 Index as the research sample, we ultimately obtain 222 samples after deleting the companies with incomplete data. Focusing on the 222 sample companies, we estimated the expected return by the using of model 3 to further calculate the abnormal returns of the sample companies in seven days of significant events.

$$\begin{aligned} Ret_{it} = & \alpha_{0i} + \alpha_{1i} S\&P500_Ret_{t-1} + \alpha_{2i} S\&P500_Ret_t + \alpha_{3i} T\&O\&C\&M\&P_Ret_{t-1} + \alpha_{4i} T\&O\&C\&M\&P_Ret_t + \\ & \alpha_{5i} FTSE100_Ret_{t-1} + \alpha_{6i} FTSE100_Ret_t + \alpha_{7i} DJEURO_Ret_{t-1} + \alpha_{8i} DJEURO_Ret_t + \alpha_{9i} ASX200_Ret_t + \\ & \alpha_{10i} HK_Ret_t + \alpha_{11i} NIKKEI225_Ret_t + \alpha_{12i} SNGPO_Ret + \alpha_{13i} DJIWEM_Ret_t + \varepsilon_{it} \end{aligned} \quad (3)$$

According to the test of hypothesis 1, we obtain seven significant events. We first determine AR of each sample stocks within the window period of seven significant events, and then obtain the accumulated supernormal yields CAR through a sum calculation of AR of each window period.²⁴

According to *A Technical Guide for Publication of Environmental Protection Standards* issued by the Environmental Protection Department in September 2010, we distinguished the division of high-pollution industry and low-pollution industry, and the high-pollution industry could be divided into 14 industry categories, as discusses earlier. In this paper, 222 sample companies could be divided into two categories. Those belonging to any of the 14 categories are classified as high-pollution industry, and the rest are all classified as low-pollution industry.²⁵ Then, according to CAR value of each sample stocks within window period of seven significant events, t-test were used to judge whether there are significant differences between the extent of market reaction of high-pollution industry and that of low-pollution industry.

According to the result of t-tests, we found that high-pollution industry and low-pollution industry, under the significance level of 5% and 1%, respectively, show positive significance, with t values of 1.7419 and 1.7419, respectively. This suggests that the market reactions of high-pollution industry and low-pollution industry to carbon policy events are significantly positive. In addition, we noticed that there is a distance between variance of high-pollution industry and that of low-pollution industry, so we further used the t-test of two samples under the condition of different variance.

Test results showed that under 5% significance level, the average CAR value of low-pollution industry is less than the average CAR value ($t = -1.7201$) of high-pollution industry, which suggests that high-pollution industry is more significantly positive. The reason may be that with more carbon emissions in the process of daily production and operation, the vast high-pollution industry in China will be bound to suffer more, and many enterprises may even face the risk of bankruptcy if high-pollution industry undertakes the target of carbon emissions

²⁴We get seven CAR values for each sample stock; Due to three significant events happening in 2009, two in 2010, and two in 2011, there are three CAR values of 2009, two of 2010, and two of 2011 for each sample stock.

²⁵The classification result is that 91 companies belong to high-pollution industry, with a total of 637 CAR observed value; 131 companies belong to low-pollution industry, with total of 917 CAR observed values.

reduction required by the developed countries. However, China at the Copenhagen conference actively maintained the interests of developing countries, thereby significantly reducing emission reduction pressure for the vast Chinese high-pollution industry, and ensuring their normal and continuous production and business operation. Meanwhile, the carbon emissions of low-pollution industry are much lower than those of the high-pollution industry, and their emission reduction pressure is relatively small. The adverse effect on their production and business operation activities is not too extensive, so the Chinese government's policies and measures to reduce emissions maintain the interests of high-pollution industry to a greater degree, and naturally their market reaction is more significantly positive.

The Test of Robustness

The robustness test mainly has two parts: one is the market reaction of inspection, the other is regression analysis of the cross section

Test of Market Reaction

We appropriately extend the window period of the seven significant events, using the t-test to verify research hypothesis 1 proposed in this paper. The AR values of corresponding event window periods are shown in Table 6

TABLE 6 ABOUT HERE

We can see from the table 6 that when the window periods of the seven significant events have been extended appropriately and the significance of the events remains the same, then t-test of the CAR values of the seven significant events is significantly positive ($t = 2.135$) under 5% significance level, which validates hypothesis 1 in this paper: the series of Copenhagen carbon policies market reaction is significantly positive.

Cross-sectional Regression Analysis

To further analyze the results, we completed a cross-sectional analysis, and the specific test model is shown in model 4:

$$CAR_{it} = \lambda_0 + \lambda_1 SIZE_{it} + \lambda_2 Leverage_{it} + \lambda_3 ROA_{it} + \lambda_4 Stockhold_{it} + \lambda_5 Growth_{it} + \lambda_6 FIN_{it} + \lambda_7 Accruls_{it} + \lambda_8 Industry_{it} + \sum_{k=1}^K \gamma_k Year_{kit} + \varepsilon_{it} \quad (4)$$

We apply 1554 observed CAR values of 222 sample companies in seven significant event window periods as the explained variable,²⁶ industry type as the main explanatory variable, and include financial indicators on behalf of the enterprise debt paying ability, profitability, etc as control variables. Variable selection and definitions are shown in Table 7.

²⁶Correspondent with the CAR, each sample stock has three data for 2009, two data for 2010 and two for 2011.

TABLE 7 ABOUT HERE

Company size (SIZE): This paper takes the natural logarithm of the current market of the common stock by the end of the year to measure the SIZE. We believe that the bigger a company is, the more greenhouse gas emissions it will produce, and the greater the reduction pressure it will have. Therefore, the related policies of emissions reduction have more influence on large enterprise. On the other hand, small companies may shoulder more direct compliance costs, and large companies may suffer from greater litigation costs and indirect costs including political cost, etc., so we predict that the relationship between CAR value and SIZE is uncertain.

Financial leverage (leverage): This paper uses the asset-liability ratio to measure the leverage of enterprises, representing the financial risk of the enterprise. A study carried out by Leftwich (1981) found that with the increase of enterprise debt, creditors require the enterprise to disclose more information about its financing and operating activities; thus, we assume that with the increase of debt, the extent of an enterprise's voluntary information disclosure will increase.

Total return of assets (ROA): In this paper, total ROA is used to measure the profitability of enterprises; Bewley and Li (2000) and many other researchers proved that there is a close relationship between corporate profitability and corporate environmental information disclosure.

Shareholding concentration (stockhold): In this paper, the sum of the top 10 circulation shareholder's is used to measure stockhold of enterprise. The higher the stockhold, the greater the degree the information asymmetry there will be. If investors' expectations of the implementation of the relevant measures of emissions reduction can reduce the information discrepancy, and thus reduce the capital cost of the enterprise, then the carbon policy will bring positive market reaction.

Revenue Growth Rate: In this paper, revenue growth rate is used to measure the growth ability of the enterprise. We believe that enterprises with high growth potential are more likely to adopt new technology and clean energy, so they are under relatively small negative effect of carbon emission reduction policy.

Financing activity (FIN): Frankel, Johnson, & Nelson (2002) argue that enterprises that need to finance through the capital market are more willing to disclose information voluntarily to reduce the enterprise financing cost by reducing the information discrepancy between investors. This paper uses the ratio of the cash flow of FINs of the sample companies gaining from the issuance of stocks or bonds within a year and the enterprise total assets at the end of the year to measure FIN.

Discretionary accruals (Accruls): A study by Lys and Watts (1994) found that contributing to Accruls was the possibility of business litigation and the company's bankruptcy, the possibility of being acquired, enterprise accrued profit function, and whether there is a qualified audit opinion. This article measured by paranormal accrued profit the litigation risk of the enterprise and supernormal accrued profits according to the modified Jones model.

Industry attributes: Industry type is included as a virtual variable in the model. When the sample companies belong to high-pollution industry, the variable value is 1 or the value is 0; the division of high-pollution industry and the low-pollution industry is also based *A Technical Guide for Publication of Environmental Protection Standards*.

Descriptive analysis and correlation analysis of relevant variables are shown in Tables 8 and 9, and the variable multiple co-linearity test is shown in Table 9.

TABLES 8 AND 9 ABOUTHERE

According to Table 7, we find that the average value of CAR is 0.3512, suggesting that investors regard China's attitude and the measures in response to climate change as good news, and believe they can bring benefits to enterprises in the future, which conforms to the above conclusion we get that market reactions of high-pollution industry and low-pollution industry to the series of carbon policy events are positive.

We can see from the Table 9 that CAR of the sample companies has a positive correlation under significance level of 5% with industry type (Industry), and the correlation coefficient is 0.0528, which shows that the greater pollution degree the industry is, the bigger the CAR value will be. Therefore, the single variable test proves hypothesis 2, that the high-pollution industry market reaction on carbon policy events is more significantly positive.

Table 10 shows the conclusion of the multiple regression model analysis, and the test results of VIF show that there is no serious multiple co-linearity in model 4. Our study found the following:

1. After controlling other variables, the CAR and virtual variable industry have significantly positive correlation under the level of 10%, which shows that high-pollution industry market reaction is more significantly positive than low-pollution industry.
2. The CAR value has significantly positive correlation with SIZE under the level of 1%, suggesting that the larger the company is, the more attention it will get from investors, the media, and the analysts. Therefore, we assert that larger enterprises tend to have full information disclosure, and they have sufficient funds to tackle problems caused by climate change, to invest in environmental protection equipment and, thus, to use clean energy. Therefore, the SIZE has a positive correlation with the CAR.
3. The CAR value has a significantly negative correlation with the asset-liability ratio under the level of 10%, indicating that enterprises with higher financial risk and higher financing costs have difficulties in external financing, and these enterprises have limited funds to invest in developing clean energy. Thus, their ability to take measures to tackle climate change and to actively take environmental protection responsibility is limited.

4. The CAR value has a significantly negative correlation with stockhold under the level of 1%. Higher stockhold means a larger degree of information discrepancy between big shareholders and small shareholders, while the small shareholders are used to voting with “feet” to give up the enterprises that they cannot learn more about or of which they cannot obtain reliable information. Therefore, the CAR values of enterprises with a greater degree of information discrepancy are lower.

Conclusions and Suggestions

This paper mainly uses the event study method and finds that in the Chinese capital market, the market reaction caused by the series of Copenhagen carbon policies is significantly positive. Our research shows that the Chinese government’s carbon policies related to Copenhagen and a series of climate summits and meetings actively undertake tasks of emissions reduction and maintain the interests of developing countries at the same time, especially the fundamental interests of Chinese enterprises, and thus gains the support of many investors.

With sample stocks of HS300 as the research sample, this paper further divides the sample stocks into high-pollution industry and low-pollution industry, and by using the t-test under the condition of same variance, we find that high-pollution industry is more significantly positive than low-pollution industry.

Finally, with the CAR of sample stocks screened from HS300 as explained variable, the company scale, asset-liability ratio, growth ability, etc. as control variables, and the industry types as virtual variables in the model, we used multiple regression analysis to determine that after controlling other variables, the CAR value and industry types under the significance level of 1% are positively correlated. This once again proves that market reaction to relative carbon policy events of high-pollution industry is more significantly positive than that of low-pollution industry.

The study finding that the Chinese capital market reaction to the series of carbon policy events of Copenhagen was significantly positive, indicates that a series of Chinese government carbon policies and relative measures for climate warming can influence the capital market investors and creditors. Also, other stakeholders in China have begun to focus on enterprise environmental information disclosure and attach great importance to social responsibility of enterprises. In addition, the results of this paper also show that investors believe that carbon emissions reduction policies implemented by the Chinese government maintain the fundamental interests of China’s vast enterprises, which are beneficial to the sustainable development of the enterprise in the future. Hence, investors generally support the implementation of these policies of emissions reduction.

Further, our study finds that high-pollution industry is more sensitive than low-pollution industry to the policies related to carbon emissions reduction, so its

market reaction is more significant. The Chinese government at the Copenhagen climate summit voiced the opinion that we voluntarily assume the obligations of carbon emissions reduction, and the achievement of carbon reduction target needs to rely on the joint efforts of all social members. In particular, we must guide high-pollution enterprises to improve energy efficiency in the process of production and operation, actively develop new energy, and insist on a sustainable development path toward low carbon, clean, efficient, environmental protection. In addition, it is necessary for the Chinese government to strengthen the laws and regulations related to environmental protection, improve environmental protection awareness of enterprises and the public, require enterprises to embrace the principles of a low carbon economy to promote the transformation of our country's economy from "high emissions, high consumption, high pollution" to "low emission, low consumption, low pollution."

In addition, the relative incidents occurred so closely in time that the choice of event window period partially overlapped, which may influence the abnormal rate of return reflected by market prices. Therefore, in future research, we intend to subdivide the time of day when the events occurred to study the change of market yields several minutes before and after the incident, and thereby more accurately analyzing market reaction caused by related events.

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Table 1. Copenhagen carbon policy events

Event Time	Event Description
May 20, 2009	Issued implementation of the <i>Bali Roadmap - the Chinese Government's Stance on the Copenhagen Climate Change Conference</i> .
December 7, 2009	The COP15 of UNFCCC and COP5 of the Kyoto Protocol was held in Copenhagen.
December 15, 2009	Ministry of Foreign Affairs spokeswoman Jiang Yu said that Premier Wen Jiabao would deliver an important speech at the meeting in Copenhagen.
December 21, 2009	Ministry of Foreign Affairs spokesman refuted the accusation from Britain that China "hijacked" the negotiation process of the Copenhagen Climate Change Conference.
December 30, 2009	International opinion praised China for its active efforts in promoting international cooperation in response to climate change.
March 9, 2010	China sent a letter to the United Nations climate change secretariat department informing of its formal approval of the Copenhagen Treaty.
September 29, 2010	The news office of the state council announced that China would undertake an international conference of negotiations on climate change in Tianjin for the first time.
October 4, 2010	The 12th conference of long-term co-operative action ad hoc working group of UNFCCC was held in Tianjin.
December 10, 2010	The Chinese delegation leader stressed China's stance of resolutely safeguarding <i>the</i> Kyoto Protocol at the Cancun climate conference.
November 22, 2011	China issued the white paper <i>China's Policies and Actions in Response to Climate Change (2011)</i> .
December 1, 2011	Chinese youth delegation of environmental friendly messenger left for Durban, South Africa to participate in the UN conference on climate change.

COP = xxx; UN = United Nations; UNFCCC = United Nations Framework Convention on Climate Change.

Table 2. Correlation analysis of yield rate between HS300 Index and non-HS300 Index

	HS30	S&P5	S&P5	TTOCO	TTOC	FTSE1	FTSE1	DJEUR	DJEU	ASX2		NIKK	SNGP	DJIW
2008	0	00 _{t-1}	00	MP _{t-1}	OMP	00 _{t-1}	00	O _{t-1}	RO	00	HK	EI	O	EM
HS300	1													
S&P500 _t	0.162													
-1	6**	1												
	0.025	-0.144												
S&P500	7	3	1											
TTOCO	0.096	0.6921	-0.320											
MP _{t-1}	7	***	6	1										
TTOCO	0.087	0.1534	0.684											
MP	0	**	6***	-0.1121	1									
FTSE10	0.196	0.5075	-0.138											
O _{t-1}	2***	***	6	0.5577***	0.1096*	1								
FTSE10	0.164	0.4310	0.508		0.5618*									
O	7***	***	2***	0.1459**	**	-0.0812	1							
DJEUR	0.173	0.5572	-0.164			0.9570*	-0.074							
O _{t-1}	3***	***	1	0.5400***	0.0864	**	7	1						
DJEUR	0.181	0.4071	0.560		0.5444*		0.9555							
O	7***	***	9***	0.1024	**	-0.0719	***	-0.0707						
ASX200	0.314	0.5793	0.108		0.2609*	0.4169*	0.4585	0.4235**	0.4614					
	1***	***	8*	0.4534***	**	**	***	*	***	1				
HK	0.519	0.3393	0.298		0.3532*	0.2654*	0.4387	0.2639**	0.4503	0.6803				
	***	***	6***	0.2116***	**	**	***	*	***	***	1			
NIKKEI	0.313	0.6214	0.131		0.3779*	0.4403*	0.4853	0.4693**	0.4784	0.6935	0.6830			
	3***	***	5**	0.3877***	**	**	***	*	***	***	***	1		

	0.344 1***	0.3339 ***	0.260 0***	0.1068***	0.3174* **	0.1985* **	0.5004 ***	0.2242** *	0.5083 ***	0.6827 ***	0.7871 ***	0.6327 ***	1	
DJIWE M	0.326 8***	0.4991 ***	0.399 4***	0.2996***	0.5456* **	0.2232* **	0.6822 ***	0.2253** *	0.6916 ***	0.6527 ***	0.7403 ***	0.7353 ***	0.7436 ***	1
2009	HS30 0	S&P5 00 _{t-1}	S&P5 00	TTOCO MP _{t-1}	TTOC OMP	FTSE1 00 _{t-1}	FTSE1 00	DJEUR O _{t-1}	DJEU RO	ASX2 00	HK	NIKK EI	SNGP O	DJIW EM
HS300	1													
S&P500 _{t-1}	0.150 3**	1												
	0.124	-0.131												
S&P500	1*	3	1											
TTOCO	0.127	0.811*	-0.134											
MP _{t-1}	8**	*	2	1										
TTOCO	0.115	-0.008	0.809											
MP	2*	7	6***	-0.066	1									
FTSE10	0.071	0.6565	-0.006											
O _{t-1}	7	***	4	0.6437***	0.0611	1								
FTSE10	0.134		0.637		0.6308*									
0	4*	0.0836	6***	0.0108	**	-0.0541	1							
DJEUR	0.084	0.7039	-0.000			0.9166*	-0.059							
O _{t-1}	4	***	4	0.6989***	0.0577	**	4	1						
DJEUR	0.144	0.1113	0.691		0.6853*		0.9120							
O	1**	*	9***	0.0479	**	0.0014	***	0.0042	1					
	0.204	0.5313	0.164		0.1690*	0.5316*		0.5545**	0.2163					
ASX200	8***	***	3**	0.5553***	**	**	0.1586	*	***	1				
HK	0.492	0.4274	0.275	0.4066***	0.2969*	0.2970*	0.4025	0.3165**	0.4529	0.6062	1			

	6***	***	9***		**	**	***	*	***	***				
NIKKEI	0.270	0.5764	0.072			0.5384*	0.1884	0.5595**	0.2471	0.6757	0.6193			
	0***	***	1	0.5661***	0.084	**	***	*	***	***	***	1		
SNGPO	0.352	0.3191	0.328		0.3393*	0.1829*	0.4413	0.2022**	0.4928	0.5046	0.7877	0.5455		
	7***	***	5***	0.2753***	**	**	***	*	***	***	***	***	1	
DJIWE	0.394	0.3038	0.538		0.5662*	0.1645*	0.6668	0.2046**	0.7369	0.5240	0.7579	0.5096	0.7400	
M	8***	***	9***	0.2784***	**	*	***	*	***	***	***	***	***	1
	HS30	S&P5	S&P5	TTOCO	TTOC	FTSE1	FTSE	DJEUR	DJEU	ASX2		NIKK	SNGP	DJIWE
2010	0	00 _{t-1}	00	MP _{t-1}	OMP	00 _{t-1}	100	O _{t-1}	RO	00	HK	EI	O	M
HS300	1													
S&P500 _t	0.207													
-1	1***	1												
	0.195	-0.026												
S&P500	9***	0	1											
TTOCO	0.213	0.8029	-0.016											
MP _{t-1}	3***	***	9	1										
TTOCO	0.253		0.801											
MP	2***	0.0458	1***	-0.0054	1									
FTSE10	0.148	0.6760	0.122		0.1633*									
O _{t-1}	1**	***	6*	0.5788***	*	1								
FTSE10	0.301	0.1658	0.679		0.5742*									
0	0***	***	3***	0.1237	**	0.0269	1							
DJEUR	0.131	0.7030	0.080		0.1329*	0.9390*	-0.014							
O _{t-1}	2**	**	0	0.5819***	*	**	1							
DJEUR	0.290	0.1548	0.700		0.5798*		0.936							
O	1***	**	6***	0.1023	**	0.0399	9***	0.0004	1					

ASX200	0.407 2***	0.5733 ***	0.301 0***	0.4863***	0.2821* **	0.3596* **	0.500 9***	0.3665** *	0.4757 ***	1				
HK	0.554 3***	0.4088 ***	0.270 7***	0.3401***	0.3446* **	0.2600* **	0.454 3***	0.2636** *	0.4382 ***	0.6522 ***	1			
NIKKEI	0.316 3***	0.5601 ***	0.229 5***	0.4245***	0.2073* **	0.4021* **	0.331 0***	0.4154** *	0.3388 ***	0.7139 ***	0.5504 ***	1		
SNGPO	0.387 2***	0.3273 ***	0.329 6***	0.2555***	0.3713* **	0.1582* *	0.511 9***	0.1547**	0.5064 ***	0.5929 ***	0.7074 ***	0.5082 ***	1	
DJIWE	0.462 7***	0.3583 ***	0.564 0***	0.3108***	0.5543* **	0.1884* **	0.740 1***	0.1806** *	0.7310 ***	0.7272 ***	0.7497 ***	0.5771 ***	0.7570 ***	1

Notes: Values in the table are from calculations of Pearson correlation coefficient; * Represents the significance under the level of 10%; ** Represents significance under the level of 5%; *** Represents significance under the level of 1%.

Table 3. Multivariate regression analysis from 2008 to 2010

	2008 HS300	2009 HS300	2010 HS300
Constant	-0.0035** (-2.0756)	0.0023** (1.9723)	-0.0007 (-0.7838)
S&P500 _{t-1}	-0.0519 (-0.2839)	0.0764 (0.5876)	-0.2171 (-1.2836)
S&P500	-0.3171 (-2.7036)	0.1380 (1.0589)	-0.1361 (-0.8496)
TTOCOMP _{t-1}	-0.2104* (-1.8016)	-0.0955 (-0.7352)	0.2164 (1.1708)
TTOCOMP	-0.0722 (-0.6148)	-0.0665 (-0.5140)	0.2117 (1.1159)
FTSE100 _{t-1}	0.4739* (1.7943)	0.0188 (0.0935)	0.1847 (0.7938)
FTSE100	-0.0313 (-0.1187)	-0.0076 (-0.0386)	-0.0059 (-0.0253)
DJEURO _{t-1}	-0.2409 (-0.8904)	-0.0767 (-0.3909)	-0.1345 (-0.7012)
DJEURO	0.2947 (1.0991)	-0.4286** (-2.1130)	0.0292 (0.1565)
ASX200	-0.0846 (-0.6293)	-0.3190 (-2.3333)	0.1496 (0.9303)
NYSE	0.6995 (7.0865)	0.5681** (5.1564)	0.6811*** (5.2359)
NIKKEI	-0.1119 (-1.0413)	0.0677 (0.6234)	0.0023 (0.0220)
SNORO	-0.2287 (-1.5587)	-0.1789 (-1.4541)	-0.1408 (-0.8343)
SHANGHAI	0.0509 (0.3265)	0.4945*** (3.0277)	0.1197 (0.5938)
N	246	244	242
R ²	0.3303	0.3049	0.3271
adj.R ²	0.2928	0.2656	0.2887

Notes: The t statistics are shown in brackets; *, ** and *** Represent significant level of 10%, 5% and 1%, respectively.

Table 4. Selection of the event window

Event Window	Date	AR	t Value	Pr(T > t)
(-5,5)	2009-11-30	0.0403	3.4892***	0.0029
	2009-12-1	0.0157		
	2009-12-2	0.0140		
	2009-12-3	0.0064		
	2009-12-4	0.0244		
	2009-12-7	0.0169		
	2009-12-8	-0.0005		
	2009-12-9	0.0010		
	2009-12-10	0.0103		
	2009-12-11	-0.0022		
	2009-12-14	0.0166		
(-3,3)	2009-12-2	0.0140	3.0738**	0.0109
	2009-12-3	0.0064		
	2009-12-4	0.0244		
	2009-12-7	0.0169		
	2009-12-8	-0.0005		
	2009-12-9	0.0010		
	2009-12-10	0.0103		
(-2,2)	2009-12-3	0.0064	2.1358*	0.0612
	2009-12-4	0.0244		
	2009-12-7	0.0169		
	2009-12-8	-0.0005		
(-2,2)	2009-12-3	0.0064	2.0072*	0.0576
	2009-12-4	0.0244		
	2009-12-7	0.0169		

	2009-12-8	-0.0005		
	2009-12-9	0.0010		
	2009-12-4	0.0244		
(-1,1)	2009-12-7	0.0169	1.8378	0.1037
	2009-12-8	-0.0005		
	2009-12-4	0.0244		
(-1,2)	2009-12-7	0.0169	1.7073*	0.0931
	2009-12-8	-0.0005		
	2009-12-9	0.0010		
	2009-12-4	0.0244		
	2009-12-7	0.0169		
(-1,3)	2009-12-8	-0.0005	2.1984**	0.0464
	2009-12-9	0.0010		
	2009-12-10	0.0103		

Notes: * Represents significance under the level of 10%; ** Represents significance under the level of 5%; *** Represents significance under the level of 1%; AR = xxxx

Table 5. Average abnormal return of significant events

Event	Time/ Window Period	Event Description	Event Window	AR	t Value	One-tailed Probability	CAR
1	2009.12.7 /(-1,2)	Copenhagen Climate Change Conference was held in Danish capital.	2009-12-4	0.0244	1.7073*	0.0931	0.0417
			2009-12-7	0.0169			
			2009-12-8	-0.0005			
			2009-12-9	0.0010			
2	2009.12.14 /(-1,2)	On December 14, 2009, China held a media briefing; On December 15, 2009, Jiang Yu said that Premier Wen Jiabao would deliver an important speech at the conference.	2009-12-11	-0.0022	2.0317*	0.0676	0.0328
			2009-12-14	0.0166			
			2009-12-15	0.0064			
			2009-12-16	0.0120			
3	2009.12.30 /(-2,1)	International opinion praised China for its active efforts and achievements in promoting international cooperation in response to climate change.	2009-12-28	0.0225	2.4421*	0.0462	0.0554
			2009-12-29	0.0163			
			2009-12-30	0.0194			
			2009-12-31	-0.0027			
4	2010.3.9 /(-1,3)	China sent a letter to the United Nations climate change secretariat department, informing of its formal approval of the Copenhagen Treaty.	2010-3-8	-0.0042	-1.6389*	0.0883	-0.0290
			2010-3-9	0.0046			
			2010-3-10	-0.0096			
			2010-3-11	-0.0031			
5	2010.10.4~9	The 12th Conference of Long-term Co-operative	2010-3-12	-0.0166	3.0675*	0.0459	0.0796
			2010-9-30	0.0119			

	/(-1,1)	Action Ad Hoc Working Group of the UNFCCC and the 14th conference of parties of the Kvoto Protocol attachments was held in Tianjin.	2010-10-8	0.0333	*		
			2010-10-11	0.0156			
6	2011.11.22 /(-1,1)	China issued the white paper <i>China's Policies and Actions in Response to Climate Change (2011)</i> .	2011-11-21	0.0188			
			2011-11-22	0.0022	2.2114*	0.0788	0.0317
			2011-11-23	0.0107			
7	2011.12.1 /(-1,1)	The ministry of environmental protection first organizes young Chinese environmental friendly messengers to attend the Durban conference on climate change.	2011-11-30	-0.0382			
			2011-12-1	-0.0134	-2.1752	0.0808	-0.060
			2011-12-2	-0.0085	*		0
		H ₀ : mean (CAR) = 0			2.3938*	0.031	

Notes: * Represents the significance under the level of 10%; ** Represents the significance under the level of 5%; *** Represents the significance under the level of 1%; The relatively shortest window period of the seven events are listed in this table, and the seven events are basically significant in the window periods of (-5, 5), (-3, 3), (-2, 2), (-2, 1), (-1, 1), (-1, 2), (-1, 3); AR = xxxxx; CAR = cumulative abnormal return; H₀ = xxx; UNFCCC = United Nations Framework Convention on Climate Change.

Table 6. Average abnormal return of significant events

Event	Time/ Window Period	Event Description	Event Window	AR	t Value	One-tailed Probability	CAR
1	2009.12.7 /(-3,3)	Copenhagen Climate Change Conference was held in Danish capital.	2009-12-2	0.0140	2.6004**	0.0241	0.0621
			2009-12-3	0.0064			
			2009-12-4	0.0244			
			2009-12-7	0.0169			
			2009-12-8	-0.0005			
			2009-12-9	0.0010			
2	2009.12.14 /(-2,3)	On December 14, 2009, China held a media briefing/ On December 15, 2009, Jiang Yu said that Premier Wen Jiabao would deliver an important speech at the conference.	2009-12-10	0.0103	1.4996*	0.0970	0.0346
			2009-12-11	-0.0022			
			2009-12-14	0.0166			
			2009-12-15	0.0064			
			2009-12-16	0.0120			
			2009-12-17	-0.0085			
3	2009.12.30	International opinion	2009-12-25	0.0050	2.5492**	0.0317	0.0604

	/(-3,1)	praised China for its active efforts and achievements in promoting international cooperation in response to climate change.	2009-12-28 2009-12-29 2009-12-30 2009-12-31	0.0225 0.0163 0.0194 -0.0027			
4	2010.3.9 /(-3,3)	China sent a letter to the UN climate change secretariat of department informing of its formal approval of the Copenhagen Treaty.	2010-3-4 2010-3-5 2010-3-8 2010-3-9 2010-3-10 2010-3-11 2010-3-12	-0.0151 -0.0037 -0.0042 0.0046 -0.0096 -0.0031 -0.0166	-2.4208**	0.0259	-0.0477
5	2010.10.4~9 /(-1,3)	The 12th conference of long-term co-operative action ad hoc working group of the UNFCCC and the 14th conference of parties the Kyoto Protocol attachments was held in Tianjin.	2010-9-30 2010-10-8 2010-10-11 2010-10-12 2010-10-13	0.0119 0.0333 0.0156 0.0081 0.0102	3.4829**	0.0126	0.0790
6	2011.11.22 /(-3,3)	China issued the white paper <i>China's Policies and Actions in Response to Climate Change (2011)</i> .	2011-11-17 2011-11-18 2011-11-21 2011-11-22 2011-11-23	0.0053 -0.0080 0.0188 0.0022 0.0107	2.0619**	0.0424	0.0479

			2011-11-24	0.0046			
			2011-11-25	0.0142			
		The ministry of environmental protection	2011-11-29	-0.0006			
		first organizes young Chinese environmental friendly messengers to attend the Durban conference on climate change.	2011-11-30	-0.0382			
			2011-12-1	-0.0134			
7	2011.12.1 /(-2,2)		2011-12-2	-0.0085	-2.6066**	0.0298	-0.0905
			2011-12-5	-0.0299			
		H ₀ :mean(CAR)=0			2.135**	0.0429	

Notes: * Represents the significance under the level of 10%; ** Represents the significance under the level of 5%; *** Represents the significance under the level of 1%; AR = xxxxx; CAR = cumulative abnormal return; H₀ = xxx; UN = United Nations; UNFCCC = United Nations Framework Convention on Climate Change.

Table 7. Selection of research variables

Variable Type	Variable Symbol	Variable Name
Explained Variable	CAR	Cumulative abnormal return
Explanatory Variable	Industry	Industry attributes
Control Variable	SIZE	Company size
	Leverage	Financial leverage
	ROA	Return of assets
	Stockhold	Shareholding concentration
	Growth	Revenue growth rate
	FIN	Financing activity
	Accruals	Discretionary accruals
Year	Annual control variable	

Table 8. Descriptive statistics of each variable

Variable*	Observed Value	Mean Number	Median	SD	Min Value	Max Value	Confidence Coefficient
CAR	1554	0.3512	0.0235	7.8205	-0.2493	209.8653	0.3893
SIZE	1554	16.8192	16.6440	1.0334	14.9292	21.3179	0.0514
Leverage	1554	0.5812	0.5832	0.1878	0.0886	0.9659	0.0093
ROA	1554	0.0567	0.0456	0.0533	-0.1367	0.4770	0.0027
Stockhold	1554	42.5813	42.1739	24.8041	1.3384	97.8978	1.2346
d Growth	1554	0.2371	0.1746	0.5644	-0.5760	8.2021	0.0281
FIN	1554	0.0307	0.0133	0.0819	-0.2186	0.3159	0.0041
Accruals	1554	0.0057	0.0119	0.1090	-0.6212	0.4619	0.0054
Industry	1554	0.4057	0	0.4912	0	1	0.0244

* Variable symbols are defined in Table 7.

Table 9. Correlation coefficient of each variable

Variable	CAR	SIZE	Leverage	ROA	Stockhold	Growth	FIN	Accruals	Industry
† Name CAR	1.0000								
SIZE	0.0491*	1.0000							
Leverage	-0.0486*	0.2304*	1.0000						
ROA	0.0499	0.1449*	-0.4815***	1.0000					
Stockhold	-0.0435*	0.5087**	0.0538*	0.0388	1.0000				
Growth	-0.0086	0.0395	0.0743*	0.1948*	-0.0291	1.0000			
FIN	-0.0369	-0.1184***	0.1467*	-0.2124***	-0.0599**	-0.0067	1.0000*		
Accruals	-0.0267	-0.0940***	-0.0708***	0.0804*	0.0915***	-0.0169	0.2479**	1.0000	
Industry	0.0528*	-0.0200	-0.1029***	0.0669*	-0.0098	-0.0159	-0.00204	0.003	1.0000

Note: Values in this table are from calculations of Pearson correlation coefficient; † Variable symbols are defined in Table 7; * Represents under significance level of 10%; ** Represents under significance level of 5%; *** Represents under significance level of 1%.

Table 10. Cross-sectional analysis of China's capital market reaction

CAR†	Estimated Coefficient	t Value	P Value	VIF
SIZE	0.8252***	3.3800	0.0010	1.63
Leverage	-2.4100*	-1.8200	0.0680	1.61
ROA	0.8708	0.1900	0.8530	1.58
Stockhold	-0.0304***	-3.2100	0.0010	1.41
Growth	-0.1669	-0.4600	0.6470	1.15
FIN	-1.7203	-0.6700	0.5050	1.13
Accruals	-0.5840	-0.3000	0.7620	1.09
Industry	0.7552*	1.8700	0.0620	1.01
Constant	-11.0946***	-3.0200	0.0030	
Number	1554			
R ²	0.0161			
adj-R ²	0.011			

Notes: † CAR represents explained variables; * Represents under significance level of 10%; ** Represents under significance level of 5%; *** Represents under significance level of 1%. VIF =

Brand Experience, Perceived Value and Brand Loyalty

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Abstract

This study explores five key brand experience elements of retailer brands — advertisement, sales promotion, product, service and price -and their impact on perceived value, brand preference and brand loyalty. We employed survey interviews to collect data from a sample of 479 respondents in Hong Kong’s cosmetics retail service market. The findings show a) both advertisement and sales promotion have positive influences on perceived value and brand preference, b) both service and product experience and price contribute positively to perceived value of the retailer brand, and c) perceived value and brand preference have positive effect on brand loyalty. In addition, the effect of advertisements on brand preference can be mediated by the consumer’ self concept Finally, managerial and research implications are discussed.

Fig. 1 Conceptual model.

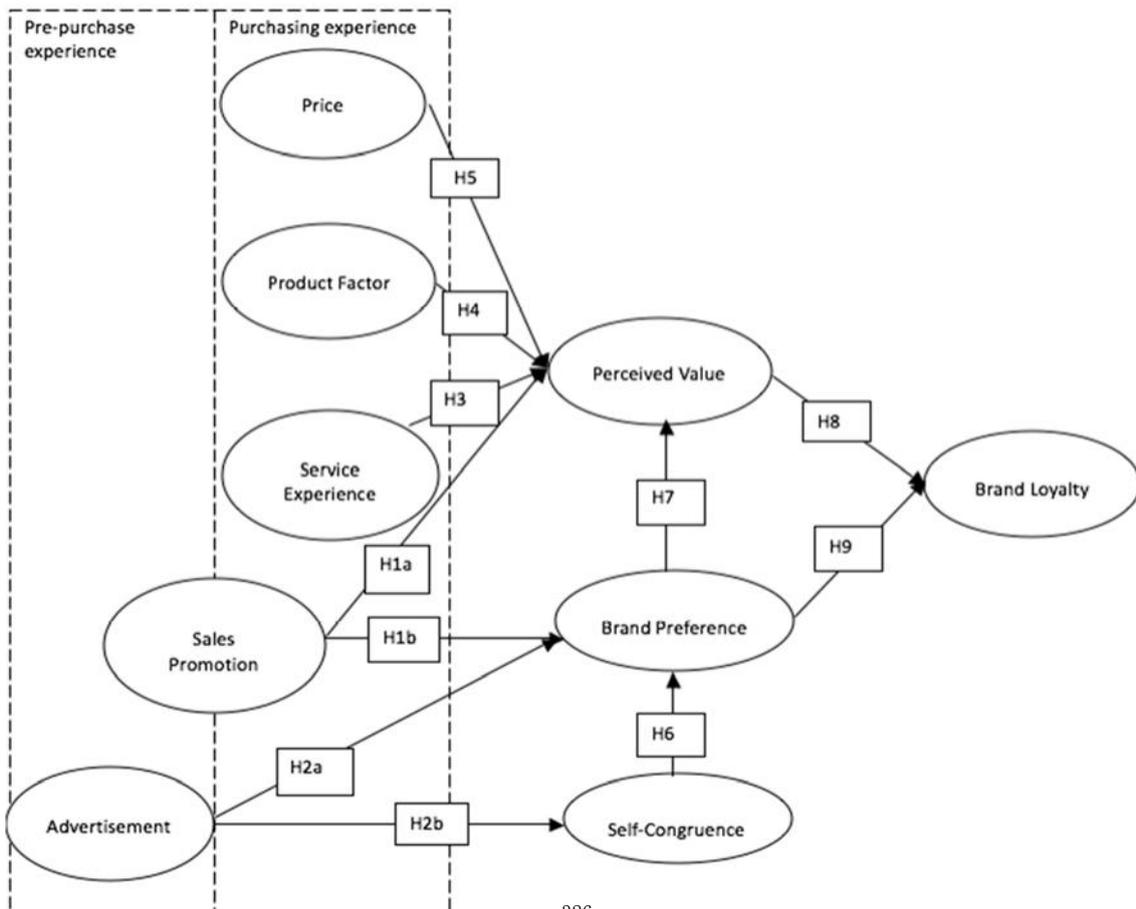


Table1. Structural model results.

	Hypotheses		Standardized β (t)	P
H1a	Sales promotion	→ Perceived value	0.211	***
H1b	Sales promotion	→ Brand preference	0.206	***
H2a	Advertisement	→ Brand preference	0.461	***
H2b	Advertisement	→ Self-congruence	0.255	***
H3	Service experience	→ Perceived value	0.181	***
H4	Product factor	→ Perceived value	0.248	***
H5	Price	→ Perceived value	0.167	***
H6	Self-congruence	→ Brand preference	0.248	***
H7	Brand preference	→ Perceived value	0.305	***
H8	Perceived value	→ Brand loyalty	0.388	***
H9	Brand preference	→ Brand loyalty	0.410	***
Fit indices				
$\chi^2/df=3$; RMSEA=0.066; CFI=0.903; IFI=0.904; NFI= 0.865				

Note: *P <0.05**P<0.01***P<0.001

加快中小企业自主品牌成长的政策工具研究 ——基于品牌竞争力的 PLS-SEM 实证分析

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摘要: 我国中小企业通过贴牌生产等方式嵌入全球价值链的制造环节, 虽提升了产品制造能力, 但却因自主创新能力的缺失陷入“俘获式”成长困境, 亟需政府的政策扶持。鉴于此, 本文运用品牌竞争力理论, 探寻了中小企业自主品牌成长的驱动力; 并运用政策工具理论, 分析了政府政策工具对中小企业自主品牌成长的作用机制, 即供给政策的品牌竞争力推动机制, 环境政策的品牌竞争力塑造机制, 以及需求政策的品牌竞争力拉动机制。基于此, 运用基于 PLS 的 SEM 模型进行了实证分析; 并针对我国中小企业自主品牌成长的困境, 从供给推动、环境支撑及需求拉动等方面提出了政策建议, 旨在提升我国中小企业自主品牌成长的核心驱动力, 加快我国中小企业自主品牌的成长。

关键词: 中小企业; 自主品牌; 政策工具; 品牌竞争力

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一、问题的提出

中小企业在社会发展中扮演越来越重要的角色，成为推动社会经济增长的重要力量。据统计，美国 53%、德国 78%、韩国 87%的就业岗位来自于中小企业。截至 2012 年，我国中小企业占工商注册企业总数的 90%，提供了 80%的就业岗位；贡献了 65%的发明专利，80%的新产品，50%的税收，68%的外贸出口额以及 60%的 GDP。然而，中小企业的“制造模式”虽为我国创造了多项世界第一，却使其陷入 ODM、OEM 等价值链的低端环节。缘在，中小企业创新资源匮乏、纯技术效率不佳（白俊红等，2010）^[1]，加之融资渠道有限和大企业的阻击压制，致使多数中小企业局限于价值链低端的贴牌模式（王海燕、周元，2007）^[2]。尤其近几年，伴随劳动力等生产要素价格的上涨，嵌入全球制造环节的诸多中小企业虽实现了产品升级，却难以实现向价值链高端的攀升。

鉴于此，为增强市场竞争力，中小企业应加强自主知识产权的创造与运用（郑晓曦，2012）^[3]，强化自主品牌建设。然而与大企业不同，中小企业内生创新能力薄弱，加之品牌成长过程中可运用的内部资源匮乏以及能享受的优惠政策等外部有利环境有限，因此中小企业自主品牌的成长面临双重弱势（Anita Elberse，2008）^[4]，呈现品牌成长乏力的现象（黄永春等，2013）^[5]。鉴于此，政府应积极发挥宏观调控的扶持作用，针对中小企业自主品牌成长中面临的困境给予政策扶持。因此，本文首先运用品牌竞争力理论探寻了中小企业自主品牌成长的驱动力，并运用政策工具理论研究了政府政策对中小企业自主品牌成长的作用机制，进而深入探讨了政府应如何更有效地扶持中小企业自主品牌的成长。

二、中小企业自主品牌成长的驱动力探寻

品牌竞争力（Aaker, 2002）^[6]指品牌拥有的相对于竞争对手保持竞争优势的能力，是解释品牌成长作用力的经典理论，包括外显性和潜力性竞争力（沈占波，2005）^[7-8]。因此，本文将以品牌竞争力理论为基础，探寻中小企业自主品牌成长的驱动力。

2.1 驱动中小企业自主品牌成长的外显性竞争力 外显性竞争力是品牌竞争的市场表现，其能为中小企业自主品牌的成长集聚

市场资源，从而加快自主品牌的成长，主要包括知名度、美誉度和忠诚度（黄永春，2009；Aaker，1991）^[9-10]。其中，知名度指衡量品牌被消费者所知晓的程度，将影响消费者的购买决策行为。例如，英特尔在其发展之初非常注重运用广告战略提高品牌的知名度。美誉度是衡量中小企业自主品牌赢得消费者喜爱、赞誉的程度，反映了消费者对产品品质的认可度，能提升中小企业品牌的市场竞争优势。例如，义乌小商品市场的产品物美价廉，赢得了较高的市场占有率。再次，忠诚度是衡量消费者对中小企业品牌偏爱和依赖的程度，反映了消费者对品牌的黏性，能帮助企业赢得忠诚的消费者群体。例如，索尼坚持产品的卓越设计和优质品质，赢得了极高的品牌忠诚度，从而傲居市场前列。

2.2 驱动中小企业自主品牌成长的潜力性竞争力

驱动中小企业自主品牌成长的外在动力来自于外显性竞争力，而其核心驱动力则来自于潜力性竞争力，即研发创新、生产制造和市场营销等价值创造能力。前人初步探究了潜力性竞争力的构成，但较零散且缺乏框架体系。例如，以质量支撑力、资源保障力、创新力、市场营销力等要素为主的潜力性竞争力（沈占波，2005）^[7-8]，以及以创新能力、管理与控制、学习能力、品牌文化等要素为支撑的潜力性竞争力（高松，2006）^[11]。由于新产品是品牌赖以生存的载体，而新产品的推出需要借助企业研发创新将企业内外部资源转化为新技术成果，并借助生产制造进行规模化生产，还需凭借市场营销实现产品的市场化。因此，本文结合价值链理论，将驱动中小企业自主品牌成长的潜力性竞争力分为研发创新能力、生产制造能力以及市场营销能力等。

由上分析可知，驱动中小企业自主品牌成长的核心动力源于潜力性竞争力。由于中小企业自主品牌的成长不仅面临外部环境不利的困境（黄永春等，2013）^[5]，而且存在内生创新能力相对薄弱的实情，因此仅凭中小企业的内生努力难以突破品牌成长的困境，亟需政府的政策扶持。

三、理论分析、研究假设与概念模型

借助政策工具理论，探究政府的政策工具对中小企业自主品牌成长的作用机制，进而提出研究假设和概念模型。

3.1 政策工具促进中小企业自主品牌潜力性竞争力的提升 政策工具反映了决策者的公共政策价值和理念（黄萃等，2011）^[12]，主要包括**供给政策、环境政策及需求政策**（Rothwell, Zegveld, 1985）^[13]，其能提升中小企业自主品牌成长的潜力性竞争力，从而增强中小企业自主品牌成长的外显性竞争力，进而加快中小企业自主品牌的成长。

3.1.1 供给政策对潜力性竞争力的推动机制 供给政策指政府给予中小企业人才、资金、技术等创新要素支持，能弥补中小企业创新资源的短缺，从而推动中小企业研发、生产和营销等价值创造能力的提升。供给政策主要体现在研发资助、融资扶持、税收优惠以及公共服务（赵筱媛，苏竣，2007）^[14]等方面。其中，**研发资助**对中小企业研发创新有显著的“互补效应”（秦雪征，2012）^[15]，不仅能提供研发资金支持，降低研发投入的风险和成本（刘德胜、张玉明，2010）^[16]，而且有助于激发企业增加研发投入（唐清泉等，2008）^[17]，从而增强中小企业的研发创新能力。**融资扶持**指以政府引导、银行支持、机构担保及信用评级等方式为中小企业营造良好的融资环境（郭娜，2013）^[18]，弥补中小企业资金不足的缺陷，加快中小企业自主品牌的成长。例如，美国创设纳斯达克市场，专为小型科技企业提供融资渠道。**税收优惠**能减轻中小企业的税收负担（毕克新、郭文刚，2005）^[19]，使中小企业能有更多资金投入于研发、制造与营销等价值创造环节，进而加快自主品牌的成长。例如，香港约22万家中小企业免交税费，占中小企业总数的70%以上。另外，政府的公共服务能有效降低中小企业的信息获取成本（吴英杰，2005）^[20]，减轻中小企业的负担。

同时，公共服务能合理规划社会资源，为中小企业的生产经营提供外部协助，使市场服务向中小企业倾斜。例如，日本再生支援协会对经营困难的中小企业提

供律师、注册会计师以及中小企业诊断师服务，并协调银行、债权人提供援助。由此可知，供给政策能提升中小企业的价值创造能力，提升中小企业自主品牌的潜力性竞争力。因此，本文提出如下假设：

- H1-1：供给政策对中小企业研发创新能力有显著影响
- H1-2：供给政策对中小企业生产制造能力有显著影响
- H1-3：供给政策对中小企业市场营销能力有显著影响

3.1.2 环境政策对潜力性竞争力的塑造机制 环境政策更多地表现为政府通过质量标准、环境塑造、法规管制等（黄萃等，2011）^[12]为中小企业自主品牌营造有利的成长环境，促使其价值创造能力的提升。其中，**质量标准**主要指政府根据国际通用的质量管理标准，推动中小企业进行质量体系认证（杜运周等，2008）^[21]，助推中小企业生产流程的标准化，能改善中小企业的生产工艺。例如，义乌为扶持中小企业成长，提升产品质量，积极推进中小企业质量体系认证，提高了该市中小企业品牌的美誉度。其次，**环境塑造**指政府通过优化创新环境、竞争环境，建立服务平台等措施，为中小企业营造良好 的发展环境。例如，美国为中小企业的成长营造了宽松的市场准入、完善的金融服务、强大的人才支撑等有利环境，造就了一大批诸如思科、微软等知名企业。再次，**法规管制**指政府通过制定一系列法规政策对中小企业市场经营活动进行规范、调控及约束，这将增强中小企业的成长能力，提升中小企业的品牌形象。例如，我国《中小企业促进法》被誉为中小企业的“宪法”，从资金支持、技术创新、市场开拓及社会服务等对中小企业加以扶持，从而加快了中小企业的成长。由此可见，环境政策能有效提升中小企业运营能力，促进中小自主品牌潜力性竞争力的生成。因此，本文提出如下假设：

- H2-1：环境政策对中小企业研发创新能力有显著影响
- H2-2：环境政策对中小企业生产制造能力有显著影响
- H2-3：环境政策对中小企业市场营销能力有显著影响

3.1.3 需求政策对潜力性竞争力的拉动机制 需求政策对中小企业自主品牌的成长具有拉动作用，即政府通过政府采购与市场管制等措施能降低中小企业市场竞争的成本和不确定性（张韵君，2012）^[22]，增强中小企业的成长能力，主要包括政府采购、宣传推广、出口贸易扶持等方面。其中，**政府采购**指政府优先采购具有自主知识产权的中小企业产品（胡朝阳，2010）^[23]，不仅能弥补中小企业市场营销能力不足的缺陷，而且可以激发中小企业增加研发创新投入。例如，江苏省规定，同等条件下，政府优先采购中小企业专利新产品，并且省科技成果转化和创新专项资金也将优先支持中小企业项目。**宣传推广**即政府对具有市场前景的中小企业品牌进行宣传推广，提升中小企业品牌的知名度，降低中小企业新产品市场化的成本和风险。**出口贸易扶持**指政府对中小企业产品的出口给予通关程序的简化以及出口退税，并且帮助中小企业开拓国外市场，以弥补中小企业营销网络缺陷的窘境。例如，日本建立了小企业情报网络和数据库，向中小企业免费提供国内外有关的市场信息、技术信息及调查资料等。可见，需求政策能有效提升中小企业的市场竞争力，从而拉动中小企业自主品牌 潜力性竞争力的生成。因此，本文提出如下假设：

- H3-1: 需求政策对中小企业研发创新能力有显著影响
- H3-2: 需求政策对中小企业生产制造能力有显著影响
- H3-3: 需求政策对中小企业市场营销能力有显著影响

3.2 潜力性竞争力促进中小企业自主品牌外显性竞争力的生成 政府政策工具的实施将增强中小企业自主品牌潜力性竞争力，这将提升中小企业自主品牌的外显性竞争力，从而加快中小企业自主品牌的成长。

(1) 研发创新能力。研发创新能力能提升新产品的科技含量，增强消费者的高科技感知价值，激发消费者的购买欲望，从而驱动品牌知名度、美誉度和忠诚度的生成。通常，中小企业增加研发投入，能增强新产品的知识产权含量，孵化出高科技的产品，从而提高中小企业的产品品质。高品质的产品能激发消费者的购买欲望，从而诱发消费者购买中小企业产品（黄永春等，2012）^[24]。消费者购买中小企业的产品后，便会对产品的科技含量及功能进行感知评价，这有利于提升中小企业品牌的美誉度。高科技的产品将提高消费者的满意度，这将诱发消费者的重复性购买，并对优质产品进行口碑传播，从而提升中小企业品牌的忠诚度。例如，上海慧浦神望专注于自主核心技术的开发，其高科技的数控系统增加了消费者的感知体验，提升了品牌忠诚度。鉴于此，本文提出如下假设：

- H4-1: 研发创新能力对知名度有显著影响
- H4-2: 研发创新能力对美誉度有显著影响
- H4-3: 研发创新能力对忠诚度有显著影响

(2) 生产制造能力。生产制造能力能将企业新兴科技成果转化为高科技产品，提高产品的品质与性能，强化消费者的感知认同，从而驱动品牌知名度、美誉度和忠诚度的生成。生产制造能力主要包括成本控制能力、质量控制能力及柔性制造能力。其中，成本控制能力能够降低中小企业的产品制造成本。例如，金威龙从原先的生产环节的成本控制转向投产前、供应过程、生产过程、销售过程以及产后等全流程的成本控制，降低了企业制造成本。其次，质量控制能力能提高产品的品质，提高顾客的感知价值，从而提升品牌的美誉度及忠诚度。例如，海尔的“砸冰箱”事件深入人心，树立了质量至上的观念，提高了消费者对海尔品牌的认同。再次，柔性制造能力能提高企业制造的灵活性，使得企业能动态地满足顾客的需求，从而提高顾客的忠诚度。例如，优衣库立足于订单生产的零库存运营模式，提高了企业应对市场环境的灵活性，提高了市场占有率。由此可知，生产制造能力能促使中小企业自主品牌知名度、美誉度及忠诚度的提升。因此，本文提出如下假设：

- H5-1: 生产制造能力对知名度有显著影响
- H5-2: 生产制造能力对美誉度有显著影响
- H5-3: 生产制造能力对忠诚度有显著影响

(3) 市场营销能力。市场营销能力能加快中小企业产品的市场化，增强产品售前、售中及售后的服务附加值，满足顾客的情感利益需求，从而提升中小企

业自主品牌的知名度、美誉度及忠诚度。市场营销能力主要包括市场研究能力、产品推广能力以及售后服务能力。其中，市场研究能力能促使企业及时把握市场动态，了解顾客消费习性，从而开发出符合市场需要的新产品。例如，宝洁通过市场需求的挖掘分析，推出适应各类发质的洗发水，提升了品牌的形象。其次，产品推广能力能加快中小企业产品的市场化，抢占市场份额。例如，小米的微博营销方式强化了企业与消费者的互动，提升了品牌知名度与忠诚感。再次，售后服务能力能解决顾客的售后问题，并将消费者的诉求反馈于企业，从而提高品牌的美誉度及忠诚度。例如，东方爱婴对婴儿进行长期的跟踪服务，获得较好的口碑，吸引了大量的顾客。鉴于此，本文提出如下假设：

- H6-1：市场营销能力对知名度有显著影响
- H6-2：市场营销能力对美誉度有显著影响
- H6-3：市场营销能力对忠诚度有显著影响

3.3 理论模型的建立

由上分析可知，政府的供给政策、环境政策及需求政策等政策工具，可提升

中小企业研发创新、生产制造和市场营销等中小企业品牌成长的潜力性竞争力，提高中小企业自主品牌的科技竞争优势、产品差异优势和市场竞争优势，这将增强消费者对中小企业品牌的感知评价，从而提升中小企业品牌的知名度、美誉度和忠诚度等外显性竞争力。鉴于此，本文基于政策工具和品牌竞争力理论，并结合顾客心智视角（Keller&Lehmann, 2001）^[25]，构建了“政策工具——潜力性竞争力提升——顾客感知价值——外显性竞争力显现”的概念模型，如图 1 所示。

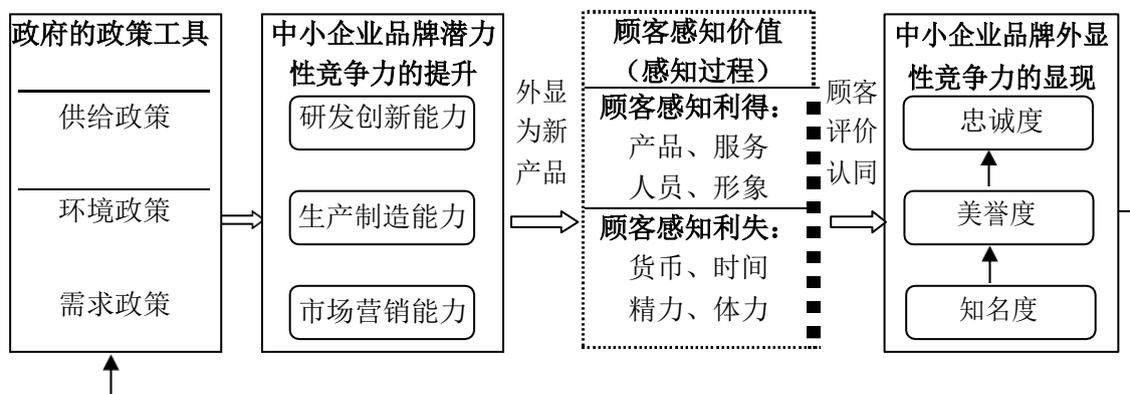


图 1 政策工具对中小企业自主品牌成长作用的概念模型

四、实证研究与结果讨论

4.1 研究方法、问卷设计、数据收集、模型选择与验证过程

(1) **研究方法**。目前，构建结构方程模型主要有两种估计方法：一种是基于极大似然估计的协方差结构分析方法（以 LISREL 为代表）；另一种则是基于 PLS（偏最小二乘法）的方差分析方法。通常，当样本量较小、数据不符合正态分布，以及研究目的是预测因变量时，PLS 是最可行的分析方法。本研究采用 PLS 的原因是：1) 面向消费者调查而获得的数据往往不能满足正态分布要求，且样本量达不到最大似然估计要求。例如，中小企业自主品牌知名度、美誉度、忠诚度的

变量分布常为偏态或双峰及三峰状态分布；2) 实践调查中，可获得的有效样本数量小。因此，PLS 较 LISREL 更符合本文的研究需要。

(2) **问卷设计与数据搜集。** 调查问卷的内容主要包括政策工具、中小企业自主品牌潜力性竞争力以及中小企业自主品牌外显性竞争力三部分，并用 Likert 5 级量表测量。为保证问卷的有效性以及量表的信度与效度，本研究主要采用 Keller(1993)、Acker (2006)、王永贵 (2005)、陈劲 (2005)、黄永春 (2012) 等国内外研究已使用过的量表，再根据研究目的对量表进行预调查和修正。预调查共发放 180 份问卷，回收有效 146 份。随后进行量表修正，形成最终的调查量表，主要包括政策工具量表、中小企业自主品牌潜力性竞争力量表以及中小企业自主品牌外显性竞争力量表等，如表 1、表 2 所示。

正式调研采取分层抽样的方法向中小企业发放问卷，以了解政府政策工具对中小企业的扶持效果，并把握中小企业自主品牌的外显性和潜力性竞争力状况。问卷发放采取如下方式：其一，通过专访、实地调研、社会关系网络向具有一定知名度的中小企业发放问卷；其二，向在中小企业工作的 MBA 学员发放问卷。正式调研共发放问卷 500 份，回收有效问卷 367 份（回收率为 73.4%）。

(3) **模型选择** 基于上述理论分析，本文构建了政策工具对中小企业自主品牌成长的结构方程模型，以分析供给政策、环境政策以及需求政策对中小企业自主品牌成长的作用机制，如图 2 所示。

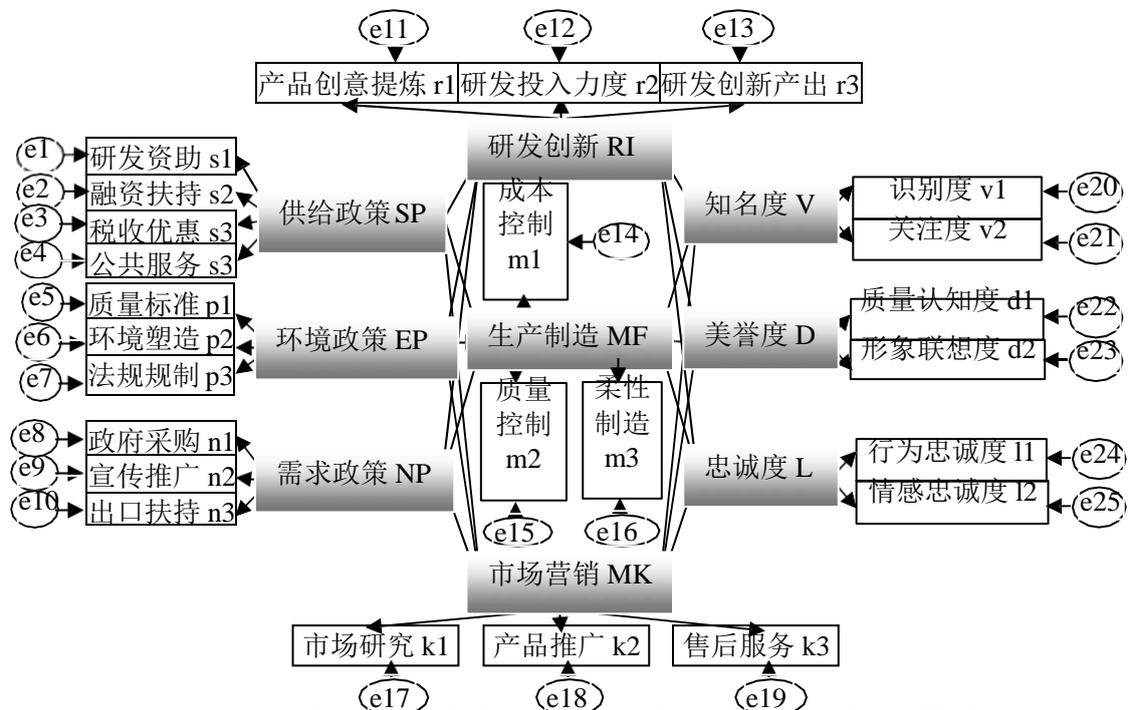


图 2 政策工具对中小企业自主品牌成长作用的结构方程模型

(4) **信度检验。** 以 Cronbach' s α 系数检验测量的信度，如表 1、表 2。结果显示，各变量的 Cronbach' s α 值在 0.70 以上 (Nancy Nunnally, 2008；

李怀祖, 2002)^[26-27], 表明本研究的量表具有较好的信度。

表 1 外生潜变量信度分析

潜变量	显变量	信度	因子载荷
供给政策 (SP)	研发资助 (s1)	0.862	0.742
	融资扶持 (s2)		0.819
	税收优惠 (s3)		0.776
	公共服务 (s4)		0.702
环境政策 (EP)	质量标准 (p1)	0.748	0.730
	环境塑造 (p2)		0.768
	法规规制 (p3)		0.709
需求政策 (NP)	政府采购 (n1)	0.829	0.842
	宣传推广 (n2)		0.799
	出口扶持 (n3)		0.790

表 2 内生潜变量信度分析

潜变量	显变量	信度	因子载荷
研发创新能力 (RI)	产品创意提炼 (r1)	0.852	0.776
	研发投入力度 (r2)		0.771
	研发创新产出 (r3)		0.782
生产制造能力 (MF)	成本控制能力 (m1)	0.773	0.737
	质量控制能力 (m2)		0.741
	柔性制造能力 (m3)		0.875
市场营销能力 (MK)	市场研究能力 (k1)	0.825	0.783
	产品推广能力 (k2)		0.806
	售后服务能力 (k3)		0.874
知名度 (V)	识别度 (v1)	0.793	0.726
	关注度 (v2)		0.759
美誉度 (D)	质量认知度 (d1)	0.819	0.896
	形象联想度 (d2)		0.749
忠诚度 (L)	行为忠诚度 (l1)	0.727	0.764
	情感忠诚度 (l2)		0.724

(5) **效度检验**。在 PLS-SEM 分析模型中, 需进行内敛效度和判别效度的检验。内敛效度结果显示所有标准化因子载荷都高于 0.6, 达到接受水平, 如表 1、表 2 所示。另外, 各变量的 AVE 平方根均大于其与其它概念的相关系数, 所以判别效度得到验证, 如表 3 所示。

表 3 变量的判别效度验证结果

	供给政策	环境政策	需求政策	研发创新	生产制造	市场营销	知名度	美誉度	忠诚度
供给政策	0.823								

环境政策	0.273	0.784							
需求政策	0.329	0.309	0.809						
研发创新	0.343	0.265	0.272	0.813					
生产制造	0.158	0.357	0.204	0.174	0.749				
市场营销	0.275	0.213	0.417	0.217	0.245	0.807			
知名度	0.168	0.324	0.331	0.301	0.287	0.118	0.752		
美誉度	0.241	0.283	0.327	0.202	0.274	0.249	0.253	0.803	
忠诚度	0.126	0.213	0.314	0.218	0.267	0.209	0.311	0.429	0.855

注：对角线上的数字为 AVE 的平方根

由上分析可知，问卷中各个指标的 Cronbach's α 系数和因子负荷均满足要求。从模型的评价指标来看，本文的政府政策工具对中小企业自主品牌成长的模型从统计上是可以接受的，模型的拟合结果如表 4 所示。

表 4 模型拟合结果表

指标	评价标准	本模型值
Chi-square/d. f.	<3.0	2.65
GFI	<0.9	0.80
NFI	>0.9	0.95
CFI	>0.9	0.95
IFI	>0.9	0.92
RMR	>0.05	0.044
RMSAE	<0.08	0.076

4.2 实证分析的检验结果 以供给政策、环境政策以及需求政策为外生变量，研发创新能力、生产制造能力、市场营销能力等潜力性竞争力以及知名度、美誉度、忠诚度等外显性竞争力为内生变量，探究政府政策工具对中小企业自主品牌成长的作用机制，实证结果如表 5 所示。

表 5 模型假设的路径系数及检验

路径关系	路径系数	R ²	T	结果
假设 H1-1: 供给政策→研发创新能力	0.23	0.64	2.21	支持
假设 H1-2: 供给政策→生产制造能力	0.10	0.56	1.17	不支持
假设 H1-3: 供给政策→市场营销能力	0.12	0.64	2.03	支持
假设 H2-1: 环境政策→研发创新能力	0.17	0.65	2.09	支持
假设 H2-2: 环境政策→生产制造能力	0.28	0.83	2.24	支持
假设 H2-3: 环境政策→市场营销能力	0.04	0.67	1.67	不支持

路径关系	路径系数	R ²	T	结果
假设 H3-1: 需求政策→研发创新能力	0.11	0.71	2.02	支持
假设 H3-2: 需求政策→生产制造能力	0.17	0.86	2.32	支持
假设 H3-3: 需求政策→市场营销能力	0.32	0.77	2.14	支持
假设 H4-1: 研发创新能力→知名度	0.27	0.72	2.64	支持
假设 H4-2: 研发创新能力→美誉度	0.18	0.53	2.57	支持
假设 H4-3: 研发创新能力→忠诚度	0.15	0.71	2.39	支持
假设 H5-1: 生产制造能力→知名度	0.12	0.58	2.17	支持
假设 H5-2: 生产制造能力→美誉度	0.26	0.77	2.34	支持
假设 H5-3: 生产制造能力→忠诚度	0.07	0.56	1.57	不支持
假设 H6-1: 市场营销能力→知名度	0.35	0.66	2.82	支持
假设 H6-2: 市场营销能力→美誉度	0.14	0.63	2.41	支持
假设 H6-3: 市场营销能力→忠诚度	0.13	0.72	2.33	支持

4.2.1 供给政策的品牌竞争力推动机制 供给政策能推动创新要素向中小企业的集聚，为中小企业自主品牌潜力性竞

争力的形成夯实科技资源基础，从而提升中小企业研发、生产以及市场等环节的价值创造能力，进而提升中小企业自主品牌的潜力性竞争力，加快中小企业自主品牌的成长。研究表明，供给政策对研发创新、生产制造以及市场营销能力作用显著，如表 5 所示。1) 供给政策能提升中小企业的研发创新能力，进而加快中小企业品牌的成长（路径系数为 0.23，T 检验显著，H1-1 成立）。这主要是由于供给政策给予中小企业资金、技术、人才以及公共服务扶持，能加速中小企业创新成果的研发和孵化，不仅可增加顾客的高科技感知价值，提升品牌的知名度和美誉度，而且能够诱发消费者的重复购买，提升品牌的忠诚度。故而，假设 H4-1，H4-2，H4-3 成立。2) 供给政策对中小企业生产制造能力的影响不显著，H1-2 不成立。这主要是由于供给政策更多地体现为创新要素的集聚，而制造能力更需要生产设备和制造标准的实施。并且现实中，中小企业“重产量、轻质量”的现象较为严重，诸如“三鹿”、“双汇”的事件，因此短期内中小企业品牌的忠诚度难以显著提升，故而 H5-3 不成立。3) 供给政策能增强中小企业市场营销能力，从而能加快中小企业品牌的成长（路径系数为 0.12，T 检验显著，H1-3 成立）。这是由于政府的研发资助、税收优惠等政策能激发中小企业生产出高科技含量的新产品，提升企业的市场竞争优势，从而可以快速地占领市场。企业的营销能力不仅能提升品牌的知名度，而且能通过宣传推广和形象塑造提升消费者的品牌联想度，并且能增强消费者的情感价值，故而假设 H6-1、H6-2 和 H6-3 均成立。

4.2.2 环境政策的品牌竞争力塑造机制 环境政策不仅能为中小企业品牌的成长营造良好的创新环境，而且可通过法

律规制监督中小企业的生产过程，还可以通过质量标准的贯彻推行提升中小企业的产品质量，进而提高中小企业品牌的竞争力。研究表明，环境政策对研发创新和生产制造能力作用较显著，如表 5 所示。1) 环境政策能提升中小企业的研发创新能力，加快中小企业品牌的成长（路径系数为 0.17，T 检验显著，H2-1 成立）。这是由于政府为中小企业营造良好的创新环境能够降低中小企业创新成本

并激发企业研发的积极性，从而促使中小企业研发出高科技产品，进而提升中小企业品牌的潜力性竞争力，促使中小企业自主品牌的快速成长。2) 环境政策能提升中小企业生产制造能力，进而加快品牌的成长（路径系数为 0.28，T 检验显著，H2-2 成立）。这是由于政府质量标准的规范可促使中小企业进行质量体系认证，提高中小企业的生产标准，规范中小企业的生产流程，从而提升中小企业品牌的知名度、美誉度，故而假设 H5-1、H5-2 成立。3) 环境政策对市场营销能力的路径关系不显著，H2-3 不成立。这主要是由于，虽然政府出台一系列政策引导消费者购买中小企业的自主品牌产品。然而，很多中小企业产品难以满足消费者的要求，故而消费者往往只会形成购买意识，但并未发生购买行为。

4.2.3 需求政策的品牌竞争力拉动机制 需求政策的品牌竞争力拉动机制表现为政府采购、宣传推广以及出口扶持等

政策，能促使中小企业强化自主创新意识，诱发企业提高产品的品质，并加快中小企业产品的市场化，提升品牌的知名度、美誉度及忠诚度，从而加快中小企业自主品牌的成长。需求政策对研发创新、生产制造、市场营销能力的作用显著，如表 5 所示。1) 需求政策能拉动中小企业强化研发创新，从而加快中小企业自主品牌成长（路径系数为 0.11，T 检验显著，H3-1 成立）。这是因为政府采购能激发中小企业研发创新的积极性，诱发企业研发出高科技含量的产品，从而提高中小企业自主品牌的外显性竞争力。2) 需求政策对生产制造能力的路径关系显著，H3-2 成立。这是因为需求政策的实施将推动企业生产设备的更新升级，提升企业的柔性生产能力，并能降低企业成本。3) 需求政策能提升中小企业的市场营销能力，进而加快中小企业品牌的成长（路径系数为 0.32，T 检验显著，H3-3 成立）。这是由于需求政策能促使中小企业强化市场需求的分析、开发和满足，促进企业增强品牌的推广和维护，从而提高品牌的知名度、美誉度和忠诚度。

值得说明的是，本研究还发现，三大政策工具对中小企业自主品牌知名度的营销作用最大，其次为美誉度和忠诚度。这主要是由于，我国政府已经意识到中小企业对我国经济增长的作用，并且认识到中小企业品牌知名度较低的困境，因此越发重视中小企业品牌知名度的培养，以帮助中小企业开拓市场。然而，很多中小企业的新产品研发和制造能力仍较弱，并且很多中小企业仍存在“重产量、轻质量”的意识，导致消费者对中小企业品牌的美誉度和忠诚度较低。例如，近些年“3·15 晚会”曝光多起小企业生产的诸如“热水器”、“奶粉”、“儿童玩具”等质量问题事件。因此，政府在继续提升中小企业自主品牌知名度的同时，应当提升中小企业的研发能力和产品品质，以提升中小企业品牌美誉度和忠诚度，从而加快中小企业自主品牌的成长。

五、结论与启示

5.1 研究结论

由上可知，政策工具对中小企业自主品牌成长的作用机制体现如下：一是供给政策的品牌竞争力推动机制，即推进外部创新要素向中小企业的集聚，激发中小企业的创新活力，引导中小企业将创新资源转化为具有知识产权优势的高科技成果。二是环境政策的品牌竞争力塑造机制，即通过质量标准、环境塑造和法律规制促使中小企业将高科技成果转化为具有竞争优势的差异性产品，以赢得消费

者的亲睐与信赖。三是需求政策的品牌竞争力拉动机制，即加快中小企业新产品的市场化，强化中小企业自主品牌的市场竞争优势。三大政策工具的共同作用，能增强中小企业研发创新、生产制造以及市场营销等价值创造能力，提升自主品牌的知名度、美誉度和忠诚度等外显性竞争力，从而加快中小企业自主品牌成长，如图 3 所示。

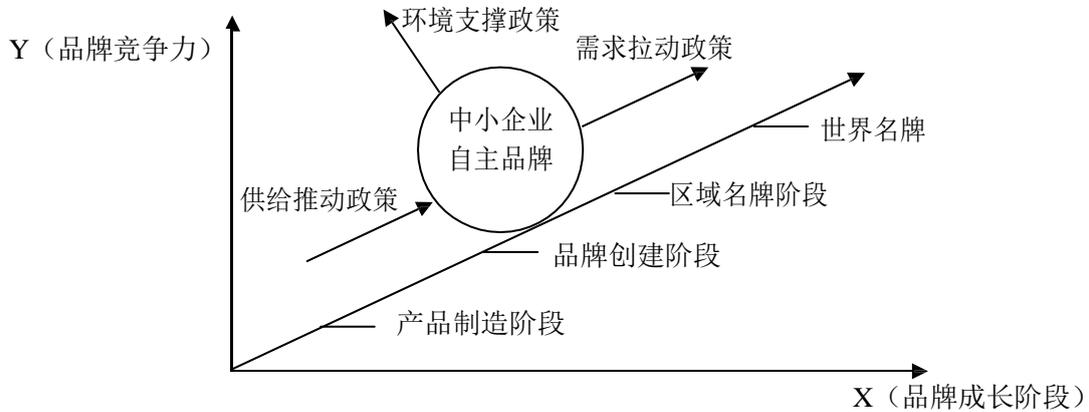


图 3 政策工具对中小企业自主品牌成长的作用机制

5.2 政策启示 目前，我国多数中小企业的品牌运营正处于从品牌创建向区域名牌转型的阶段，限于自身资源和能力的诸多约束，呈现很多“品牌夭折”的现象。鉴于此，政府应基于中小企业自主品牌成长的核心驱动力入手，合理运用政策工具以加快我国中小企业自主品牌的成长。

（1）增强供给政策的推动作用 鉴于我国诸多中小企业产品科技含量较低，因此政府应加强对中小企业的研发扶持，以提升中小企业自主品牌的成长力。**首先**，针对多数中小企业研发资金匮乏的困境，政府应对具有研发动力但缺乏研发资金的中小企业给予资金资助，并建立信用担保制度（肖扬清，2008）^[28]，以帮助中小企业获取外部资金支持。例如，法国每年提供 50 亿欧元对中小企业研发经费进行 50% 的补贴。再如，法国的创新署是专为中小企业服务的融资机构，其联合国内外经济、技术和金融团体为中小企业服务。**其次**，政府应落实给予中小企业的税收减免政策，提高其研发创新的积极性。例如，法国对于实施技术创新的中小企业给予 50% 的税收减免。**再次**，可以针对中小企业技术创新能力薄弱的实情，强化公共服务的建设，在检测平台、公共技术平台、公共服务等方面给予政策倾斜。例如，“十二五”期间，我国建设了超过 4000 个中小企业服务平台，500 个国家级公共服务示范平台。

（2）增强环境政策的塑造作用 由于政策法规的不完善，很多中小企业为了维系生存，往往会选择“重产量、轻质量”的生产方式。鉴于此，政府应加强对中小企业品牌运作行为的监管管理。**首先**，政府应针对产品质量安全事件频发现象，严格规范中小企业产品质量标准，推动中小企业进行 IEC、ISO 等系列质量标准的认证。例如，温州为提高本地中小企业在国内乃至国际市场中的形象及地位，积极推动中小企业进行 ISO 标准的认证，以提高中小企业产品的质量。**其次**，政府应为中小企业营造公平的市场竞

争环境，并引导消费者购买中小企业产品。**再次**，政府应制定具有针对性的法律法规，规范中小企业的经营管理行为，并防范大企业的排挤。例如，美国制定了《反托拉斯法》和《管制制度缓和法》等扶持中小企业成长的法律，意在帮助中小企业获得平等市场地位，从而促使中小企业品牌的成长。

(3) 强化需求政策的拉动作用 目前，大量中小企业面临国内市场萎缩及海外市场开拓艰难的窘境，亟需政府扶持以增强中小企业的市场化能力。鉴于此，政府应通过需求政策的拉动，帮助中小企业产品的市场化。首先，**政府采购**，即政府优先采购具有自主品牌及知识产权含量的中小企业产品，弥补中小企业市场竞争能力的不足，并借助政府形象提高消费者对中小企业品牌的认可度。例如，河北省将政府采购预算总额的30%面向中小企业。其次，政府应加强对中小企业的**宣传推广**，以提高中小企业品牌的知名度。例如，陕西省通过报纸、杂志、广播等传统媒体的宣传方式，以及数字报纸、移动电视等新兴媒体资源加强中小企业的宣传推介。再次，**出口贸易扶持**，针对中小企业出口成本过高以及海外渠道匮乏的窘境，政府应简化出口贸易流程，降低中小企业产品国际化的成本与风险。例如，日本通过政府开发援助（ODA）帮助中小企业进入东南亚、非洲以及中南美各国。

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4D'S：品牌建构的驱动力系统模型研究

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【摘要】

互联网时代，品牌如何才能竞争环境中脱颖而出？本文通过相关文献研究，提出“4D'S 品牌驱动力系统模型”。该模型由需求满足（消费品及体验的驱动力）、互动沟通（便利及对等的驱动力）、个性表达（符号及意义的驱动力）、价值共生关系（相互忠诚及共同成长的驱动力）等四种驱动力互动整合构成。四项驱动力构成基本的品牌驱动体系，在实战运行时，或全轮驱动、高速稳定安全地发展，或根据市场环境进行实时调整，形成四轮驱动力之间的有机整合、系统运行。该驱动力系统整合支撑品牌战车所向披靡，偕同消费者走向价值共享、共同成长理想境界。

【关键词】 品牌 4WD系统 4D'S模型 价值共享

互联网时代，无论线上线下，品牌都犹如一辆战车，在实有或虚拟的喧嚣环境中纵横驰骋。它的使命不容置疑，必须在喧嚣的消费市场中，在同类及替代品的车阵里脱颖而出并勇往直前，直至理想的彼岸——得到消费者认可，并与消费者达到价值共享、共同成长。

毋庸置疑，当品牌这辆战车在车阵里奔驰、竞争、超越时，需要品牌管理者足够好的驾驶技巧。所以，我们必须着眼于品牌管理的重要性。但本文认为，作为一辆战车，品牌首先需要的，当然是其自身，须具有强大的、可应付变动不居的市场环境的动力系统。这就如同汽车业的发展与竞争，从二驱到四驱的理由。

能够使其勇往直前并达到理想彼岸的品牌战车，须拥有足够的驱动力。那么，应当具有怎样的驱动力呢？通过对国内外各种有关品牌创造、品牌内涵构成、品牌营销传播等系列理论模型的研究，总结并反复论证这许多年来的品牌战略咨询与实战经验，本文试图提出“4D'S 品牌驱动力系统模型”：一个强大的品牌，须具备四大驱动力，并构成各驱动力之间的互动整合系统关系。模型所指的四大驱动力分别为：需求满足（消费品及体验的驱动力）、互动沟通（便利及对等的驱动力）、个性表达（符号及意义的驱动力）、价值共生关系（相互忠诚及共同成长的驱动力）。这四种驱动力或全轮驱动、高速稳定安全地向前奔驰，或根据市场环境进行实时调整，形成四轮驱动力之间的有机整合、系统运行，以支撑品牌战车所向披靡，获得消费者认可，满足消费需求，并与之形成价值共享，偕同消费者走向理想的境界。



图 1 品牌驱动力系统 (4D'S) 模型

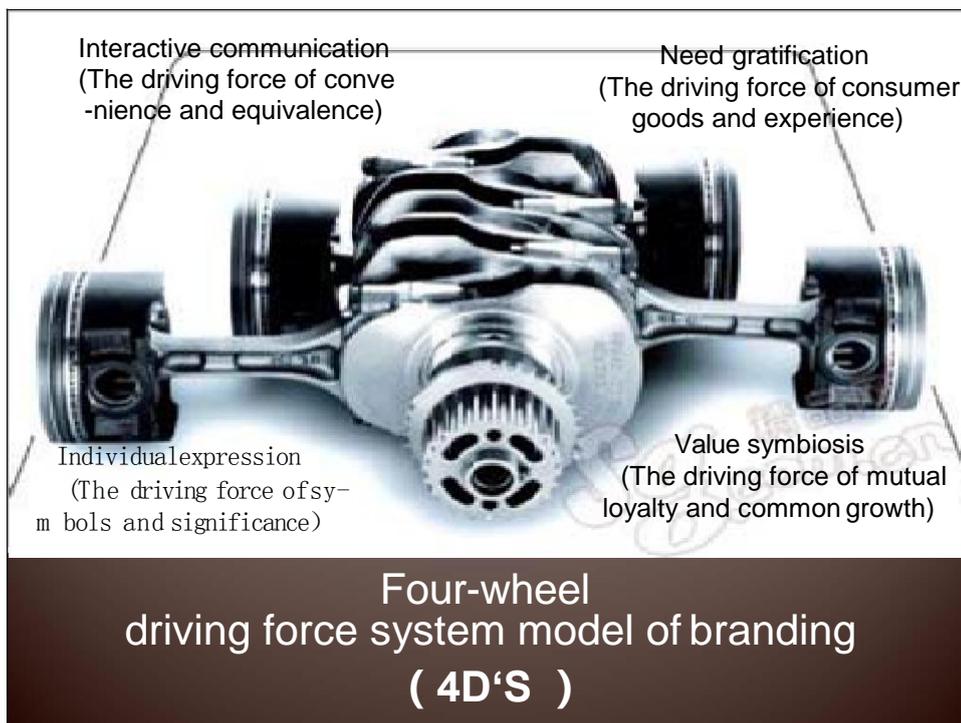


图2 Four-wheel driving force system model of branding (4D'S) 一、
四轮驱动系统 (4WD-4 Wheel Drive system)

四轮驱动系统，又称 4WD 系统或全轮驱动系统，指汽车前后轮都有动力。四轮驱动系统结合了前轮驱动和后轮驱动的优点，“牵引”与“推送”并行，同时保持了前驱车控制稳定性和后驱车灵活的可操纵性，可使汽车具有更高性能、更强的行驶力、越野性（通过性、爬坡性、转弯性、加速性）、稳定性、安全性、循迹性（可操控性）。在汽车行业，4WD 系统目前大致可分分时 (PARTTIME 4WD) 及全时 (FULLTIME 4WD) 四轮传动系统。短时四

轮传动

系统可依驾驶者的需求，选择二轮传动或四轮传动，这种传动系统属传统的4WD系统，但具有更强的越野性。全时4WD系统，不需驾驶人操作，车辆总是处于四轮驱动系统状态。此种系统可经由前后驱动力的分配，达到更完美的轮胎驱动力及转向力的最佳配置，属高性能传动系统，除了配置于一般的越野吉普车外，亦常用于一些高性能的轿、跑车上。二、品牌驱动力系统模型（4D'S模型）

4D'S模型，以“品牌是市场上纵横驰骋的战车”为逻辑起点，借用四轮驱动系统原理，构建品牌驱动力系统。

该模型具体由需求满足（消费品及其体验的驱动力）、互动沟通（便利及其对等的驱动力）、个性表达（符号及其意义的驱动力）、价值关系（相互忠诚及其共同成长的驱动力）等四部分构成，各个驱动力之间，形成系统整合运作的可能性。模型的英文可表达为：

“Four-wheel driving force system model of branding”（4D'S）**（一）需求满足（消费品及其体验的驱动力），是指品牌通过产品、服务等满足消费者的消费及其体验的程度。这是品牌最基本的内在驱动力，是一个品牌在市场上奔驰、竞争、超越同类品牌并获得消费者价值共享的驱动原点。**

在过去的研究中，营销学者麦肯锡曾在4P'S营销组合模型中提出“产品（Product）”要素，劳特朋曾在其4C'S营销传播组合中提出“消费者需求（Consumer's Needs）”、从价格到消费者购买所愿意支付的成本（Cost）等要素，菲利浦·科特勒指出品牌的含义可分成六个层次¹，其中包括产品属性、产品利益（功能性、情感性利益）要素，大卫·艾克提出将品牌作为“产品”时消费者对产品的观感（产品属性、产品范围、品质/价值、使用、使用者）²，奥美公司基于互联网营销传播的特殊性提出“利益原则”（Interests）并强调“一个品牌是消费者经历的总和”³，达彼斯“品牌轮”（Brand Wheel）提出了品牌属性（“品牌利益”，（Brand Benefits，消费者使用产品后的结果））。

可见，上述相关模型均在其研究体系中加入了与本模型中的“需求满足”相关的要素。所不同的是，本模型中的“需求满足驱动力”强调的是消费者需求的满足程度。满足程度高，则驱动力强，满足程度低，则驱动力低。好产品并不一定能够成为消费者的利益，关键是，一个产品或服务如何让消费者得到满意的消费或体验，满意的程度又如何？过去的研究，大多拘泥于产品本身，或产品是否源自、对应了消费需求，是否为消费者创造了利益。与丹·舒尔茨强调建构消费者——品牌关系的观点一致⁴，“需求满足驱动力”强调的是，品牌如何通过产品或服务向消费者提供完美的解决方案，让消费者通过消费与体验解决其需求难题，达到高度的满意度。如农产品品牌创造中，有关需求满足的驱动力，可从产品的品种特色、工艺、品质、文化因子、性价比、文化特色等各个方面提供其消费利益，但其核心点依然是，它们是否提供了令消费者满意的、能高度满足消费者需求的解决方案。据“新生活世界模型”⁵所示，要满足消费者需求，提供令其满意的解决方案，首先需分析、洞察到消费者的需求或难题，品牌才能通过消费或体验的“需求满足（消费品及体验的驱动力）”产生驱动效力。

(二)互动沟通(便利及其对等的驱动力),是指品牌的产品或服务通过物流、信息流、媒体流、人脉互动接触、消费者态度与口碑等,与消费者之间产生的互动沟通程度。这也是一个品牌的内在驱动力的基本构成部分。在过去的研究中,麦肯锡在其4P'S

¹ [美] 菲利浦·科特勒著,《市场营销管理(亚洲版·下)》,中国人民大学出版社,1997年,第78页

² [美] 大卫·艾格著,沈云骢,汤宗勋译,《品牌经营法则——如何创建强势品牌》(Building Strong Brands),内蒙古人民出版社,1999年,第47页

³ 奥美广告公司提案PPT。

⁴ [美] 唐·E·舒尔茨,等著,沈虹等译,《重塑消费者——品牌关系》,机械工业出版社,2015年中文版

⁵ [日] 古田隆彦,《生活市场最先端ポスト性時代の読み方》,ビジネス社,1987年版,第6页;转引自胡晓云文,《中国广告:以“新生活世界模型”观照消费者》,《中国广告》,2000年,第一期

模型中提出“渠道 (Price) ”要素，强调产品的销售渠道，着眼产品在渠道中的流动及渠道的频度、广度。劳特朋在其“4C’S”模型中强调产品流动到实现消费者购买的便利 (Convenience) ，从促销的单向信息传递到实现与消费者的双向交流与沟通 (Communication) 。奥美公司虽在其上世纪90年代初的品牌管理模型——360度品牌管家 (360 Degree Brand Stewardship) 中将“卖场通路”作为六大资产之一 (其它资产构成要素为产品、形象、商誉、视觉、消费者) ，在新世纪，奥美公司则基于互联网整合传播的理念，提出了互动原则 (Interaction) 。其中，麦肯锡的研究单纯地针对产品的物流体系，劳特朋的研究则顾及到了消费者购买的方便性、品牌与消费者双方的交流与沟通。而奥美公司则在 360 度品牌管理模型强调“卖场通路”效果的基础上，强调互联网环境中侧重品牌与网民之间的信息互动、对等交流。在互联网环境中，品牌信息的交流再不是“教堂式”的单方面传播或灌输，而是在一个类似“集市式”的网络江湖中，各自发出声音并期待交流互动。因此，要获得互动沟通的驱动力，必须在物流体系中提供消费便利性，在信息交流与互动中遵循“对等”原则，品牌再不可以“端着”。如果依然“端着”，居高临下的宣教，不仅违反了交流双方对等原则，更会遭到新世代消费者的遗弃与规避。⁶因此，“互动沟通 (便利及其对等) 驱动力”，需要品牌放低身段，以平等的姿态与消费者接触、互动、沟通，并提供物流的便利性。品牌的产品与服务可以通过物流、信息流、媒体流等的接触频度(多少通路及其接触终端?)、接触个性差异(专卖、超市还是网络、O2O\O2M?)、接触通路的影响力(亲和力、沟通力、终端品类度等)、接触通路的相关性(消费对接)、通路互动(如农产品品牌的三产联动)及消费者态度与口碑等，形成互动沟通的驱动力，达到循环、持久的互动沟通关系。

(三)个性表达 (符号及其意义的驱动力) ，是指品牌通过符号体系及其意义呈现而彰显消费品及其体验的个性、表达消费者的个性及其价值倾向的驱动力。

该驱动力经由符号生产而产生在产品物理属性基础上的品牌个性与消费者意义、消费者个性差异的象征表达。1955年，奥美公司创始人大卫·奥格威在芝加哥对美国广告同业公会发表题为《形象和品牌——创意运作的新方法》的演说，他坚信，每一则广告都应对塑造品牌整体形象有所贡献，成为建立品牌声誉所作的长期投资，品牌形象塑造忌讳迎合所有人而丧失个性。他主张：“要给每个广告一种与之相称的风格，创造出其正常的个性特色，这才是最伟大的成功的奥秘所在。”⁷其后，奥美公司的360度品牌管家模型将“品牌形象”、“品牌视觉”作为品牌的六大资产之二。20世纪80年代，美国葛瑞公司提出“品牌性格哲学”，与日本的小林太三郎的“企业性格论”异曲同工，两者提出了共同的理论建议：超越品牌形象论的品牌个性论 (Brand Character) ，从BI走向BC。

他们共同认为，品牌形象论只强调形象的构成和表达，而品牌个性指的是品牌性格。品牌个性比品牌形象更深入、更立体，形象只是认同，而个性则可造就崇拜；由品牌个性而形成的认同与崇拜，可实现更好的品牌传播沟通；品牌个性的塑造必须是独特的、经久不衰的。要塑造具有品牌个性的品牌，创造独特的象征物是一条好途径。品牌个性是“有关品牌的人格特质的组合”、是“与品牌相连的一整套人格化特征”⁸、是品牌形象中最能体现差异，最活

跃激进的部分（何佳讯，2004）。品牌个性论延伸了品牌形象论，更具有整体的形象体系
和与人产生内在对应的追求，进一步在个性层面上与品牌使用者之间产生衔接，并产生情感
价值。1991年，大卫·艾克的“品牌认同规划模型”提出将品牌作为符号、将品牌作为人
的品牌消费认同要素（将品牌视为符号，品牌的视觉影像和隐喻，品牌传统；将品牌作为人，

⁶ 品牌密码，《90后的品牌观：你若端着，我便无感》，网易财经综合，2014年7月17日；<http://www.money.163.com>

⁷（美）朱丽安·西沃卡著，周向民、田力男译，《肥皂剧、性和香烟》，光明日报出版社，1999年第1版，第374页

⁸（美）大卫·爱格著，沈云骢、汤宗勋译，《品牌经营法则》，内蒙古人民出版社，1999年版，第15页

个性是真实的、粗犷的、精力充沛的，与消费者呈现朋友关系)⁹。之后，日本电通蜂窝模型提出符号、品牌个性、与其相对应的典型消费者等三要素，¹⁰在蜂窝模型的六要素（其它要素为权威基础、功能利益、精神利益）中占据了重要分量。达彼斯的“品牌轮”中，四个要素（品牌特性、品牌价值、品牌利益、品牌个性）中的两个要素都与个性及其表达有关：品牌特质（BrandAttributes）指品牌的物理属性与功能特征，品牌个性（BrandPersonality）指将品牌视作人时具有的个性¹¹。因此，个性表达（符号及其意义的驱动力）借由符号及其意义形成超越物质层面的精神的、灵性的品牌驱动力，彰显品牌权益、展示品牌个性、形成品牌信用度、赋予符号性意义、产生消费者个性对应与表达。通过该驱动力，消费者的个性、意志、价值观等得到表达，消费品因此成为消费者的象征物，消费者因个性、价值观的一致而形成品牌消费族群。

(四)价值共生（相互忠诚及其共同成长的驱动力），是指品牌与消费者之间的价值共生关系所产生的驱动力。

这里所指的价值共生关系，是在需求满足（消费品及其体验的驱动力）、互动沟通（便利及对等的驱动力）、个性表达（符号及其意义的驱动力）的同时，在品牌与消费者之间构成的特殊的新型关系。这一新型关系，不仅包括对某一产品或服务消费与体验后形成的需求满足关系、物流便利与对等交流后形成的互动沟通关系、通过符号生产及其意义赋予而产生的双方个性呈现关系，更有品牌与消费者之间的认知、认同、忠诚消费关系，两者之间形成的基于品牌价值的共生关系。这是品牌最核心、最高级形态的驱动力，即价值共生关系驱动力。

过去的研究中，4P'S的“促销”要素，即是麦肯锡提出的构建产品与消费者关系的途径，通过广告等促销行为构建两者之间的友好关系，以达到产品的消费可能。4C's理论，强调从促销的单向信息传递到实现与消费者的双向交流与沟通（Communication），以达成双方的互惠、平等交流关系，形成消费可能。布莱克森（Blackston）于1992年的研究表明，要了解品牌关系互动的本真，不仅必须发现消费者如何看待一个品牌，也必须询问消费者对品牌对他们的态度¹²，两者之间是一种双向的交互，也是双方对关系的意见。Fournier通过BRQ量表测量品牌关系的质量，其实验报告指出，品牌关系的质量能够被描述成以下几个面向（dimension）：亲密（intimacy）、承诺（commitment）、伙伴质量（partner quality）、依恋（attachment）、互相依赖（interdependence）、爱（love）。Fournier指出，这些关系基于品牌行为，这种行为能够建立或者稀释关系的质量，从而影响品牌价值¹³。2001年，美国的艾略特·艾登伯格（ElliottEttenberg）在其著作“TheNextEconomy:WillYouKnow Your Customers Are?”一书中提出了关系(Relationship)、节省(Retrenchment)、关联(Relevancy)和报酬(Rewards)的“4R”新论，侧重于用更有效的方式在企业 and 消费者之间建立起新型关系¹⁴。事实上，产品的利益（功能性或精神性利益）和品牌个性通过品牌关系为

⁹同上，第47页

¹⁰ 胡晓云、谢冰心，日本电通蜂窝模型——品牌建构与管理的有效方案，香港《中国传媒报告》(ChinaMedia Reports)杂志，2004年第1期(总第7期)第25-38页；转引自胡晓云著，《安静思想-胡晓云自选论文集》，浙江大学出版社，2013年版，第31-50页

¹¹ 达彼斯广告公司的提案PPT

¹² “Beyond Brand Personality: Building Brand Relationships”，作者：Max Blackston，参见 David A. Aaker 和 Alexander L.Biel 合著 “Brand Equity and Advertising”一书 (Hillsdale,NJ:Lawrence Erlbaum,1993)

¹³ Susan Fournier ，，“A Consumer –Brand Relationship Perspective on Brand Equity”，论文发于“营销科学组织关于品牌资产和营销组合会议”，Tucson，AZ，3月2至3日，1995年¹⁴[美]艾略特·艾登伯格著，文武等译，《4R营销》，企业管理出版社，2006年版

中介实现转化，消费者和品牌透过品牌关系形成联结。

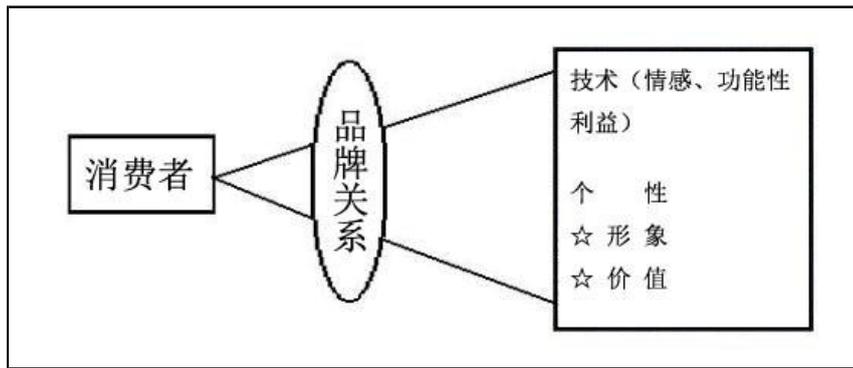


图 3 品牌认知透镜模型¹⁵

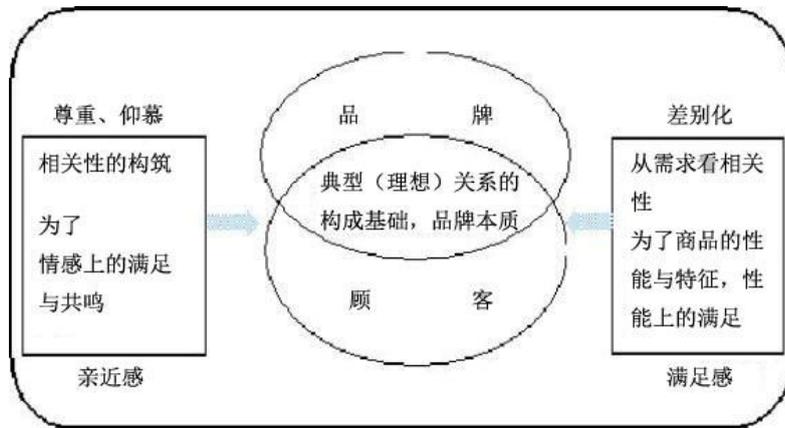


图 4 品牌——消费者关系¹⁶

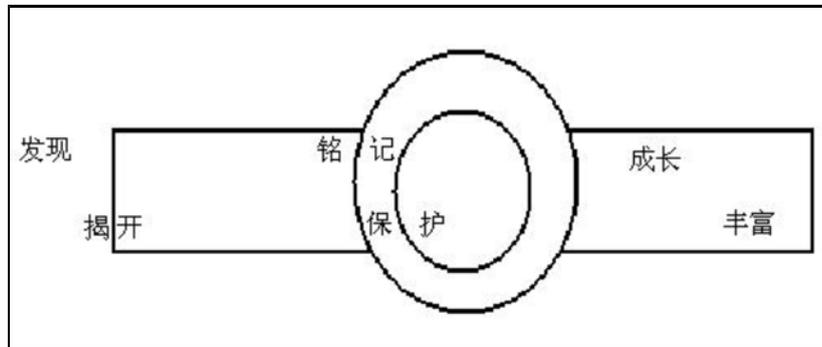


图 5 李奥·贝纳（Leo Burnett）的品牌信任系统¹⁷美国李奥·贝纳广告公司

（Leo Burnett）的品牌信任系统（Brand Belief System，简称 BBS）提出，真正的忠诚比购买行为更重要。BBS 将信徒（Believer）定义成呈现信任态度和忠诚购买行为的消费者，而品牌与真正消费者之间的关系像伟大的人类关系，存在真实的亲情关系，相互的信任，甚至是一种很深的、持久的密切关系。系统中的品牌信任途径

¹⁵ 胡晓云、谢冰心，日本电通蜂窝模型——品牌建构与管理的有效方案，香港《中国传媒报告》(China Media Reports)杂志，2004 年第 1 期（总第 7 期）第 25-38 页；转引自胡晓云著，《安静思想-胡晓云自选论文集》，浙江大学出版社，2013 年版，第 31-50 页

¹⁶ 同上

¹⁷ 【美】李奥·贝纳，关于品牌信任系统 (Brand Belief System) 的阐述,http://www.tor.leoburnett.com/philosophy/phil_why.cfm;转引自胡晓云著，《安静思想-胡晓云自选论文集》，浙江大学出版社，2013年版，第31-50页

揭示：每个品牌的故事最终是为了保持品牌的连接，使它的信徒永存，不管随着时间的改变要面临多少挑战。日本电通蜂窝模型中的“品牌个性”、“典型消费者”对应关系，达彼斯 的“品牌轮”中的“品牌价值”（Values）被解释为“品牌如何让人感受自我，以及让他人 感觉我”，扬·罗毕凯的BAV提出，品牌独立于产品类别之外，在一个非常特殊的消费者认知过程中得以发展，构建品牌与消费者关系的首要任务是形成品牌差异性，差异性越强，品牌意义的强度越强，其次是相关性，可测量一个品牌对于消费者的个人适应性，其三是尊重——消费者对一个品牌的喜欢程度和把品牌放在重要位置。上述研究都解释了品牌与消费者之间构成关系的重要性。

在前人研究的基础上，本模型中的价值共生（相互忠诚及其共同成长的驱动力），更强调消费者对品牌的认知度、认同度、忠诚度等前提下的价值共生、成长伴随（价值分享）。也就是说，品牌与消费者之间的关系形成的驱动力，是价值共生、共同成长、永续发展的关系，而非仅仅止步于产品销售与消费。

品牌犹如一辆战车，在市场繁杂的氛围中奔驰、竞争、超越，如果能够拥有上述四大驱动力，则可实现品牌目标及其价值。而这四轮驱动力，可以全轮驱动，也可根据品牌生命发展的阶段、品牌竞争的环境因素、品牌超越的各种可能性、品牌自身的驱动力均衡程度等方面进行实时调整，形成四轮（需求满足、互动沟通、个性表达、价值共生）驱动合力，四轮系统整合力量，支持品牌快速、高效、顺畅的行驶在发展的快车道上，与消费者形成共生关系，营造品牌消费族群，构建强大的品牌价值。

4D'S : Research on driving force system model of branding

【Abstract】

How can a brand stand out in competitive environment in the Internet age? This article proposes“4D'S model of brand driving force system”, which consists of four kinds of driving force: need gratification (the driving force of consumer goods and experience), interactivecommunication (the drivingforce ofconvenience and equivalence), Individualexpression (the driving force of symbols and significance)and value symbiosis(the driving force of loyalty and common growth). Four kinds of driving force

constitute the basic brand drive system. In practice , the brand either uses four-wheel drive system to develop safely and stably at high speed, or makes real-time adjustments based on the market environment to form the organic integration and systematic operation among four driving force. This drive system integrates and supports brand chariot systematically to sweep away all obstacles, carrying consumers to an ideal state in which the brand and consumers share their values and grow together.

【Key words】 brand ; 4WDsystem; 4D'S model; common values

商品组合对零售品牌资产影响研究 ——基于两种业态的比较分析

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摘要：已有研究中虽然已经对品牌资产的来源和构成进行解释和验证，但在零售情境下，有关品牌理论的普遍性还有待验证。特别是在产品对品牌资产的影响关系上，零售情境显然存在差异性，即：（1）零售商是商品组合的分销商，而不是产品或产品组合的生产者；（2）零售商的商品组合会因零售业态的不同而具有很大差异。因此，本研究提出商品组合对零售品牌资产影响的一般模型基础上，以百货店和大型综合超市这两种业态为例，比较分析了不同业态的影响差异。结果发现，商品组合通过店铺情感影响消费者对零售品牌的态度和行为忠诚，并带来溢价支付意愿，而且这种关系在业态间存在差异。就百货店而言，消费者更加重视从其获得的信息价值，并带来情感上的忠诚，但是情感上的忠诚却未必会带来行为上的忠诚和溢价支付意愿；就综合超市而言，虽然商品组合带来的信息价值仍然是消费者最重视的，但获得商品的满足感同样也很重要，而且情感忠诚比行为忠诚更能够带来溢价支付意愿。

关键词：商品组合，零售品牌资产，零售业态

The Effect of Merchandise Assortment on Retail Brand Equity
-- A Comparative Study of Retail Formats

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Abstract: Although the structure and sources of brand equity have been explained and tested in former researches, the validity is unproved in the retailing context. Specifically, there are differences exist in retailing context: (1) retailers are distributors of merchandise assortments, instead of producers of product mix; (2) merchandise assortments are distinguished by retail formats. Considering these, this study first builds a general model of merchandise assortments and retail brand equity, and then compares the difference between two retail formats, the department store and the super market. The results show that, merchandise assortments cause the willingness to pay a price premium (short for WPP) through store affect and its effect on attitudinal loyalty and behavioral loyalty. Additionally, effect of the general model varies with retail formats: For the department store, consumers consider the information acquisition value much more, which can drive attitudinal loyalty. However, attitudinal loyalty does not always produce behavioral loyalty and WPP. For super market, merchandise acquisition value has the same importance as information acquisition value when consumers are shopping, and the effect of attitudinal loyalty on WPP is more significant than that of behavioral loyalty.

Key words: Merchandise assortment, retail brand equity, retail format

引言

近年来，随着体验营销的发展和多渠道零售环境的变化，学者们注意到，零售品牌是一个有价值的独特视角，存在许多现有品牌理论不能完全解释的问题。其中之一就是商品组合对零售品牌资产的影响（e.g., Ailawadi et al., 2004; Finn et al., 1996）。与根据生产特性和需求形成的某个厂商专属的产品组合不同，商品组合是零售商根据市场需求和自身定位提供给消费者的“有所取舍后的选择”（Hart et al., 2006）；它是面向“不特定”的批发商或厂商，集中不同类别、不同品牌的产品，所形成的“具有个别价值”的产品集合物（石原等，2004）。可以说，商品组合是零售商创造顾客价值的重要来源，是零售品牌资产的核心要素。并且，在不同零售业态间，随着零售商目标市场选择、服务水平设计上的差异，它们的商品组合形式也随之变化，表现出与厂商产品组合所不同的结构复杂性。

过去研究已经证实，商品组合带来的价值能够影响消费者忠诚、溢价支付意愿等品牌资产相关变量（e.g., Fox, 2004; Oppewal et al., 2005; Solgaard et al., 2003），但是对业态间差异可能带来的不同影响，这些研究却并未给予足够关注和解释。因此，本研究将在建立商品组合对零售品牌资产影响一般模型的基础之上，选择零售业态中截然不同的两种业态——百货店和超市进行比较研究，分析商品组合在不同业态间的影响差异。

理论背景、构念建立与假设

商品组合及其价值创造

商品组合（merchandise assortment）是零售商为了适应消费者需求对不同类别的产品进行的有意义的重新组合（石原和加藤，2004，p.69），它是零售商创造顾客价值的重要构成和差异化竞争策略实施的重要营销工具（Stassen et al., 1999）。这些研究指出，商品组合创造的顾客价值主要来自于顾客购买商品本身及其获得的相关商品信息。其中，前者实现顾客购买的价值，此时价值的载体是商品；后者可以帮助顾客更好地制定购买决策，获得有关商品的最新动向等，其价值的载体是信息。

商品组合与零售品牌资产

在品牌资产的相关研究中，通常以消费者感知价值作为顾客忠诚的起点和驱动因素（例如，王月兴和冯邵津，2002；Sirdeshmukh et al., 2002），而将溢价支付意愿，作为品牌资产表现的测量指标（Chaudhuri, Ligas, 2009）。在这类研究中，溢价支付意愿不仅是感知价值的结果（Netemeyer et al., 2004），还是顾客忠诚的最有力表现之一（Aaker, 1996）。另外，越来越多的研究已达成共识，即顾客忠诚包含行为和态度两个层面，并且，感知价值对态度忠诚的影响来自消费者的积极的情感体验。因此，本研究设计一个由价值作为起点，经店铺情感和顾客忠诚，到达溢价支付意愿的研究框架（如图1所示）。

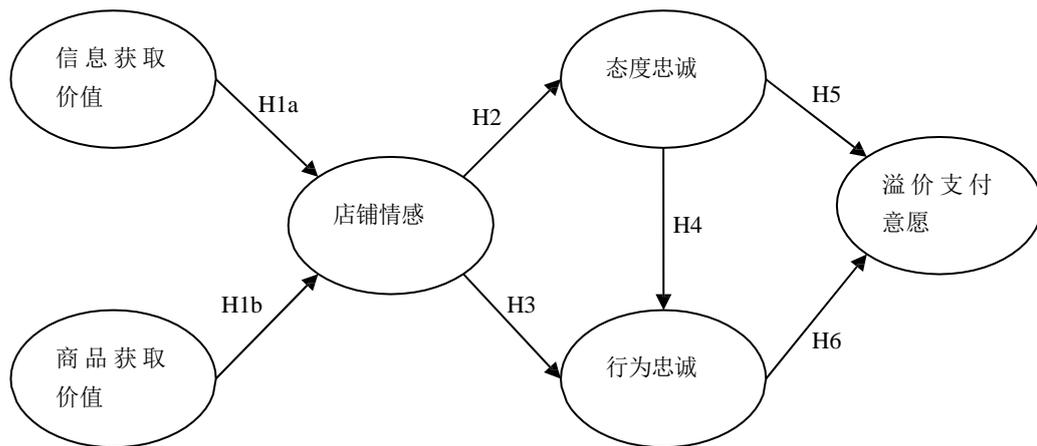


图 1 研究模型图

研究以消费者态度的 ABC 模式 (Lutz, 1991) 和期望失验理论 (Oliver, 1980; Wood et al., 2006) 为理论基础进行解释。从期望失验理论来看, 无论是从信息搜寻和处理的角 度还是从成功购买到商品的角度来说, 只要商品组合令消费者实际体验到的效用或价值超出他们事前的购物期望, 就可以令消费者感受到正向失验, 从而在购物过程中产生愉悦、兴奋、满足等正面情绪。因此,

假设 1: 商品组合价值与消费者的店铺情感有显著正向影响关系。

假设 1a: 商品组合给消费者带来的信息获取价值与店铺情感有显著正向影响关系。

假设 1b: 商品组合给消费者带来的商品获取价值与店铺情感有显著正向影响关系。

根据 ABC 模式, 在品牌关系中, 消费者的品牌情感会带来重复购买和承诺的行为倾向 (周志民, 2004), 甚至还包括溢价支付的行为倾向 (董大海等, 2003)。因此, 可以认为, 当消费者在一家店铺常常会有愉悦、满足等情感产生的时候, 他就会对这家店铺从心理上产生亲切感, 这种情感的积累久而久之就形成了消费者与店铺之间的情感纽带, 并随之带来消费者对这家店铺在态度上的承诺, 即消费者对店铺的态度忠诚。所以,

假设 2: 店铺情感与消费者对店铺的态度忠诚有显著正向影响关系。

由于情感意味着消费者正向失验, 这也会给消费者带来一个有力的正强化效果, 使零售商的营销沟通手段更加有效, 并且突破消费者对非价格成本的顾虑, 重复光顾该店铺购买商品。即:

假设 3: 店铺情感与消费者对店铺的行为忠诚有显著正向影响关系。

同时, 考虑到消费者态度与行为间的一致性, 我们提出:

假设 4: 态度忠诚对行为忠诚具有显著的正向影响。

需要说明的是, 虽然过去许多研究指出感知价值对顾客忠诚的直接驱动作用 (e. g., Moreau

et al., 2001; 刘敬严, 2008), 但这些研究通常是以产品或商品价值为研究对象。但本研究却认为, 在以商品组合为对象的情况下, 结果并非如此。这是因为, 消费者购买是以获得商品为最终目的的, 即产品价值的差异会直接影响消费者的购买结果, 而商品组合价值的差异却未必会带来影响。因此, 当商品组合给消费者带来的体验仅仅是达到期望一致而没有出现正向失验(伴随着情感的产生)时, 出于时间、精力等非价格成本的考虑, 并不足以使消费者对该店铺保持忠诚。因此, 在本研究中, 商品组合价值对顾客忠诚是一种间接影响效应。

关于溢价支付意愿的驱动机制, 本研究认为其产生的一个可能性前提是超过消费者预期的感知价值, 此时, 消费者会因为正向失验产生对店铺的情感。但是, 情感的存在并不是溢价支付意愿产生的充分条件。联系现实就知道, 很多消费者即使承认某个店铺的商品组合能够带来店铺情感, 但他们依然会选择更加便宜的店铺去购买。因此, 本研究提出, 只有当店铺给消费者带来的实际感知价值超出他们期望的程度达到一定水平, 即令消费者在态度或行为上愿意与这家店铺建立持续的交易关系的程度时, 他们才可能愿意付出资源来维持这种关系, 即:

假设 5: 消费者的态度忠诚对其溢价支付意愿有显著的正向影响。

假设 6: 消费者的行为忠诚对其溢价支付意愿有显著的正向影响。

商品组合的业态间差异

零售业态是零售商随着零售市场的差异化竞争而表现出的不同经营形态。商品组合是决定零售店铺业态的最重要因素(田村, 2007; 吴小丁等, 2009)。一些学者认为, 零售业态和购物情境的变化会带来不同的价值维度(沈鹏熠, 2010)。另外, 从商品组合的结构类型来看, 消费者在选购品和便利品的决策行为上是存在显著差异的。Kaish(1967)根据认知失调理论指出, 对便利品, 消费者通常会接受适当的替代品以减少搜寻成本, 从而降低购买的失调感; 对选购品, 消费者却存在较高失调感, 使其对信息搜寻的需求较为显著, 此时, 如果零售商能够提供具有多样化的商品组合, 就可以较好地满足消费者信息搜寻和比较购买的需求。另外, 也可以看出, 在以便利品为主的购买出行中, 消费者对商品获取更加关注, 而在以选购品为主的购买出行中, 消费者不仅重视商品本身的获取, 对信息的获得也十分重视。因此, 在前文提出的商品组合对零售品牌资产影响的一般模型基础上, 还有必要进行跨业态分析和比较。

在经营策略、市场定位大不相同的零售业态中, 百货店和综合超市是同样拥有多样化、大规模商品组合的业态, 具有一定的可比性, 因此本研究选择以这两种业态进行比较。

研究方法

变量的定义与测量

根据上述研究框架(图 1), 假设模型共包括两个外生变量, 即商品组合价值中的商品获取价值和信息获取价值, 四个内生变量, 即店铺情感、行为忠诚和态度忠诚以及消费者的溢价支付意愿。各变量的测量具体如下:

商品组合价值, 即零售店铺商品组合给消费者带来的感知价值, 包括商品获取价值和信息获取价值, 分别包含 3 个题项和 4 个题项(见附录 MA1-3 和 IA1-4)。

店铺情感，是消费者对主观体验强度的自我报告水平，这种主观体验是消费者对一家店铺在总体上有积极感觉的主观体验 (Chaudhuri et al., 2009)。题项为附录中 A1 至 A4。

顾客忠诚划包括行为忠诚和态度忠诚两个层面。其中，消费者对店铺的行为忠诚指消费者对一家店铺持续的重复购买，而态度忠诚是消费者对一家店铺的情感认同或态度承诺 (Chaudhuri et al., 2009)。题项见附录 C1-3 和 R1-3。

溢价支付意愿是指消费者在一家特定的店铺为一项商品支付更高价格的倾向，题项见附录 P1 至 P3。

样本

研究在长春市内分别选取了一家综合超市 A 和一家百货店 B。其中，A 店隶属于一家世界 500 强的全球连锁零售企业，具有广泛的品牌知名度。B 店的母公司是吉林省零售业的龙头企业、上市公司，B 店是该公司下属的百货店中开业最早、经营规模最大和档次最高的一家店。这两家店都位于本地繁华的中心商业区。Huff (1962) 认为，对位于中心商业区的店铺而言，距离或出行时间等要素对消费者店铺选择的影响并不显著，因而可以在一定程度上控制“选址”这个重要因素对消费者行为的影响。此外，在过去的研究中也发现，消费者去中心商业区的购物出行通常计划性更强，愿意投入的时间、精力和金钱成本更多，且多目的购物的倾向也更显著。因此，选择在中心商业区的店铺进行调研，会使实际购物情境更加符合本研究的假设情境。研究以正在购物的消费者作为访问对象，在两家店铺分别收回 300 份问卷，共计收回有效问卷 600 份。

数据分析与检验

样本总体分析

研究首先对样本总体进行分析和验证。经构念的描述性统计分析，所有构念均满足多元正态性，可以使用结构方程进行分析。各构念量表的 Cronbach's α 系数都超过了 0.7 的边界值，具有可接受的内部一致性信度 (见表 1)。

经 AMOS17.0 软件分析，测量模型拟合良好 ($\chi^2=634.75$, $df=155$, $GFI=0.90$, $AGFI=0.87$, $NNFI=0.92$, $CFI=0.93$, $RMSEA=0.07$)。此外，由表 2 可以看出，构念的 AVE 值分布在 0.51-0.73 之间，全部都大于 0.50，说明构念聚合能力十分理想，具有良好的操作化定义 (Anderson, Gerbing, 1988)。根据 Fornell 和 Larcker (1981) 建议的 AVE 比较法，可以检验两个潜变量的 AVE 平均值是否大于两个潜变量相关系数的平方来评价构念测量的判别效度。结果表明，除了信息获取价值与店铺情感的相关系数之平方与信息获取价值的 AVE 值之间差距不够明显之外，其它构念的 AVE 值都大于该构念与其它构念相关系数的平方，支持了这些构念的判别效度。

表 1 量表的标准化因子载荷与效度

因子	题项	λ	残差	CR	AVE	百货店				综合超市			
						λ	CR	AVE	α	λ	CR	AVE	α
商品	MA1	0.75	0.71	0.76	0.51	0.76	0.77	0.52	0.76	0.72	0.76	0.52	0.77

获取 价值	MA2	0.67	1.15			0.63				0.73			
	MA3	0.73	0.92			0.77				0.71			
信息 获取 价值	IA4	0.68	0.94			0.68				0.70			
	IA5	0.74	0.83	0.82	0.54	0.77				0.73			
	IA6	0.77	0.74			0.73	0.52	0.51	0.52	0.81	0.53	0.51	0.52
	IA7	0.74	0.79			0.75				0.70			
	A1	0.77	0.72			0.75				0.78			
店铺 情感	A2	0.81	0.60			0.84				0.76			
	A3	0.83	0.55	0.88	0.65	0.85	0.89	0.66	0.88	0.82	0.87	0.63	0.88
	A4	0.81	0.61			0.81				0.82			
	C1	0.89	0.41			0.90				0.89			
态度 忠诚	C2	0.86	0.63	0.84	0.64	0.86	0.85	0.66	0.84	0.86	0.84	0.64	0.82
	C3	0.63	1.14			0.65				0.62			
	R1	0.71	1.03			0.68				0.74			
行为 忠诚	R2	0.78	0.63	0.79	0.56	0.79	0.79	0.56	0.78	0.77	0.80	0.57	0.80
	R3	0.76	0.75			0.77				0.76			
溢价 支付 意愿	P1	0.80	0.80			0.78				0.83			
	P2	0.86	0.61	0.86	0.67	0.81	0.82	0.60	0.82	0.90	0.89	0.73	0.89
	P3	0.79	0.97			0.73				0.83			

说明：所有系数均达到 0.001 的统计显著性

在测量模型估计结果良好的基础上，本研究接着用结构方程模型继续对测量模型和结构模型同时进行估计，以便分析潜变量之间相互关系，验证假设是否成立，结果如下表 2 和图 2 所示。

表 2 结构模型分析结果

假设路径	标准化路径系数	T 值	结论
H1a: 信息获取价值→店铺情感	0.59***	5.70	成立
H1b: 商品获取价值→店铺情感	0.32**	3.15	成立
H2: 店铺情感→态度忠诚	0.83***	14.51	成立
H3: 店铺情感→行为忠诚	0.55***	7.00	成立
H4: 态度忠诚→行为忠诚	0.26***	3.37	成立
H5: 态度忠诚→溢价支付意愿	0.34***	5.29	成立
H6: 行为忠诚→溢价支付意愿	0.42***	6.34	成立

$\chi^2=677.88$; $df=162$; $\chi^2/df=4.18$; $GFI=0.90$; $AGFI=0.87$; $CFI=0.93$; $NNFI=0.92$; $RMSEA=0.07$

说明：*表示在 $p<0.01$ 的水平上显著，***表示在 $p<0.001$ 的水平上显著。

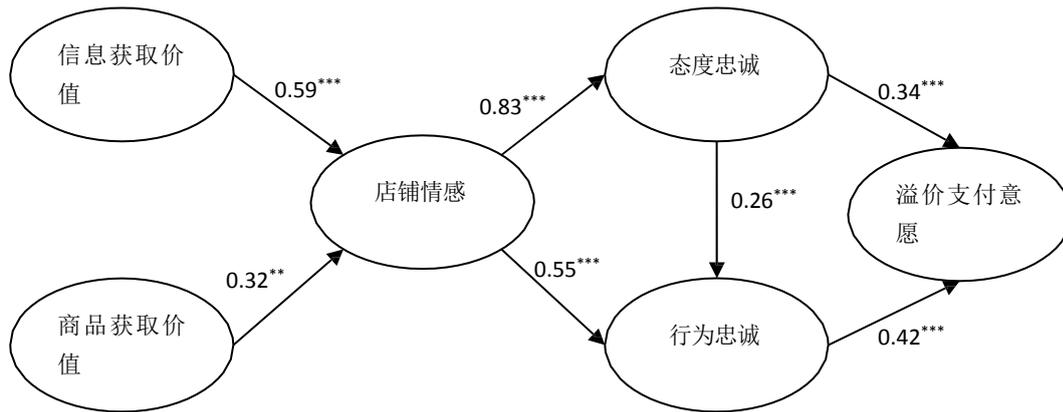


图 2 假设模型检验图

根据 Anderson 和 Gerbing (1988) 提出的标准, 结构模型拟合良好 ($\chi^2/df=4.18$, $GFI=0.90$, $NNFI=0.92$, $CFI=0.93$, $RMSEA=0.07$), 且所有假设路径均达到显著性水平, 即假设 1 至假设 6 均通过验证, 支持了假设模型的成立。

跨业态间比较分析

接着, 研究分别在百货店和综合超市两个子样本下进行模型检验。结果发现, 结构模型在两个子样本下的拟合也达到良好水平, 如下表 3 所示。从假设路径检验来看, 在综合超市样本下, 所有路径同样达到显著性水平, 即 6 个假设依然全部得到支持。而在百货店样本下, 假设 1 的第二个子假设 (H1b) 商品获取价值→店铺情感路径未达到显著水平 ($\gamma=0.31$, $t=1.36$, $p=0.17$), 假设 1 得到部分支持; 假设 4 (H4) 态度忠诚→行为忠诚路径也未达到显著水平 ($\beta=0.11$, $t=1.01$, $p=0.31$), 即该假设未通过检验; 除此之外, 其余 4 个假设 (H2、H3、H5 和 H6) 均得到支持 (见表 4)。

表 3 百货店和综合超市结构模型拟合结果

	χ^2	df	GFI	CFI	NNFI	RMSEA
百货店	427.45	162	0.87	0.93	0.91	0.074
综合超市	446.88	162	0.87	0.92	0.91	0.077

表 4 百货店和综合超市假设路径验证结果

路径关系	百货店		综合超市	
	路径系数	结论	路径系数	结论
H1a: 信息获取价值→店铺情感	0.60**	成立	0.61***	成立
H1b: 商品获取价值→店铺情感	0.31 ^{ns}	不成立	0.29**	成立
H2: 店铺情感→态度忠诚	0.83***	成立	0.82***	成立
H3: 店铺情感→行为忠诚	0.67***	成立	0.42***	成立
H4: 态度忠诚→行为忠诚	0.11 ^{ns}	不成立	0.42***	成立
H5: 态度忠诚→溢价支付意愿	0.28**	成立	0.41***	成立
H6: 行为忠诚→溢价支付意愿	0.52***	成立	0.36***	成立

说明: 路径系数均为标准化结果。**表示在 $p<0.01$ 的水平上显著, ***表示在 $p<0.001$ 的水平上显著, ^{ns} 表示不显著。

讨论与结论

研究讨论

检验结果表明，假设 1 至假设 6 均得到支持。其中，从假设 1 商品组合价值对店铺情感正向相关，再次证实了过去研究中关于感知价值正向影响消费者情感的结论（Chaudhuri et al., 2009），说明无论是信息获取还是商品获取价值，都会带来消费者对店铺的积极情感体验，并且信息获取价值对店铺的影响效果（ $\gamma=0.59$, $t=5.70$, $p<0.001$ ）高于商品获取价值对店铺情感的影响（ $\gamma=0.32$, $t=3.15$, $p<0.01$ ）。

假设 2 店铺情感与态度忠诚正向相关和假设 3 店铺情感与行为忠诚正向相关两个假设均得到支持，说明店铺情感既可以直接正向影响消费者在态度上的忠诚，也可以直接正向影响行为上的忠诚。另外，假设 4 态度忠诚与行为忠诚正向相关的假设也获得支持，不仅说明消费者忠诚在态度与行为层面间具有一致性，也说明店铺情感不仅可以直接影响行为忠诚，还可以通过态度忠诚的改变间接影响行为忠诚。总的来说，消费者在店铺内体验的情感越强烈，他们对该店铺的认同程度越高，进行重复购买的可能性越大。

假设 5 态度忠诚对溢价支付意愿的正向影响和假设 6 行为忠诚对溢价支付意愿的正向影响同时得到支持，说明，不论是态度上的忠诚，还是行为上的忠诚，都可以带来消费者对店铺支付更高价格的行为意愿。这个结论与 Chaudhuri 和 Ligas（2009）提出的只有态度忠诚能够带来溢价支付意愿的结论恰好相反。问题在于，在 Chaudhuri 等人的研究中，这段关系的价值来源是商品价值，在这种价值下，商品质量和价格的绝对控制权在厂商手中，而零售商只是厂商销售渠道的一个组成部分，因此，当消费者只是在购买行为上的简单忠诚时，其忠诚背后真正的对象依然是厂商所生产的产品，自然不会带来消费者对店铺的溢价支付意愿。然而，商品组合价值却是零售商为消费者创造的独特价值，因此，在以商品组合为价值来源的模型下，无论是态度上还是行为上的忠诚，都体现了消费者对零售商的兴趣，也都可以带来溢价支付意愿。

另外，在业态间比较研究发现，在百货店样本下，有两条假设路径未能通过验证。其中，假设 1 中商品获取价值正向影响店铺情感的子假设未能通过验证，说明对百货店的顾客而言，商品组合带来的一站式购物、买到偏好商品和满足临时购买需求的效用，并不能令他们获得情感上的积极体验。这一方面可能与消费者对百货店的期望有关。因为与综合超市相比，百货店相对偏高的价格水平会使顾客在购买前形成高期望，从而降低正向失验发生的可能性。另一方面则可能是由于百货店经营的商品类别以选购品为主。对这类商品，消费者更加重视购买前的信息搜寻，甚至为了降低购买风险和决策的不确定性，消费者会花费更多的出行费用和时间、精力成本，在不同选择间进行对比（Murphy et al., 1986）。假设 4 态度忠诚对行为忠诚具有正向影响的假设没有通过，说明对百货店的顾客而言，即使在心理和感情上十分认同一家店铺，却仍有可能不会做出相应的行为意向。这可能是由于百货店所经营商品的价格水平普遍偏高，会给消费者带来较大的购买负担，从而阻碍了重复购买行为的发生。同时，与样本总体和超市样本下的检验结果不同，在百货店样本下，行为忠诚对溢价支付意愿的直接效应（0.52）要远高于态度忠诚的直接效应（0.28），意味着就百货店而言，顾客的行为忠诚比态度忠诚更加重要。这一结论与过去研究中对态度和行为忠诚的看法恰恰相反。

研究结论

第一，商品组合价值是零售商实施品牌化战略、获得品牌资产的重要驱动因素。它可以通过店铺情感正向影响消费者对店铺的态度忠诚和行为忠诚，进而影响他们的溢价支付意愿。当消费者利用商品组合更加便利地完成自己的信息搜寻和处理过程、做出更好的购买决策，并且更有效率地实现商品购买时，会带来他们对店铺的积极情感体验。而这种店铺情感的产生，一方面使消费者产生对该零售店铺的兴趣，从心理上认同该店铺或零售商，并愿意为了维持这种关系而付出更多的价格，即带来态度上的忠诚和溢价支付意愿；另一方面，会给消费者行为带来一种正强化的效果，使得零售商的营销沟通手段更加有效，从而令消费者愿意来这家店铺重复购买商品，甚至在店铺价格偏高的情况下也依然愿意购买，即带来行为上的忠诚及其影响下的溢价支付意愿。

第二，从商品组合价值的两种形态来看，信息获取价值在零售商品品牌化过程中的影响力更强、更显著，而商品获取价值的影响相对较弱。并且，这两种价值的影响存在业态间差别。对百货店而言，为消费者提供更加便利的信息获取价值是最重要的，因为只有信息获取价值才能够带来品牌资产形成的店铺情感，而商品获取价值却不能直接带来店铺情感。而对综合超市而言，虽然信息获取价值仍然是最重要的，但商品获取价值也同样可以影响消费者对超市的情感产生。

第三，在通常情况下，消费者在态度上的忠诚与行为上的忠诚会具有一致性，但在百货店的情况下，态度上的忠诚度却未必会体现在行为忠诚上。并且，就百货店而言，行为忠诚比态度忠诚更能够带来消费者的溢价支付意愿，而在通常情形下，态度忠诚对溢价支付意愿的影响更重要。

理论贡献与管理启示

第一，研究指出，商品组合是零售商创造顾客价值的重要来源，这种价值包括信息获取和商品获取两个方面，两种价值的影响在业态间会有所不同。因此，在品牌化策略实施过程中，零售商不仅要重视商品组合的多样化和规模扩大，还要重视商品组合所带来的信息获取价值和商品获取价值对消费者影响效应的差异。对百货店的管理者而言，需要格外重视信息获取价值的创造，甚至可以牺牲一定的商品库存和商品组合规模。对综合超市的管理者而言，在提高顾客对信息获取价值感知的同时，也不应当忽视商品获取价值的建立，即管理者既需要使消费者能够从商品组合中快捷、便利地获取所需要相关商品信息，又需要保持商品组合的规模和多样性。

第二，研究揭示和强调了情感在零售商品品牌化过程中的重要作用。虽然在过去的品牌化研究中，品牌情感一直是十分重要的构成要素，但本研究却指出，对零售商的竞争而言，情感是商品组合价值驱动和维持顾客忠诚必要的中介变量，并且，不同的零售业态需要采取不同的顾客忠诚策略。对综合超市而言，需要努力建立店铺与消费者之间的情感联结，使消费者对店铺产生心理认同；而对百货店而言，与其建立消费者对店铺的心理认同倒不如直接采用一些营销方式吸引消费者来店重复购买更加有效。

局限与未来研究方向

本研究以商品组合作为零售商创造顾客价值的重要手段，以消费者对店铺的溢价支付意愿作为零售品牌资产的测量变量，探讨了零售品牌资产的来源和形成机制，具有一定的理论和实践意义。但本研究仍存在一些未尽之处，例如：本研究仅从效用范畴界定商品组合价

值而没有考虑其可能包含的享乐型价值；在零售业态的选择上只考虑了同样具有大规模商品组合的百货店和综合超市，而没有考虑其它业态间的差异；此外，研究中个别量表的区辨力不够十分良好（如信息获取价值与店铺情感），这可能在一定程度上制约模型预测的准确性。

因此，在今后研究中，可以从多维度感知价值更加全面和深入地讨论零售商的商品组合给顾客带来感知价值，并可以增加研究的零售业态类型。

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附录 构念测量题项

构念	测量题项
商品获取价值	MA1. 在这家店可以买到我想要的东西 MA2. 在这家店能够一次性买全我想要的各种商品 MA3. 即使临时改变计划，这家店也能够找到我想买的东西
信息获取价值	IA1. 在这家店可以方便地进行同类商品的比较 IA2. 我可以很容易地确定这家店是否有我想要的东西 IA3. 在这家店选择商品不费劲 IA4. 购物时，我可以迅速找到想买商品的相关信息
店铺情感	A1. 我喜欢这家店 A2. 在这家店购物感觉很好 A3. 我享受在这家店的购物 A4. 这家店给我带来好心情
态度忠诚	C1. 我对这家店有感情依恋 C2. 感觉我就像这家店的家庭成员 C3. 我对这家店有强烈的归属感
行为忠诚	R1. 我将这家店作为自己的首选店铺 R2. 在以后的日子里我将会更多地光顾这家店 R3. 就算必须重新选择，我还是会选择这家店
溢价支付意愿	P1. 在同类店铺中，我愿意向这家店支付一个更高的价格 P2. 我更喜欢在这家店购物，即使其他店铺价格更低 P3. 我愿意继续在这家店购物，即使它涨价

高管团队内、外社会网络对企业创新绩效的影响 ——环境不确定性的调节作用

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摘要：创新承担着和推动者的企业家越来越难以应对复杂多变的市场环境，当今，越来越多的企业依靠高管团队的力量来提高创新产出。本文基于社会网络视角，研究高管团队内外部社会网络特征对企业创新绩效的影响，以及这种影响的情境性。

关键词：高管团队、网络密度、网络桥连接、创新绩效

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一、引言

随着经济全球化以及信息与科技的快速发展，企业间的竞争达到了前所未有的激烈程度。面对客户多样化和个性化的需求，企业只有进行不断的创新，为消费者带来新的产品和服务，才能在日益激烈的市场竞争环境中得以生存和发展。创新成为企业生存与发展的关键要素，这一观点得到了理论界与实践界的普遍认可。另一方面，经营环境日益复杂多变，仅靠企业家一个人来制定战略决策，显然是不够的。企业的管理实践也表明，高管团队已经取代企业家成为企业战略决策和资源配置的主导者。作为企业战略的决策者，高管团队对企业创新战略的选择、创新行为和创新能力的影响至关重要。如 Qian 等（2013）研究了竞争与制度环境在高管团队职能多样性与组织创新关系中的调节作用。Li 等（2013）基于注意力基础观探讨了高管团队搜索的位置选择和搜索强度对于公司新产品引入的影响。国内学者肖挺等（2013）以服务行业上市公司为例研究了高管团队异质性与商业模式创新绩效之间的关系。雷怀英等（2014）实证研究了高管团队特征与企业研发投入强度间的关系。卫旭华等（2015）利用上市公司数据研究了高管团队权力不平等对企业创新强度的影响。施建军等（2015）研究了高管团队信任与企业创新方式选择的关系。

虽然现有关于高管团队与企业创新关系的研究，大大丰富了高管团队和创新理论。但目前基于社会网络视角进行的研究还不是很充分。而事实上，高管团队内部各成员之间关系的疏密、互动的模式必定影响到企业的创新决策和行为，高管团队与企业外部建立的各种各样的联系，能够给企业带来不同的信息和资源，也会对企业的创新产生影响。此外，企业的经营环境也会对企业的创新战略与结果产生不同的效应。基于此，本文从高管团队的内外部社会网络出发，选择了高管团队内部网络密度和外部网络桥连接作为自变量（之所以选择这两个概念是因为他们之间的互补性），探讨了他们各自以及二者的交互效应对于企业创新绩效的影响，同时考察了环境不确定性在高管团队内部网络密度、外部桥连接与组织创新绩效关系中所起的调节作用，并利用调研数据对相关假设进行了检验。

二、理论与假设

1. 高管团队内部网络密度与企业创新绩效 网络密度指的是网络成员之间实际存在的联系数量与理论上可能存在的联系数量的比值（Burt, 1992）。在一个网络中，网络成员之间彼此发生的实际联系越多，网络的密度就越高；反之，成员发生的实际联系越少，则密度越低。在高密度的社会网络中，成员之间存在着较多的直接联系，产生了多个冗余的沟通和信息交换渠道，促进价值观、规范和知识在网络内传播（Rulke & Galaskiewicz, 2000），进而增进了团队成员彼此间的信任。

现阶段瞬息万变的外部环境，要求企业快速做出回应，并且不断进行创新，组织的创新涉及生成和实施新的想法或行为，包括新的产品、服务、工艺技术、组织结果或管理体制（Damanpour, 1996），风险性高，不确定性也大，一旦决策失误，可能给公司带来毁灭性的打击。创新决策的速度和质量直接影响着企业的创新绩效，而影响高管团队快速做出高质量战略决策的一个关键要素就是及时的

信息 (Eisenhardt, 1989)。但是,一方面高管团队成员在性别、年龄、教育背景和工作经验等人口统计学特征方面存在着区别 (Hambrick 等, 1984), 另一方面, 他们在企业内部进行分工合作, 获取的信息也不相同, 因此, 高管团队成员所拥有的专长、知识和信息是不同的, 如果信息不能共享, 高管们掌握的知识和信息不仅对企业创新无益, 而且可能产生更大的冲突和矛盾。

高管团队内部网络密度高, 彼此之间的紧密联系, 可以带来社会互动和信任 (Tsai & Ghoshal, 1998), 在信任的基础上, 团队成员更加愿意共享资源和信息, 同时, 信任也使得他们之间沟通也更为顺畅, 产生更多的合作行为, 并达成一致的意见 (Collins&Clark, 2003)。在创新决策过程中, 高管团队成员之间的信任与信息共享, 为决策提供了所需的信息, 降低了决策中的机会主义行为, 提高创新决策的速度和质量, 同时彼此间的信任与支持, 也能够避免或缓解创新决策执行过程中的冲突和矛盾升级, 保证决策的有效执行。高管成员间的知识共享和信任是组织创新的重要维度 (Smith 等, 2005; Spencer, 2003)。因此, 高管团队成员内部网络密度越高, 企业的创新绩效会越好。据此提出:

假设 1: 高管团队内部网络密度对企业创新绩效产生积极影响。

2. 高管团队外部网络桥连接与企业创新绩效

高管团队内部的知识和信息总是有限的, 企业高管与外部网络的桥连接也是新信息的丰富来源, 对企业的创新绩效有着重要的影响。所谓高管团队的桥连接指的是高管团队与公司外部保持联系的程度 (Stam & Elfring, 2008)。通过桥连接, 企业可以获得多样化的信息, 如高管团队成员与政府、各种中介服务机构之间的联系, 可以获取与国家发展战略导向以及对创新活动支持的相关信息; 与外部技术专家的联系, 成为企业创新搜索的重要来源; 与竞争对手、供应商、客户之间的联系, 有利于企业捕捉最新的市场趋势与需求等信息。桥连接带来的知识和信息, 是组织创新绩效的重要驱动力量 (Cohen & Levinthal, 1990)。

高管团队成员与组织外部的桥连接可以为公司的创新战略决策提供包括最新的技术和管理理念、先进的工艺流程和方法、有效的市场信息 (Stam & Elfring, 2008) 等多样化的信息, 使得他们在决策时能够突破依靠公司已有的管理和自己过往的经验进行决策的束缚, 降低了对决策信息理解的片面性和主观性, 有利于提高创新决策的质量和速度。因此, 丰富的桥连接对企业创新绩效有积极的作用。据此提出:

假设 2: 高管团队外部网络桥连接对企业创新绩效有积极作用。

3. 高管团队内部网络密度与外部网络桥连接的交互效应对企业创新绩效的影响

虽然外部网络提供了丰富的多样化信息, 解决了高管团队决策的信息来源问题, 但这些知识和信息不会自动转化为创新的产生 (Ahuja, 2000; Obstfeld, 2005)。由于内部分工的不同, 高管成员建立的外部网络也会有所差别, 获取的知识和信息也各有侧重, 而这些不同来源的知识和信息只有通过共享和整合, 才能充分被利用。高管团队的内部网络则提供了利用这些信息的机会。高管团队内

部网络高密度提升了他们之间信息共享的程度，进而影响了组织的创新绩效。一方面如果高管团队与外部联接较少，对于诸如国家发展战略和市场需求趋势等了解不清，即便他们内部联系紧密，基于自身掌握的有限信息进行战略决策，可能并不能给企业带来预想的收益。另一方面，尽管企业的高管团队成员与外部建立了广泛的网络联系，但如果高管之间缺乏沟通与交流，不能就各自从外部获得的知识与信息在团队内部进行充分的交流并实现共享，这些信息非但对战略决策无益，反而可能导致高管们在决策时更大的认知冲突和情感冲突（Amason, 1996; Simons & Peterson, 2000），从而降低了决策的速度。因此，只有两者有效结合，高管团队通过建立丰富的外部网络桥连接克服知识与信息获取的不足，通过高密度的内部紧密联系建立相互间的信任与信息共享，解决从外部获得的信息难以充分利用的问题，企业的创新绩效才会越大。因此，本文提出如下假设：

假设 3：高管团队内部网络密度与外部网络桥连接的互动效应对企业创新绩效产生影响，网络密度越高、桥连接越丰富，高管团队对于企业创新绩效的影响越大。

4. 环境不确定性对高管内外部社会网络与企业创新绩效的调节作用 所谓不确定性，通常被定义为预测未来结果存在困难（Beckman 等，2004），或者对于组织研究，更准确地说是无力预测公司的绩效（Milliken, 1987）。以往的文献对管理领域不同类别的不确定性进行了区分，如 Beckman 等（2004）将不确定性分为公司特有的不确定性和影响所有企业的市场不确定性，还有学者倾向于将环境不确定性分为技术不确定性和市场不确定性（Lu & Yang, 2004）等。对于企业创新而言，环境不确定性一方面提供了机会，另一方面也加大了创新的成本和风险，给企业带来挑战。在高度不确定的环境中，预测技术、需求、资源供给、竞争动态性的难度对高管人员收集、追踪和分析信息提出了更多的要求（Hambrick, Finkelstein, and Mooney, 2005），他们需要通过更加严格的扫描、搜索、解读以及选择等过程对大量的信息进行处理。如果高管团队内部网络密度高，彼此联系较为紧密并相互信任的话，他们会更加愿意共享各自获取的信息以及对于信息的解读，进行顺畅的沟通，从而降低了每个人处理外部信息的繁重程度，减少了处理时间，便于快速达成战略共识。

此外，高度不确定性的环境也增大了高管们获取实施创新想法所需资源的难度。高管团队通过外部网络桥连接获取的包括有关消费者偏好的变化以及国家战略转型等信息以及相关的资源，在更高水平的不确定性时，会导致更多地利用这些网络资源，从而给组织带来创新绩效的好处。由此，提出如下假设：

假设 4：环境不确定性正向调节高管团队内部网络密度与创新绩效间关系；假设 5：环境不确定性正向调节高管团队外部网络桥连接与创新绩效间关系。

本研究的基本实证研究模型

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多品牌企业品牌危机的溢出防御机制研究：消费者品牌依恋的作用 许

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摘要：品牌危机不仅仅影响发生危机的品牌，还会波及到企业其它品牌，呈现出传染效应（溢出效应）。现有研究对品牌危机的防御研究主要集中在对发生危机的品牌处置上，而较少研究这种危机的溢出效应。本文提出消费者品牌依恋是一种有效的防御机制，可以有效缓解品牌危机跨品牌间的溢出效应，并且品牌依恋的防御作用具有情境性，受到品牌相似性影响。本文研究对品牌危机理论和实践具有一定的价值。

关键词：品牌依恋、品牌危机、危机溢出、品牌相似性

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老字号如何取“洋名”？

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摘要：本文以语言学中的等效翻译理论为基础，从消费者的角度研究了“老字号”的英文译名。双语双方言的消费者，在书面测试中略偏向有意义的英文单词，而在发音测试中，偏好拼音表达方式。在完全不受中国文化影响的市场中，消费者偏好有意义的英文单词。

关键词：品牌名称；老字号；翻译；国际化

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在国际品牌进入中国的同时，中国品牌也在走向世界。中国品牌在走向国际市场的过程中，必定会遇到品牌名称翻译的问题，在翻译时应怎样表达汉字的“形”和“意”？按照方言翻译或按照普通话翻译会得到何种效果？这方面的消费者行为实证研究还比较少。目前，中文品牌的译名大多都是从语言学的理论和角度出发的。但品牌名称并非仅仅是日常交流语言，它还具有商业意义，所以“老字号”品牌名称的翻译的问题应该以语言学理论为基础，同时从消费者行为的角度出发。

一、语义分析

（一）中国品牌的英文译名分析。对外开放以来，已经有许多中国企业和产品走出国门。在“中国制造”阶段，产品性价比是中国出口企业获得利润的关键，但从经济增长模式看，中国从经济大国转型为经济强国，必定会从“中国制造”模式转型为“中国品牌”模式。

对于现阶段的中国企业而言，公司和产品往往采取同一个品牌名称，以下分析的品牌名称均是公司名称。中国企业采用的英文品牌名称按翻译方式分类，主要有以下几种形式：

1、音译法

（1）拼音音译法。品牌名称按照汉语拼音的发音，也按照汉语拼音的拼写，其表现形式是英语中的无意义词汇。例如：“万华”的英文名称为“Wanhua”。“同仁堂”是中国老字号中率先走出国门的品牌之一，“同仁堂”在进行英文品牌命名时，按照汉语拼音的发音，通过音译翻译成为“Tong Ren Tang”，但“堂”在“中华老字号”的企业中代表“药店”，“仁”代表关怀，可见这个英文品牌名称没有表达出“同仁堂”的意义和功能。

（2）无意义单词音译法。品牌名称按照汉语的发音，但是按照英文的拼写规则，命名成无意义的英文单词。例如：我国家电行业的著名品牌“格兰仕”的英文命名为“Galanz”，“海尔”的英文品牌名为“Haier”。有的品牌不是按照普通话的发音命名自己的英文品牌名称，而是按照方言的发音命名的，如“屈臣氏”的英文名称为“Watsons”，这个英文名称的发音与“屈臣氏”的粤语发音非常相似。另外，也有采用混合无意义音译法的，用拼音和无意义单词混合命名的方式，如化妆品品牌“仁光堂”的英文名称为“Ren Guang Do”。

（3）褒义单词音译法。品牌名称按照汉语的发音，命名成有褒义的英文单词。例如：我国家电行业的品牌“美的”的英文名称为“Media”。由于汉字属于表形文字，这一类英文名称都不能代表中文品牌名称所附函的意义和功能，但英文是表音的文字，所以这一类的英文名称往往与某个表达褒义的英文单词发音相近或相同，如“Haier”和“Higher”在听觉十分的相似，“三一重工”的英文名称为“Sany”，和“Sunny”在听觉上也十分相似。这样的品牌名称虽然无法表达中文名称的含义，但同样可以使消费者产生正面的品牌联想。

2、意译法

(1) 有意义单词意译法。品牌名称按照中文名称的意义，命名成有意义的英文单词。如，“日升”的被命名为“Sunrise”。我国 IT 业的著名品牌“联想”在换标前的英文名称为“Legend”，同行业的“爱国者”在换标前的英文名称为“Patriot”，采取的都是这种命名方法。这种命名方法能够表达出中文品牌名称的意义，但这些品牌在走向国际市场时面临到的尴尬问题是——很多这样的英文商标在国外已经被注册过了。在遇到这样的问题时，企业必须重新更换相关的品牌元素，这就意味着企业丧失了部分品牌资产，然后必须重新进行投资。

另外，还有的品牌并没有完全按照中文名称的进行意译，如“宏碁”的英文名称为“Acer”，“Acer”源于拉丁文，代表鲜明的、活泼的、尖锐的、有洞察力的、敏锐的与有活力的等意义。

(2) 无意义单词意译法。有一些品牌名称是英文的无意译单词，但代表的意义是企业的口号，这也是对品牌名称进行英文命名的一种方式，如“明基”的英文名称是“Ben Q”。

这个品牌名称是“Bring Enjoyment and Quality to Life（享受快乐科技）”的首字母缩写。国内有一家彩色显像管品牌“彩虹”，其英文品牌名为“IRICO”，这个词是“Iris+ Corporaton”组合而成，“Iris”是古希腊神话中专门传播美好消息的彩虹女神，这个典故大大丰富了这个品牌名称的联想。

(二)“中华老字号”命名的文化特征以上是对一般汉语品牌的英文译名的语义分析，事实上，“中华老字号”的品牌名称有其自身的许多特点。

用英文表达“中华老字号”的品牌名称，使其能在以英语为主要交流语言的市场进行传播，其困难不仅仅是汉语和英语在语言学上的差异。

中国品牌名称与西方品牌名称的巨大区别是，西方品牌名称的趋向是中性化（即名称本身不附带任何意义），而老字号十分注重名称中的内涵和文化意义相对应。

中国大陆的学者总结了“中华老字号”的品牌名称具有以下特点，他们指出老字号名称与西方品牌名称的本质的不同主要体现在两个方面（表 1）：

表 1 老字号和西方品牌名称背景比较

	老字号	西方品牌
文化	儒家文化	西方文化
导向	人文导向	市场导向

资料来源：卢泰宏.《解读中国营销》. 中国社会科学出版社. 2004. 16

通过对 79 个老字号名称的分析，他们将老字号的命名特征分为四点：一是注重文化内涵；二是文化认同：“避忌求吉”；三是以创业者或者产地命名；四是名称注重文化审美。在一个有五千年传统文化滋养和熏陶的环境里，商家在追求

利益的同时也牢牢遵守传统文化为人处世的原则和中国传统文化所提倡的一些思想。“中华老字号”的命名有如此丰富的文化内涵，但是其英文命名方式却非常单一，拼音音译法在老字号企业中获得广泛的认可。

二、研究方法

(一) 研究一。“老字号”的品牌名称具有丰富的文化内涵，而语言中独特的文化性一直以来都被认为是翻译中最难处理的部分之一。国外学者总结过英文品牌名称的命名方式有描述型、暗示功能型、联合词汇型、引经据典型和臆想型五种。这说明英文品牌名称本身并非都拥有丰富的文化内涵。那么，当我们对“老字号”进行英文品牌命名时，是否一定要突出“老字号”的文化内涵？不同语言使用者的目标市场是否对“老字号”的英文命名有不同的要求呢？

另外，根据“激发”现象，消费者接触品牌名称的环境会影响到他们对品牌名称的评价。“激发”现象描述的是先前的情境对关于新信息的解释的影响。在心理学的文献中，“激发”用在语言结构和意义层次上得到了说明。也就是说，如果在营销传播中强调品牌的功能，那么，消费者会更多考虑产品的功能，而不考虑品牌名称本身所带来的联想，如果事先强调文化，那么消费者会偏向一个与其文化意义相关的名称。一旦其他先前的情境超过了产品功能或者品牌文化对新信息的解释的影响，比如，说消费者对某种语言的偏好，那么无论强调产品功能或者强调品牌文化都应该不会对消费者的语言选择产生影响。

根据以上内容，研究者得到以下假设：H1 对于双语者的消费者，他们对英文和中文的偏好应该没有差异，但是会在了解品牌文化的前提下，会更加偏好汉语拼音表现的品牌名称。H2 对于以英语为母语，不懂汉语的消费者，他们会偏好以英文单词形式呈现的品牌名称。无论事先强调文化还是强调品牌功能。

1、被试和设计。从2006年9月29日中华人民共和国商务部公布的第一批老字号名单中，选取了包括药业、传统食品、传统饮品、制衣、手工用具、传统餐馆六个品牌（同仁堂、王老吉、恒源祥、周生记、咀香园、张小泉）进行测试。

在对以双语者为被试的研究中，92个在国际交流学院就读的香港学生参加了这一实验，他们被告知是对老字号品牌名称的英文译名进行评价。这些被试同样被随机分配到6种试验条件中：2（强调品牌功能/强调品牌文化）×3（拼音/无意义英文单词/有意义英文单词）。在以双语者为被试的研究中，问卷的中文部分是用繁体字表达的。采用被试间设计，强调品牌功能/强调品牌文化通过指导语进行控制（例如：王老吉是一家以凉茶为主要产品的食品企业/王老吉凉茶由广东鹤山人王泽邦于清道光八年，即1828年创立，原来叫做阿吉凉茶，当年钦差大臣林则徐微服入粤查烟，亲身体验过阿吉凉茶的奇妙后，派人送来了一个刻有“王老吉”三个金字的大铜壶赠于王泽邦。从此，王泽邦以王老吉为号），强调的内容位于译名前面，而且字体采用黑体。

在对以英语为母语的被试者（不懂得汉语）的研究中，153个澳大利亚 ECU 的学生参加了这一实验，他们被告知这是一个关于品牌名称的测试。这些被试

被随机分配到 6 种试验条件中：2（强调品牌功能/强调品牌文化）×3（拼音/无意义英文单词/有意义英文单词）。在以英语为母语者为被试的研究中，问卷全部采用英文编写。

2、程序。每个被试者都收到一份问卷，里面包括王老吉、同仁堂、周生记、咀香园、张小泉、恒源祥六个老字号品牌，研究者要求被试者对这些老字号的英文译名进行评价。为了让被试者认真作答，研究者告诉他们这些名称评价很重要。对于每一个英文呈现的品牌名称，被试者均在三个七点量表上做出评价：①坏/好程度；②一点都不满意/非常满意；③不喜欢/喜欢。在对以双语者为被试者的研究中，还需要控制被试者的普通话水平，被试者在七点量表上对自己的普通话水平进行自评（题目用繁体字编写：請您按 1-7 為您的普通話水準評分，滿分為 7 分，最低為 1 分，您覺得自己的普通話水準是 ），在澳大利亚学生参加的实验中，研究者还要求被试填写是否见过这些品牌的中文品牌名称。在 3 个实验中，研究者均控制了熟悉度，要求所有被试在七点量表上对每个英文名字的熟悉度（1=“一点都不熟悉”，7=“非常熟悉”）进行评价。

3、结果与讨论。在以香港学生为被试的研究中，强调信息的主效应是存在的（ $F=(1, 89)=5.539, p<0.05$ ），而翻译方法的主效应并不存在（ $F=(1, 88)=0.116, p<0.05$ ）。澳洲学生的研究结果说明，无论是强调功能或者强调文化，有意义的英文单词会获得最好的评价，翻译方式的主效应是存在的（ $F=(2, 147)=5.691, p<0.05$ ）。由于以英语为母语，并且不懂汉语的人毫不理解“老字号”的意义，强调功能或者强调老字号的文化意义都没有作用。

该研究部分证明了假设H1。翻译方法的差别并没有引起消费者评价的变化，而强调信息的不同却使得消费者的评价有了差异。这说明在以香港学生为被试的测试中，强调品牌的文化比强调品牌的功能性更加有效。假设 H2 得到了部分验证。有意义英文单词获得了以英语为母语的消费者的最大偏好，但是无意义单词没有受到偏好。以澳洲学生为被试的研究结果表明，无论是强调功能或者强调文化，有意义的英文单词会获得最好的评价，翻译方式的主效应是存在的（ $F=(2, 147)=5.691, p<0.05$ ）。以英语为母语，不懂汉语的人毫不理解“老字号”的意义，他们更需要理解的是产品的功能。

（二）研究二。研究一采取的是书面呈现的材料，旨在研究以双语者、以英语为母语者（不会说汉语的人）对老字号英文译名的不同评价。但是研究一中没有涉及到方言的问题，事实上，语言行为者的活动大都普遍采用有声活动，即口头媒介的语言表现形式 [18]，所以，方言在传播中是一个很重要的影响因素，本研究涉及的粤方言，粤方言是指“分部在广东省中部和西南部、广西东部、南部等约一百多个县以及香港、澳门等地的方言”。

此外，东南亚、南美等地区的华侨和华裔也大都以粤方言为母语。粤方言是现代汉语方言中与民族共同语言差别较大的方言之一。使用粤方言的人数约占汉族总人口的 5%左右。粤方言以广东话为代表。香港的学生全部说粤语，普通话水平也参差不齐（Range=6, Mean=4.25, Std.=1.623）。那么，被试的品牌名称的评价，会不会受到方言的影响呢？他们会偏好以普通话发音、粤语发音还是以

英文形式发音的品牌名称呢？ 3、结果与讨论。

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以英语为母语者（不会说汉语的人）对老字号英文译名的不同评价。

但是研究一中没有涉及到方言的问题，事实上，语言行为者的活动大都普遍采用有声活动，即口头媒介的语言表现形式 [18]，所以，方言在传播中是一个很重要的影响因素，本研究涉及的粤方言，粤方言是指“分部在广东省中部和西南部、广西东部、南部等约一百多个县以及香港、澳门等地的方言”。此外，东南亚、南美等地区的华侨和华裔也大都以粤方言为母语。粤方言是现代汉语方言中与民族共同语言差别较大的方言之一。使用粤方言的人数约占汉族总人口的 5%左右。粤方言以广东话为代表。香港的学生全部说粤语，普通话水平也参差不齐 ($Range=6, Mean=4.25, Std.=1.623$)。那么，被试的品牌名称的评价，会不会受到方言的影响呢？他们会偏好以普通话发音、粤语发音还是以英文形式发音的品牌名称呢？

H3：由于香港学生的日常生活语言是粤语，所以他们对粤语发音的品牌名称会有更高的评价。但由于他们是双语双方言者，他们会对有意义英文单词的品牌名称评价最高。

1、实验材料。本研究仍然采用了研究一中的六个中文品牌名称。研究者邀请在中山大学管理学院就读的香港学生录制粤语材料。香港被试使用的是繁体中文的问卷。在对以双语者为被试的研究中，92 个在国际交流学院就读的香港学生参加了这一实验。他们被告知是对老字号品牌名称的英文译名进行评价。品牌

名称的播放顺序为粤语、英语无意义单词、英语有意义单词、普通话。 2、程序。

每个被试都收到一份问卷，里面包括王老吉、同仁堂、周生记、咀香园、张小泉、恒源祥六个老字号品牌，在他们听到录音后，让他们对这些老字号的英文译名进行评价。

为了让被试认真作答，研究者告诉他们这些名称评价很重要，测试虽然是学术研究目的，但是这个研究的结果对“老字号”未来成为国际品牌具有深远的意义。对于每一个以汉字呈现的品牌名称，被试均在三个七点量表上做出评价：①坏/好程度；②一点都不满意/非常满意；③不喜欢/喜欢。在对以双语双方言者为被试的研究中，研究者还控制了被试的普通话水平，被试在七点量表上对自己的普通话水平进行自评（题目用繁体字编写：請您按 1-7 為您的普通話水準評分，滿分為 7 分，最低為 1 分，您覺得自己的普通話水準是 ）。在两个实验中，研究者均控制了熟悉度，要求所有被试在七点量表上对每个中文品牌名称的熟悉度（1=“一点都不熟悉”，7=“非常熟悉”）进行评价。

3、结果与讨论。 以香港学生作为被试的结果是，无论在何种翻译方式下，

几种翻译方式之间都没有显著的差异。粤语发音的评价（3.58）略高于其他翻译方式的名称（M 粤语拼音=3.58，M 普通话拼音=3.51，M 有意义英文=3.27，M 无意义英文=3.11）。假设 H3 没有得到证实。香港被试是双语双方言者，但他们在对品牌名称的发音做出评价时，只表现了对粤语略微高一些的评价，而并没有表现出对英语发音方式的偏好。

三、结论 本研究以语言学的等效翻译理论作为理论基础，从消费者行为的角度出发，证明品牌名称作为一种特殊的名称，在翻译时不仅仅要考虑语言学方面的问题，也不能忽视品牌本身的性质。

对于双语双方言的香港被试，他们只是在书面测试中略偏向有意义的英文单词，而在发音测试中，也对含有中文表达方式的名称有更多偏好。这一研究说明，“老字号”这种具有深刻典型意义的中国品牌名称有其自身的特点，由于老字号所包含的这种强烈的历史感和文化意味，即使是在双语双方言的香港被试中，偏向中文发音的品牌名称也得到了更高的评价。

而香港被试对无意义英文单词作为品牌名称的评价都在所有结果中最差。这个结果的营销意义在于，由于“老字号”厚重的历史感，在有中国文化的地区，当营销者需要把“老字号”的品牌名称翻译成英文时，需要强调其品牌的历史感和文化意义。

品牌名称以语音的方式进行传播时，应该考虑到方言的影响。在完全不受中国文化影响的市场，命名“老字号”英文品牌名称时应该使用有意义的英文单词，并在宣传时强调产品的功能性。

本研究的不足主要有以下两点：①因为本研究采用的是真实品牌，除了熟悉度外、普通话水平、方言掌握情况，还会有其他研究者未考虑到的条件影响。②除研究者所提及的翻译方法外，还应该另有其他的翻译途径，在此研究中没有涉及到。

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研发与广告对企业技术效率影响研究*

——基于我国食品行业上市企业的实证分析

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摘要 以我国 2009-2013 年食品行业上市企业公报数据为基础,运用数据前沿分析法(SFA)探讨了食品企业研发投入与广告投入策略对当期和长期企业技术效率的影响。实证分析显示,在研发力度不变的情况下,随着广告投放额的增加,广告势力效率显著性变化呈现出一定的规律性;企业的广告投入短期内与企业市场势力效率与企业盈利效率没有显著性关系;从长期看,企业的广告投入与企业市场势力效率正向相关,但是与企业盈利效率的正向相关性存在不确定因素;企业的规模与企业技术效率并没有显著的相关性;企业的毛利率对企业技术效率有正向的影响作用,而财务杠杆对企业技术的影响则不确定。为此笔者提出了企业在多要素结构情景下合理投放研发费用、广告费用及合理的运用企业财务的建议。

关键词 研发;广告;技术效率;数据前沿分析法

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一、引言

食品行业是关系国计民生的支柱基础产业,食品行业现代化水平能够折射出一个国家或地区居民生活质量水平的高低。长期以来我国食品行业发展较为迅速,并形成了较高的产业集中度。从发达国家发展路径看,产业集中度高的行业通常会高度重视企业研发投入、广告投入和企业技术效率的结构,通过技术创新和品牌效更好地提高企业可持续发展。但是,处在该阶段的我国食品业的企业盈利效率和市场势力效率如何,迄今缺乏深入系统研究。

无论在欧美发达国家,还是在欠发达国家,企业技术效率低下状态都是广泛并存的。现有研究多体现在从市场结构、管理层激励、所有权结构、资本结构等视角,探讨企业技术效率的发展。但是,随着产业集中度和企业竞争创新的多样性展开,许多学者开始关注完全竞争行业内企业竞争策略对企业技术效率的相关影响效果,运用计量工具(如随机前沿分析法)来深入研究其影响效果与相关性。其中研发投入、广告投入对企业技术效率的影响受到了关注。在现代企业竞争的内生变量中,研发投入和广告投入究竟是怎样的关系呢?长期以来多数学者忽视了这对市场竞争策略。研发与广告投入是企业市场运营发展中竞争结果影响很大的策略选择,研发投入通过知识产权产出等提高企业创新能力以改良企业技术效率,使企业拥有核心竞争力;而企业通过广告投入提高企业品牌美誉度,提高新竞争者行业进入壁垒,以达到提高企业技术效率的效果。有专家认为在完全竞争的市场中,研发投入、广告投入和企业技术效率有较为强烈的相关性影响,但有的研究却否定了这一相关性影响。这种相关性

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究竟是否存在，又是否会因为研究方法和模型的改变而发生变化？研发与广告投入这两个市场竞争策略之间又存在着怎样的关系？现有的研究文献并不能有效地给出这些问题的答案。本文以我国食品行业上市企业为例，就完全竞争的食品行业企业构造全国性样本，计算出我国食品行业企业技术效率，同时通过多角度多技术实证分析研发和广告投入与企业效率的关联性，以此探讨我国食品上市企业内生变量之间及其对企业效率影响的差异。

二、研究文献综述

技术效率是伴随技术进步出现的，它是用来衡量技术在稳定使用(即没有技术创新)过程中，生产者获得最大产出的能力。技术效率又是一个纯粹的物质概念，从技术角度讲，资源是否得到充分利用。若投入的有技术效率的生产要素达到最佳组合，取得相对最大的产出效果，则称这种技术效率是最佳的。Farrell (1957)是最早从微观企业层面研究企业效率的学者，他提出了生产前沿函数的概念，并把它作为评价企业资源利用效率的基础，该方法对后来人们研究企业效率影响很大。Leibenstein (1966)从产出角度对技术效率的概念作了新的定义。Afriat (1972)使用最大似然法建立了具有统计性质的边界生产函数模型，创始运用计量经济模型来研究技术效率。但是这种研究方法有缺陷(王幼松，张雁，2000)。主要是边界生产函数只能由部分样本观察值决定，因而没有充分利用所有的样本资料，边界生产函数的估计严重地受数据质量的影响，由于种方法计算出来的参数不具备统计性质，因而不可能进行统计检验和统计推断。直到随机边界生产函数提出才克服了上述缺陷，随机边界生产函数的创立使技术效率的估计由纯理论探索转向应用成为可能(Meeusen, 1977)。

Toshiyuki, Mika (1997)曾对日本电力行业做过研究，发现研发投入对技术效率起抑制作用。Hanel 和 Pierr (2002)发现研发投入将通过提高研发产出对企业效率产生正向影响。ho 等(2008)选取韩国 550 家公司作为样本，研究表明研发投入与公司业绩之间呈正相关关系。Somaya 等(2007)、Arora 等(2008)、Artz 等(2010)等研究均表明企业内部研发投入与专利产出具有显著的正向关系，并促进技术效率。Li 和 Hwang (2011)按照盈利能力将企业做了进一步划分，发现在那些高于 ROE 平均水平的公司中，研发投入与企业盈利正相关，反之则不相关。广告投入对企业技术效率影响也是此领域中的热点。

Pitelis(1991)的实证研究则证明广告费对增加利润有很大的正向影响。Paton 和 Williams (1999)认为对于处在消费品行业公司，广告投入与利润率正相关。Core(2003)通过控制公司特有因素，将控制变量加入实证研究模型时证明广告支出与市值呈现负相关关系。Fieder (2001)等、Grullon(2004)等从投资者的角度对广告支出和企业绩效进行了研究，认为增加广告支出可以使企业的股票交易量和股票持有者人数上升。Amit(2004)等运用美国 PC 制造业 10 年的年度数据，对广告支出和企业的市场价值的长期关系进行了实证分析，认为广告支出对企业的市值有长期的正向影响。Singh(2005)认为广告支出与企业资本市场的表现强烈正相关。Hirschey 和 Spencer(1992)认为只有对于大型企业，广告投入才有长期

效应。Lodish (1995)认为对于大多数品牌,尤其是相对成熟的行业,广告费用的增加对利润的影响非常小。

我国学者最早多是从企业所有制和控制层级对企业效率的影响进行研究(刘小玄,2003,高伟,何枫,2005)。近年来我国学者开始研究研发和广告投入等要素对企业技术效率影响。乔均(2008)探讨了品牌延伸对市场份额和广告效率的影响。何枫、陈荣运(2008)用随机前沿分析和数据包络分析探讨了中日两国家电行业上市公司的技术效率状况,证明持续稳定的研发投入对企业市场势力效率和盈利效率的累积影响效果均为积极显著,持续稳定的研发投入能够有效促进企业效率的增长。该结论得到其它学者(唐德祥,李京文,孟卫东,2008)的实证研究确认。程华、朱文晶(2009)、冯文娜(2010)、指出企业研发投入与专利、新产品产出等具有显著的正相关关系。企业从研发投入到知识产权产出有一个过程,这使得企业当期的研发投入可能并不能立马见效,而存在一定的时滞。张庆利,吴宸(2011)认为研发投入存在“积聚效应”,即绝对投入达到一定的“阈值”才会显示效用。也有学者(张庆芝,何枫,赵晓,2011)从企业规模角度研究企业技术效率,证明企业规模对效率的影响显示为倒U形。企业规模与技术效率具有正相关的关系(李双杰、颜伦琴,2003)。但是,我国学者关于广告投入对企业技术效率影响的研究较少。

三、要素选取与模型建构

1. 技术效率研究方法选取

技术效率是企业用于衡量在稳定生产过程中获得最大产出的能力。决定企业技术效率的因素有很多,如企业的研发投入、广告投入、企业财务杠杠、企业规模、研发人员投入、企业资本密集程度、企业垄断程度及企业毛利率等对技术效率均有影响。企业产出能力涉及面比较广泛,本文主要考量企业技术效率队中的企业市场势力效率和企业盈利效率的影响。

在企业内生变量中,选取了企业的投入指标(总资产、公司员工人数)和企业的产出指标(主营业务收入、主营业务利润),本文选取产出指标的另一个原因是由于主营业务利润作为主要的企业效率产出指标也是由于其不易受到其他企业费用的影响干扰,同时也不至于常常为负值,从而可保证样本的有效观测值规模。在企业控制变量中,采用了企业期末总资产的自然对数计算企业规模G,上市企业的资

产负债率表示的财务杠杠L,企业主营业务利润与主营业务收入的比值毛利率M,以及文章主要研究的变量企业研发活动与企业广告宣传投入等。企业研发活动投入 R =研发费用投入额/企业营业收入额;广告宣传变量 A =企业广告投入额/企业营业收入额。

2. 研究模型构建与计算方法

(1) 研究模型的构建:以食品行业上市企业研发投入和广告投放投放为内生变量,检验对企业技术效率在市场势力效率和盈利效率方面的影响程度。

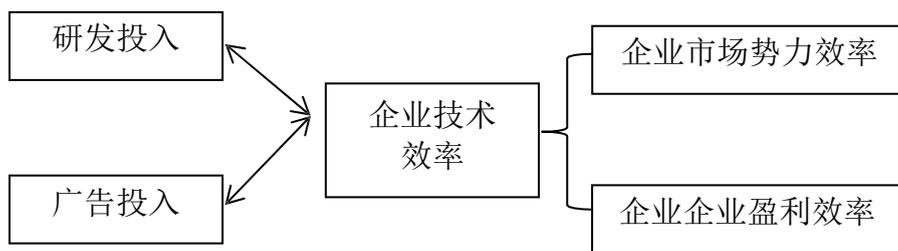


图 1 食品业企业盈利效率和市场势力效率的影响效果模型

早期的企业技术效率研究多应用财务指标分析法，其中通流动比率、人均利润、资产收益率等各类比率来研究企业效率，或使用著名的杜邦分析法来研究企业效率问题。虽然这些方法简便实用，但是没办法体现研究客体的整体宏观效率，同时指标选取的随意性、不客观性也会为研究结果带来误差。近年来企业效率理论的迅速发展延伸，研究这一问题所使用的计量工具也不断增多，基于运筹学发展而来的前沿分析方法开始成为分析企业效率的主流方法。本文选择了随机前沿分析法(SFA)进行研究。

随机前沿分析法是比较常用的是随机前沿分析方法。本文据此首先确定了食品行业上市企业生产函数的形式以及生产函数的投入变量、产出变量，并考虑外部变量与生产函数之间的关系和一些随机的误差，并事先假定无效率项的分布。最终构建随机前沿分析模型，计算企业实际生产函数与效率前沿面间的差距，测算出食品行业上市企业的市场势力效率和企业盈利效率。

依据模型 SFA 对企业市场技术效率测算分析。首先将样本面板数据采用随机前沿分析法(SFA)，根据企业主营业务收入来测算食品行业样本企业的企业势力效率，然后根据企业主营业务利润来测度食品行业样本企业的企业盈利效率。使用 Frontier version 4.1 对我国食品行业样本企业的企业市场势力效率与企业技术效率测计量量的同时，检测企业研发活动投入与广告宣传投入对这两类企业技术效率的相关性影响。

四、企业技术效率影响分析

1. 数据收集与研究指标选取

本文所使用的数据主要来源沪深两市披露的食品行业 51 家上市企业年报，以及 CSMAR 系列研究数据库系统。文中将研究样本期间确定在 2010-2013 年间，搜集这些企业的市企业公开披露的年报数据进行研究。在数据收集过程当中，均采用合并报表口径。共收集 5 个年度的 45 个观测值，51 家企业累积 1836 个有效观测值。

企业的研发活动支出 R 包括：企业研究活动当期支出 R_{it} 和企业研究活动支出的累计值 R_{it} 。研发投入会带来知识产品的产出，从而为企业带来一些例如知识产权或者商标专著等的无形资产，最终对企业的运营发展有着重要的推动作用。然而经过统计计量测算，Spearman 秩相系数为 0.968，Pearson 相关系数为 R_{it} 与企业研究活动

支出的累计值 R_{it} 是高度共线性。同样的企业的广告宣传活动支出包括：当期的企业广告宣传支出 A_{it} 变量与长期的广告宣传支出累计值 A_{it} ，和研发活动支出的效果类似，也能提高企业的品牌效应，为企业带来无形资产，对企业技术效率与企业价值产生影响。然而经过统计计量测算，Spearman 秩相关系数为 0.89，Pearson 相关系数为 0.92，当期的企业广告宣传支出 A_{it} 变量与长期的广告宣传支出累计值 A_{it} 是高度共线性。

运用 SPSS19.0 对各投入指标和产出指标进行相关性检验，检验表明，投入指标与产出指标都显现了高度的正相关关系，即投入增多，产出增多，投入减少，产出随之也跟着减少，检验结果符合单调性原则，由此也可以判断本文中对投入指标与产出指标的选取是相对客观、科学的。为方便计算，本文在进行数据运算计量之前采用了数据无量纲方法来处理数据。

2. 上市食品企业技术效率分析

(1) 上市食品企业市场势力效率分析。市场势力效率是一种市场权力，它主要是指卖方或买方不适当地影响商品价格的能力，对于卖方来说市场势力效率是卖方的垄断倾向性能力。2009-2013 年，51 家上市公司的企业市场势力效率基本呈现有效率的状态，但是企业市场势力效率数值呈降的趋势。平均值从 2009 年的 0.776 下降到 2013 年的 0.475，下降了 63.45%。企业市场势力效率的五年均值为 0.626。食品行业上市企业整体企业市场势力效率呈下降趋势，说明食品行业市场竞争较为激烈，企业的垄断性均呈现下降趋势，大部分上市食品企业的企业市场势力效率下降 2~3 倍。但是，一些品牌强调较大的企业波动较小。双汇发展 (000865)、五粮液 (000858)、贵州茅台 (600519)、青岛啤酒 (600600)、洋河股份 (002304)、光明乳业 (600597)、燕京啤酒 (000729)、泸州老窖 (000568)、顺鑫农业 (000860)、上海梅林 (600073)、山西汾酒 (600809)、古井贡酒 (000596)、中粮屯河 (600737)、北大荒 (600598) 和莲花味精 (600186) 的企业市场势力效率下降较小。上述企业市场势力效率的五年均值分别为 0.948、0.926、0.933、0.937、0.873、0.826、0.869、0.812、0.830、0.801、0.762、0.728、0.712、0.826、0.861 和 0.712。说明上述企业在行业的垄断地位较高，拥有较大的市场份额。然而佳隆股份 (002495)、量子高科 (300149)、南方食品 (000716)、金字火腿 (002515)、涪陵榨菜 (002507)、哈高科 (600095) 和保龄宝 (002286) 企业市场势力效率下降较大，甚至企业市场势力效率出现负值。这些企业均为行业中广告投放量小，而且市场份额也很小的企业。说明企业销售收入和企业广告投放量对企业市场势力效率有一定影响。

(2) 上市食品企业盈利效率分析。盈利效率是企业盈利能力的重要指标，企业市场盈利效率是企业一定时期内赚取利润的能力。盈利能力是一个相对概念，相对于一定的资源投入而言，利润率越高，盈利能力越强，利润率越低，盈利能力越差。2009 年-2013 年，51 家上市公司的企业市场盈利效率大多数呈现有效率的状态，企业市场盈利效率的平均值较为波动，2009 年最低 (0.315)，逐年上升到 2011 年到达顶峰 (0.495)，企业盈利效率五年的

均值为 0.382。由于整体经济环境变化，这些企业的盈利效率主要受到市场大盘影响较大，因此盈利效率下降和波动明显，2011 年-2013 年间上市食品企业的企业盈利效率呈下降趋势。但是，一些品牌强度较大的企业波动较小。双汇发展(000865)、五粮液(000858)、贵州茅台(600519)、青岛啤酒(600600)、洋河股份(002304)、光明乳业(600597)、燕京啤酒(000729)、泸州老窖(000568)、山西汾酒(600809)、古井贡酒(000596)和顺鑫农业(000860)等企业表现突出，波动性不显著，五年企业盈利效率均值分别为 0.855、0.946、0.978、0.868、0.888、0.874、0.842、0.885、0.820、0.704 和 0.697。然而金字火腿(002515)、莫高股份(600543)、黑牛食品、南方食品(000716)、全聚德(002186)、兰州黄河(000929)、量子高科(300149)、保龄宝(002286)、双塔食品(002481)、佳隆股份(002495)和涪陵榨菜(002507)等企业个别年份呈现出非技术效率的状态，其企业市场盈利效率值甚至为负值。从盈利效率表现突出企业看，企业销售收入和企业广告投放量对企业市场盈利效率有一定影响。

(3) 不同广告投放规模的企业技术效率分析。从远期看，广告投放额在 5000 万以上的企业，广告投入对企业技术效率的正向影响不显著。广告投入对企业市场势力效率的影响不显著(0.002093)，研发对企业市场势力效率的影响正向弱显著(-0.195693)；广告投入对企业市场盈利效率反向弱显著影响(0.127496)，研发对企业市场盈利效率的影响不显著(0.036445)。广告投放额在 7000 万以上的企业，广告投入对企业技术效率有反向弱显著影响。广告投入对企业市场势力效率有反向弱显著影响(0.118430)，研发对企业市场势力效率的影响正向不显著(-0.098135)；广告投入(0.038315)与研发投入(0.095543)对企业市场盈利效率的影响均不显著。广告投放额在 1 亿元以上的企业，广告投入对企业技术效率有反向显著的影响。广告投入对企业市场势力效率有反向显著影响(0.641362)，研发对企业市场势力效率的影响正向不显著(-0.006414)；广告投入对企业市场盈利效率有反向显著的影响(0.448173)，研发对企业市场盈利效率的影响正向不显著(-0.056070)。由此可见，广告对企业市场势力效率影响有显著的区间性，1000 万元~7000 万元是不显著区间，在此区间内，无论企业规模大小，广告投放对企业企业市场势力效率影响不显著，甚至有波动性。由此可见广告投放并不是越多越好，必须在合理区间内广告投放对企业市场势力才能产生效果。

(4) 企业研发与广告投放的技术效率分析。有许多内外部因素影响企业技术效率，而从企业自身策略因素考量的两个最主要的因素是研发和广告支出投入，这两个要素分别影响企业实现和创造资产价值。同时这两个变量对于企业资源的分配也极为重要。首先，企业的研发和广告反映着企业的两种核心功能，即创新功能和市场功能；其次，企业的研发和广告对应着企业的两种核心能力，即价值创造能力和价值实现能力；最后，企业的研发与广告和企业资源观相一致。企业资源观认为，很难模仿或转移那些能给企业带来持续竞争优势的

企业资产。虽然学术界关于研发投入、广告支出对企业绩效影响的研究并不少，但鲜有对这两种重要战略资源同时进行配置方面的研究。

表 1 基于 SFA 模型的当期企业技术效率因素分析

当期	企业市场势力效率		企业市场盈利效率	
变量	SFA 系数	t 值	SFA 系数	t 值
Constant	0.003910	0.008560	-2.772552	-7.651120
Ao	-0.005639	-0.052672	0.039297	0.433718
Ro	-0.102560	-0.961010	-0.038722	-0.427906
L	-0.143497	-2.170546	-0.039882	-0.702831
M	-0.043065	-0.928246	0.263930	6.926964
G	0.488138	12.074788	0.575833	15.310626

表 2 基于 SFA 模型的长期企业技术效率因素分析

长期	企业市场势力效率		企业市场盈利效率	
变量	SFA 系数	t 值	SFA 系数	t 值
Constant	0.284710	0.574295	-2.958019	-7.425571
Ac	-0.040750	-0.641592	0.050947	0.799866
Rc	-0.115042	-2.307402	0.027594	0.545037
L	-0.151634	-2.266497	-0.035458	-0.622317
M	-0.043300	-0.926665	0.266922	6.997240
G	0.482812	11.634147	0.578579	15.374786

表 1 与表 2 表明，在研究因变量研发与广告的同时加入协调变量财务杠杆、毛利率与企业规模。依据模型规定该表格中数值正值为负相关，负值为正相关，低于 0.1 为不显著。

从当期看，广告投入对企业市场势力效率影响不显著（-0.005639），研发投入对企业市场势力效率有弱正相关影响（-0.102560）；广告投入对企业市场盈利效率影响不显著（0.039297），研发投入对企业市场盈利效率影响不显著（-0.038722）。从长期看，广告投入对企业市场势力效率影响不显著（-0.040750），研发投入对企业市场势力效率有弱正相关影响（-0.115042）；广告投入对企业市场盈利效率影响不显著（0.050947），研发投入对企业市场盈利效率影响（0.027594）不显著。

从当期看来，财务杠杆对企业市场势力效率有弱正相关影响（-0.143497），企业规模对企业市场势力效率有显著负相关影响（0.488138），毛利率对企业市场势力效率影响不显著（-0.043065）；财务杠杆对企业市场盈利效率影响不显著（-0.039882），企业规模对企业市场盈利效率有显著负相关影响（0.575833），毛利率对企业市场盈利效率影响负显著（0.263930）。从长期看，财务杠杆对企业市场势力效率有弱正相关影响（-0.151634），企

业规模对企业市场势力效率有显著负相关影响(0.482812)，毛利率对企业市场势力效率影响不显著(-0.043300)；财务杠杆对企业市场盈利效率影响不显著(-0.035458)，企业规模对企业市场盈利效率有显著负相关影响(0.578579)，毛利率对企业市场盈利效率影响负显著(0.266922)。

五、主要的研究结论

结论一：广告投放对食品企业的技术效率有规律并有明显“阈值”特征。由实证分析可见，传统传播学理论认为广告投放对品牌提升和企业效率拉动有积极作用的结论并不是普遍适用。企业广告投放在5000~7000万元期间，广告投入对企业市场势力效率的影响不显著或者反向弱显著，广告投入对企业市场盈利效率影响反向弱显著或不显著。也就是说在此阶段，企业广告投放对企业销售规模的提升不明显，同时广告投放对企业效益提升也不明显。由此可见，在我国大多数中小企业为什么对广告投放不积极，由于中小企业规模小，利润率低，企业能够投放的广告额不高，大多在此区间，广告投放恰恰印证了本文结论，导致中小企业广告投放积极性不高。但是，广告投放额在1亿元以上的企业情况则不同。广告投入对企业市场势力效率有反向显著影响，广告投入对企业市场盈利效率有反向显著的影响。也就是说，当企业广告投放超过此“阈值”后，企业广告投放不仅对销售额提升明显，同时对提升企业效益也明显。本结论证明了为什么我国大企业对比广告投放比较积极。大企业规模大，利润相对高，企业广告投放额相对比较大，广告对销售和效益拉动效果明显，所以大企业广告投放积极性高。

结论二：研发投入对食品企业技术效率的影响呈现出“不规则性”。传统经济理论认为企业研发对企业创新和企业竞争力均有积极作用，并能够提升企业效益。但是，由实证分析可见，我国食品企业研发对食品企业的技术效率影响呈现“不规则性”。无论企业广告投放多大，无论企业规模大小，企业研发投入对企业市场盈利效率的影响均不显著；研发对企业市场势力效率的影响弱显著或不显著。该结论较好诠释了我国企业对研发投入不积极的现象。传统理论认为企业研发投入对新产品研制，对自主知识产权下提升自主品牌强度，特别是提升企业核心竞争力意义重大，这个结论在西方国家市场得到普遍验证。但是，我国市场发育和市场秩序与西方不同，由于知识产权保护在我国尚处于起步阶段，专有技术和专利技术的市场侵权现象比较普遍；另外从统计部门颁布的企业R&D投放可见，企业研发投入普遍偏低，产品的生命周期比西方国家要长些，如果企业研发投入不能直接拉动企业市场销售，也不能显著提升企业效益，企业自然会失去积极性。

结论三：企业市场势力效率与企业市场盈利效率之间无对应关系。传统理论认为，企业市场规模越大，企业越具有成本和市场优势。由实证研究可见，并非企业市场势力效率高的企业其市场盈利效率一定就高，企业的规模与企业技术效率没有显著的相关性。如市场势力效率前10位的企业依次为双汇发展(0.956)、光明乳业(0.919)、泸州老窖(0.848)、上

海梅林(0.784)、贵州茅台(0.783)、洋河股份(0.778)、维维股份(0.772)、承德露露(0.765)、西王食品(0.754)、海南椰岛(0.750);但是市场盈利效率前10位的企业则依次为贵州茅台(0.950)、山西汾酒(0.940)、光明乳业(0.904)、古井贡酒(0.897)、洽洽食品(0.891)、西王食品(0.879)、双汇发展(0.848)、老白干(0.838)、泸州老窖(0.820)、水井坊(0.815)。可见,受企业广告投放、研发投放、财务杠杠和企业规模的综合影响,传统理论的一些结论需要进一步修正。

结论四:外部环境对品牌强度高的企业技术效率波动性干扰相对较小。实证研究发现,受经济环境波动干扰,样本企业市场势力效率数值呈下降的趋势,样本企业的盈利效率下降和波动性也十分显著。但是,双汇发展、五粮液、贵州茅台、青岛啤酒、洋河股份、光明乳业、燕京啤酒、泸州老窖、顺鑫农业、上海梅林、山西汾酒、古井贡酒、中粮屯河、北大荒和莲花味精等企业表现突出,波动性不显著。长期广告投入显著正相关影响企业势力效率与企业盈利效率,该影响可能与食品行业的特殊性有关系。品牌的建立需要很长的时间,同时已建立起来的良好品牌形象也有较长时间的持续性。上述企业市场份额较大,知名度享誉全国,在发展中已经通过各种营销方法建立起了良好的品牌认知度,已经有了较为稳固的市场地位。但是,其它不具备这样特征的企业要维持企业势力效率与企业盈利效率不下降,则必须重视广告投放,重视企业品牌知名度的维护,然而广告投放有滞后性,所以在积极波动期很容易受到环境影响。

结论五:食品企业财务杠杠对企业技术效率的影响具有不确定。由于财务杠杠对企业广告投放和研发投放具有一定影响,因此需要考察企业财务杠杠对企业技术效率的影响。如果用数据包络分析法对样本企业数据进行计算,得出的结论是财务杠杠变量L对企业技术效率有反向的影响效果,而企业的毛利率变量M则对企业技术效率显著的呈现着正向影响作用。然而在随机前沿分析法中,则得出财务杠杠变量L对企业技术效率有显著的正向影响效果,而企业的毛利率变量M则对企业技术效率同样有显著的正向影响作用。两种方法在解释财务杠杠变量L对企业技术效率影响上存在差异。企业的毛利率对企业技术效率有显著影响作用,在解释企业毛利率变量M则对企业技术效率影响的结论是一致的。为什么两种方法的解释会有不一致性依然是理论界需要探讨的问题。

六、对策与建议

越来越多的学者和业界人员已充分意识到研发活动与广告宣传在经济发展、企业运营中的重要作用。企业所开展的研发科技活动,科研给企业带来相应的知识产权产出产品,从而使得企业拥有核心竞争力,提高企业长期的企业技术效率。而企业的广告宣传活动同样对企业技术效率的提高具有正面积积极的影响作用。因此笔者建议:

第一,合理地进行研发活动投入,不要因为当期研发效果不明显就减少投入。从本文的实证分析看,食品行业企业的研发支出在短期内与企业技术效率并没有呈现正向相关关

系，但是长期来看企业的研发投入与其主营业务利润率呈现出正相关关系，体现出研发活动的投入对企业的发展与经济利润增长所做出的正向贡献作用。所以合理的进行研发活动显得尤为重要。需要提高经济体对研发活动的投入重视程度。企业所开展的研发科技活动，科研给企业带来相应的知识产权产出产品，从而使得企业拥有核心竞争力，提高企业长期的企业技术效率。在食品行业这一完全竞争的市场中，企业要想在激烈的竞争中脱颖而出，获得一席之地并站稳脚跟有所发展，就必须掌握一些企业的核心竞争力。而如何获得这些核心竞争力，则企业必须提高自身的“软实力”，进行新产品与技术的研究开发工作。这些研发活动的开展投入科研使企业获得更多的知识产权产出产品，从而使企业获得其核心能力，提高企业技术效率的同时也使企业获得更多利润的保证。与此同时，多项专利技术、商标知识产权等研发成果的产生，也使得企业具有了一定的防御壁垒，防止其他新的企业进入该行业，使本企业获得更稳定的收入利润。同时要保证研发活动的机构合理。如若一个企业的研发活动多以来于外部科研机构或者通过购买其他企业的专利或者商标专项技术，则对企业技术效率的正向影响支持无法持久。一些处在开发阶段的短期研发活动投入可能会尽快的形成产品获得利润回笼，另外一些在研究阶段的研发活动则可能研究周期较长，研发活动成果体现较慢，但结合前文的论证结果可知，食品行业企业研发活动对企业技术效率的影响存在着一定的时滞。有的短期的研发活动也许是见效快，很快的就带来了收益，但是长期的研发活动会提高企业的技术效率，提高企业的价值，给企业带来真正的核心竞争力，以保持企业源源不断的利润来源，同时占据较为稳固的行业地位。所以在研发中注重基础性知识的研究创新，确保研发资源的合理分配也显得尤为重要。强化食品行业企业研发活动方面的信息披露，规范披露的形式与内容。在笔者的研究调研、数据收集过程中，可以发现我国食品行业上市企业信息披露的水平与规范程度仍较低，最新的一年绝大多数企业才都披露其研发活动支出水平，而且同一企业在纵向披露年度中，也常常被发现存在着披露口径前后不一致，或者有的披露数额，有的披露百分比等多方面的问题。这必然会影响到各企业间的横向对比分析和行业水平的比较分析。当然，我国证券市场规范化也在努力的进程中，相信食品行业企业在信息披露的及时性及规范性方面会发展的越来越好。

第二，合理地进行广告费用投入，同时关注各种新兴传播媒体业的投放组合。从本文研究结论可以看出，食品行业企业的广告宣传活动，短期内与企业市场势力效率与企业盈利效率没有显著性关系，其广告投放的区间波动性比较明显。但在长期，广告投放与企业市场势力效率正向相关，与企业盈利效率的正向相关性存在不确定因素。所以企业的广告宣传活动投入同样存在着一定的时滞。这可能与食品行业的特殊性有关系，比如白酒品牌的建立需要很长的时间，同时已建立起来的良好品牌形象也有较长时间的持续性，这些企业在发展中已经通过各种营销方法建立起了良好的品牌认知度，有了较为稳固的市场地位，使得行业进入存在着一定的壁垒，新进入的企业想要建立起相似的品牌效果，则前期需要进行大量的广

告投入。正是如此，使得现有的食品行业龙头企业容易保持持续稳定的销售收入。因此，合理的进行广告投入，以维持企业的品牌效应，从而保持企业的稳定的市场地位就显得尤为重要。所以合理的选取企业对应的媒体组合也显得大有裨益。广告是一项复杂的商业活动，只使用单一媒体投放广告，很难达到企业所期望的投放效果。所以为了最大程度上发挥媒体的作用，达到广告投放效果，企业加强媒体传播组合研究，这样也才能更加充分发挥各类媒体的作用。企业不仅要关注传统媒体，更要密切关注新兴媒体，如数字户外媒体、网络媒体，互动媒体、移动媒体等。尽管传统媒体（如电视、报刊等）仍占据着广告投放的主流地位，它的宣传效果仍旧无法替代。但是随着社会经济好人们生活方式的不断变化，人们的行为习惯在不断改变，人们花在网络媒体的时间越来越多，因此新媒体的发展不容忽视。只有密切关注它的发展，并合理利用传统媒体和新媒体投放组合，才能有效提高广告投放对企业绩效拉动的显著性。

第三，依据企业发展阶段性，合理分配企业研发活动支出与广告宣传费用支出。研发活动与广告宣传的投入都是企业在营销阶段所采取的运营竞争手段。所以无论是食品行业还是其他行业的企业都需要在二者之间做出合理的资源分配方案，以确保企业的效益最大化。通过本文的实证研究可以看出，这两种运营手段的投放效果都存在着一定的时滞性。如果决定两者的分配对企业的经营者来讲是一种考验。从食品行业的短期投放角度看，研发投入给企业技术效率带来的影响基本都是反向的，而广告宣传活动投入的模型测算结果是给企业技术效率带来正面的影响效果。因此，企业决策者如果制定短期营销策略，如果经费投入有限制，可以优先选择加大广告宣传投入，而相对降低研发投入水平；如果企业经费投入比较宽松，建议企业既选择加大广告宣传投入，也保持研发投入水平，为长期发展积累核心竞争力。从食品行业的长期投放角度看，则大不相同。长期的研发活动投入对企业的盈利效率产生较为显著的正面影响；而长期的广告宣传投入活动则是对企业的势力效率产生较为明显的正面影响。企业研发投入在长期会带来相应知识产权和专利技术，会大大提升企业市场核心竞争力，提高企业长期的盈利水平。广告宣传投入会使消费者更多的了解这一企业品牌和产品品牌，会直接提升企业的品牌资产、品牌效应，使顾客认为这是企业高质量低成本产品的反应，有利于企业扩大市场和稳固市场占有率，并在市场树立起行业进入壁垒，阻止竞争对手发展。所以，企业在制定长期营销策略时，在经费投放有限的条件下，如果想增加企业利润和企业价值，企业应该着力增加研发活动的支出；如果企业想增加占据市场份额，扩大市场占有率，则可以着力增加广告宣传活动的支出。如果企业经费投放比较宽松，企业则可以考虑在同时加大研发活动的支出和广告宣传活动支出。

第四，不要盲目扩大企业规模，企业规模与企业技术效率之间并非成正比发展。传统理论认为企业规模越大，企业有机构成越高，也就是说，企业技术效率越高。从本文的实证分析可以看出，上市食品企业并非规模越大，技术效率越高，两者之间没有显著相关性。比

如酒业龙头企业五粮液市场势力效率排序中仅排位第 43 位，远不如企业规模相对较小的企业如泸州老窖、金种子酒和酒鬼酒。同样，市场盈利效率排序 48 位的中粮屯河，同样也是企业规模相对较大的一家企业。更加合理的控制企业规模，寻求企业最佳规模值则显得更有益处。

第五，合理的运用财务杠杆，财务杠杆对企业技术效率并非一定产生积极影响。在数据包络分析法中得出的结论是，财务杠杆变量 L 对企业技术效率有反向的影响效果，而企业的毛利率变量 M 则对企业技术效率显著的呈现着正向影响作用。由于企业财务杠杆变量 L 对企业技术效率并非产生积极的影响效果，合理的运用财务杠杆对无论是否食品行业企业在发展的每个阶段都显得尤为重要。由于企业受到了其他因素的影响，很多情况下企业财务杠杆的运用对企业技术效率的影响并不显著。

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基于企业视角的农产品品牌建设研究：以苏州粮食集团为例

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摘要: 在农产品品牌建设过程中, 需通过对消费者的分析、产品的分析、竞争者的分析和品牌名称的分析, 进一步明确并优化农产品品牌的市场定位, 积极设计并塑造农产品品牌文化, 需要通过悉心打造品牌产品生产基地, 以及借助休闲农业与热点旅游等提升品牌价值, 特别要进一步确立并重视以品牌塑造为核心的农产品供应链整合。苏州虎丘牌大米的实例也说明了这点。

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Support Strategy of Aircraft Spares Continuity Based on Failure Rate Curve

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Abstract: The follow-up demand of continuing spares support is the necessary maintenance resources to keep a good availability of aircraft after it is put into operation for one and a half years. In the sustainable spares supports and in term of the four simplified failure models, this thesis builds up the demand calculation models by the Renewal Process in stochastic process for irreparable parts. For repairable parts, according to the impact upon the spares life cycle by different maintenance methods, this research introduces maintenance degree to quantify the repair, uses genetic algorithm to optimize the parameter estimation of maintenance degree and applies Generalized Renewal Process to construct a demand model, whose effectiveness is checked by a calculation example.

Keywords: Repairable Parts, Irreparable Part, Failure Rate, Failure Model, Monte Carlo Method Genetic Algorithm

Investigate Demand-side Synergy on a Digital Platform -The Case of China's Video Website*

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Abstract: E-communities or social networking sites feature same-side effects, which goes beyond the concept of network effects and electronic word of mouth. This paper investigates the same-side effects using the data from Youku, China's largest video website. The same-side effects are decomposed into three parts in this paper: online rating score, and online commenting and sharing behavior. We characterize the interactive process between the same-side effects and online viewership through a dynamic simultaneous equation system. The findings show that audiences' rating score, commenting and sharing behavior all have significant and positive impacts on online viewership. Furthermore, sharing behavior has stronger influence on online viewership than commenting behavior in both higher and lower TV rating cases, which may demonstrate audiences weigh more on behavior from acquaintances than behavior from strangers. We also find that the volume of online viewership is auto-correlated, and the autocorrelation is stronger in lower TV rating case than the higher TV rating case. We also discuss the significance of the same-side effects for platform firms to run a media platform.

Keywords: *EWOM; Network effects; Same-side effects; Video websites*

1. Introduction

Platforms facilitate not only cross-group interactions, but also same-side interaction (Ye, Priem, Alshwer, 2012). For example, customers can rate products and give their comments on products and services they buy on a platform. They can see the transaction history of a product or service, including the number of transactions and reviews on transactions. They can communicate with consumers who have bought or intend to buy.

In this paper, we introduce a concept of same-side effects, which are defined as a positive feedback in the demand side of a platform. The same-side effects are different from either electronic word-of-mouth (EWOM) or network effects, which are detailed in the section of literature review. The same-side effects play an important role in platform startup. Some platforms put emphasis on cultivating same-side effects among the demand side of a platform before catering for the other side of a platform. For example, Facebook didn't open its platform to a third party nor launch an advertisement system until 2007 when it had started for more than three years. Meanwhile, content, application and product providers on a platform rely heavily on the demand-side interactions to facilitate transactions. The more positive comments products get,

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the more times products have been bought, the more the products are likely to be bought.

Demand-side synergy plays a significant role in a platform formation and evolution. Consumers have incentives to participate in and facilitate same-side interactions: information, community and innovation. First, same-side loop is a mechanism for information sharing and quality signaling (Duan, Gu, Whinston, 2009). Customers can have better knowledge about products or services based on information disclosed by previous customers. Generally, customers have more trust on customers than suppliers or platforms. With customer-generated information, platforms can collect, aggregate and process relevant information for decision making by future customers, and realize better sorting of products and matching of buyers and sellers. Second, same-side effects increase stickiness of customers (Oestreicher-Singer, Zalmanson, 2013). Customers interact with each other on a platform for multiple motives, including both explicit information needs on goods and services and implicit emotional demands. Customers will have a sense of community when communicate with other customers. Such sense will enhance customers' engagement with a platform. Third, same-side effects may make great contribute to platform adoption, innovation and evolution. Some customers are leading consumers, who consume goods and services earlier and set an example for followers. Some customers have innovative orientation, who can be encouraged by platforms to make innovations like generating contents and designing products (Sawhney, Verona, Prandelli, 2005). Although same-side effects are important, they are neglected by platform studies to a large extent. So far, most economics literature concentrates on same-side or cross-side network effects. Management literature about multi-sided platforms focuses in EWOM effect and the role of the demand-side users.

The paper will investigate same-side effects in e-communities or social network sites, which are rising and booming in recent years. Specially, this paper will explore the following questions using data from Youku, the largest online video site in China. What's economics of same-side effects in online communities? What's the role and value of demand-side synergy for a platform? Specifically, how same-side effects can act as a mechanism of information sharing and quality signaling, and thus facilitate transactions on platforms? Further, we will examine whether or not same-side effects will results in Matthew effect in content consumption on an online media platform. Do online communities provide a rational way to consume experience goods? Do consumers can rely on crowd experience to make consumption decisions?

This paper makes two contributions. It distinguishes three concepts: same-side network effects, EWOM and same-side effects. Same-side network effects are key to communication service in the pre-Internet era, and EWOM is about the mechanism of information diffusion and product recommendation in the Internet era. Same-side effects are different from them in terms of forms, functions, utility for customers, and customer relationships. Second, this paper examines same-side effects in a dynamic way, considering same-side effects both in a current period and over a longer term.

The rest of the paper is organized as follows. The next section provides literature review followed the discussion of our conceptual framework and research hypotheses. We then describe data sources, the empirical model and estimation. Main findings are presented and discussed in the last section.

2. Literature review

This paper relates to several lines of literature: eWOM effect and network effects. WOM-interpersonal communication about products and services between consumers- is one of the most

influential sources of marketplace information for consumers (Ellison, Fudenberg, 1995; Foster, Rosenzweig, 1995). In comparison with WOM, eWOM has several unique characteristics like large scale, systematic design and online interaction (Dellarocas, 2003). Consumers are exposed to both positive and negative product experiences of fellow consumers on eWOM platforms (Lee, Youn, 2009). One factor that seems likely to moderate the effects of eWOM platforms on causal attributions and product judgment is the valence of eWOM. Researchers have found that unfavorable information is generally more influential than favorable information (Fiske 1980; Skowronski & Carlston 1987; Chiou & Cheng 2003). For example, Mizerski (1982) found that unfavorable (versus favorable) product information from a consumer led to a stronger affect towards products. Same-side effects in the paper are different from eWOM¹. eWOM stresses on transmission of ideas, especially reviews on products and services. Same-side effects has transcended to the stage of the real-time and many-to-many interaction among a group of people. Further, same-side effects refer to not only content consumption and diffusion, but also content creation, sharing and discussion. Thus, eWOM is a mechanism for recommendation websites, whereas same-side effects are behind social networking sites or e-communities.

Table 1 Comparison of three concepts

Concept	Demand-side synergy	NE	eWOM
Forms/Place	Many-to-many communication, content creation, sharing and discussion	Bilateral Information exchange	Communication among consumers about evaluation on products and services
Source of utility for users	Social networking and information acquisition	User complementarity	Information acquisition
Relationship	A community including both acquaintances and strangers	Acquaintances	Strangers
Functions for platforms	Facilitate platform participation and engagement	Facilitate growth of an installed base	Facilitate information diffusion and product recommendation
Time	Real time and intertemporal	Real time	Intertemporal
Place	E-communities or social networking sites	Services with network externalities	Recommendation sites and electronic business websites

Platforms are related to two types of network effects (NEs): same-side and cross-side NEs. Same-side NEs arise when adding an additional participant increases the utility for all other participants on the same side (Katz, Shapiro, 1985). Cross-side NEs arise when adding an additional participant to one side of a platform increases or decreases the utility for participants on the other side (Rochet, Tirole, 2003). Same-side effects in this paper are related to same-side

¹ In this paper, the same-side effect and same-side loop have the same meaning, and will be used interchangeably.

NEs, but the two concepts are different. Although they are both based on the same-side communication, they are different in many aspects as indicated by table 1. The utility of same-side NEs comes from complementarity among users. In this line, same-side NEs exist among communication services that require simultaneous consumption by two or more customers, such as handsets and Fax. Thus same-side NEs always occur at an individual level. Same-side effects exist among a group of people with similar mission or interest, who interact on social networking sites or in e-communities. Actually, such social networking sites and e-communities feature democratic participation, collective intelligence and viral promotion (Lai, Turban, 2008). Same-side NEs is essentially demand-side economies of scale, created by the positive feedback mechanism of increasing utility from a growing number of users (Henten, Godoe, 2010). Same-side effects are an enlarged and dynamic version of demand-side economies of scale, created by the self-reinforcing mechanism of the same side on a platform. The scale economies are enlarged because many-to-many communication is possible in a virtual community, and the scale economies are dynamic because anyone can respond to historical records in a virtual community.

3. Conceptual framework and Hypotheses

Figure 1 illustrates the conceptual framework of the same-side loop on video websites. Same-side interaction among customers can be regarded as video-related social networking, which will have an impact on video content consumption. In turn, content consumption will give rise to further content-based interaction. To entangle the same-side loop, we propose the first set of hypotheses.

Today's video websites provide an IT infrastructure, based on which users can form a special e-community. Limited attention is the scarce source in the information-rich economy. Meanwhile, media products are experience goods to a larger extent, which implies that they can only be valued once they have been consumed (Nelson, 1970). However, e-communities can enhance awareness of digital contents and make it possible for a person to value video contents based on others' behavior and opinions. The same-side interaction in the virtual world goes beyond ordinary interaction among the demand side in the physical world. The consumer-to-consumer communication in an e-community has been greatly magnified in terms of both depth and breadth (Mangold, Faulds, 2009).

In the e-community of a video website, a user can rate a video program, provide a detailed review, or share it on third-party social networking websites. Actually, customers can also review any program on Youku. Further, customers can find buttons on the video website to post any program on well-established social networking sites. Using the buttons, any registered customer can share a video program with his/her friend circles. In this way, Youku can increase video viewership by leveraging a third-party social networking site. The video-content platform records, collects aggregates and processes behavior and opinion data of audiences, most of which are purposely open to public to stimulate viewership and user engagement. As a result, any audience can see all historic records on viewership of and comments on a program shown on a video website, and can get access to a video program on a third-party social networking website by means of embedded video.

The review and sharing behavior will enhance content awareness among consumers. We expect the sharing behavior will produce a significant impact on users who are previously unaware of the content. For online customer reviews posted on a video website, we expect no direct awareness effect since customers who watch a video program are aware of the content in the first place. However, we expect volume of customer reviews to be an indicator of the

intensity of the same-side effects.

Besides the awareness effect, the rating, review and sharing could influence consumers' perception of product quality. The effect is equivalent to the persuasive effect studied in the advertising literature (Duan, Gu, Whinston, 2008a). The three indicators reveal information about content quality from different aspects. First, the strength of interpersonal ties for rating, review and sharing are different. Strong ties refer to that the communicator has a prior relationship with the receiver, while weak ties mean little or no prior relationship (Granovetter, 1973). A video program on social networking sites is generally available to acquaintances with strong ties. Rating and commenting on a video website occur among persons with weak ties because anyone can post their rating and comments. Thus, same-side effects can occur among persons with both strong ties and weak ties, while eWOM only happens among persons with weak ties. In this sense, same-side effects have more dimensions than eWOM in quality signaling. Second, the three indicators show quality information in different ways. Sharing behavior is a silent model to demonstrate content quality, the volume of reviews indirectly signals content quality as good contents usually attract more reviews, and rating is the most direct way to score content quality. In a word, same-side effects among the user side are expected to facilitate content consumption on a video website.

H1 Demand-side synergy has positive impact on viewership on a video website.

As mentioned above, we measure the same-side loop from three perspectives, i.e. reviews, ratings and sharing behavior. The hypothesis can be decomposed into three as follow.

H1a Users' reviews have a positive impact on viewership on a video website.

H1b Users ratings have a positive impact on viewership on a video website.

H1c Users' sharing behavior has a positive impact on viewership on a video website.

Same-side effects are not only the cause of future content consumption, but the outcome of previous consumption. Literature has supported the argument that eWOM can be the result of previous product sales. For example, Duan et al. (2008a) found that box office revenues have a positive impact on the volume of WOM. This paper extends the causal effect between content consumption and eWOM to the relationship between content consumption and same-side effects. On one hand, consumers like to network with people who have interests and desires that are similar to their own; on the other hand, video websites can leverage this desire by creating communities of like-minded individuals (Mangold, Faulds, 2009). In the former case, customers may give their opinions out of expressing their own ideas and feelings about a video program. In the latter case, video platforms make efforts to add social networking elements into video platforms. For example, Youku has added the function of making comment while watching programs in late 2013. When a user scrolls the webpage to the review area, he/she can see a mini synchronous video beside the area.

H2 Online viewership has a positive impact on demand-side synergy. We thus derive the following hypothesis.

An audience may have a desire to share a video with his/her acquaintances or directly comment a video in public domain. The hypothesis can also be decomposed into the following two hypotheses.

H2a Online viewership has a positive impact on the volume of users' reviews.

H2b Online viewership has a positive impact on users' sharing behavior.

Audiences on a video website don't make their decisions independently. They make their decisions based on combination of their own private information and observation of others' behavior (Duan et al., 2009). Observational learning can help audiences drawing quality

inferences from observing the records of others' behavior. If an audience has little private information, he/she may rationally follow the behavior of preceding audiences. In this way, collective repetition in a time sequence will result in autocorrelation of viewing a specific video program. While the previous studies on movie revenues confirm autocorrelation, we extend it to the online viewership of TV dramas.

H3 Daily viewership is autocorrelated: a recent increase in the viewership is more likely to elicit more times of viewing in the following day.

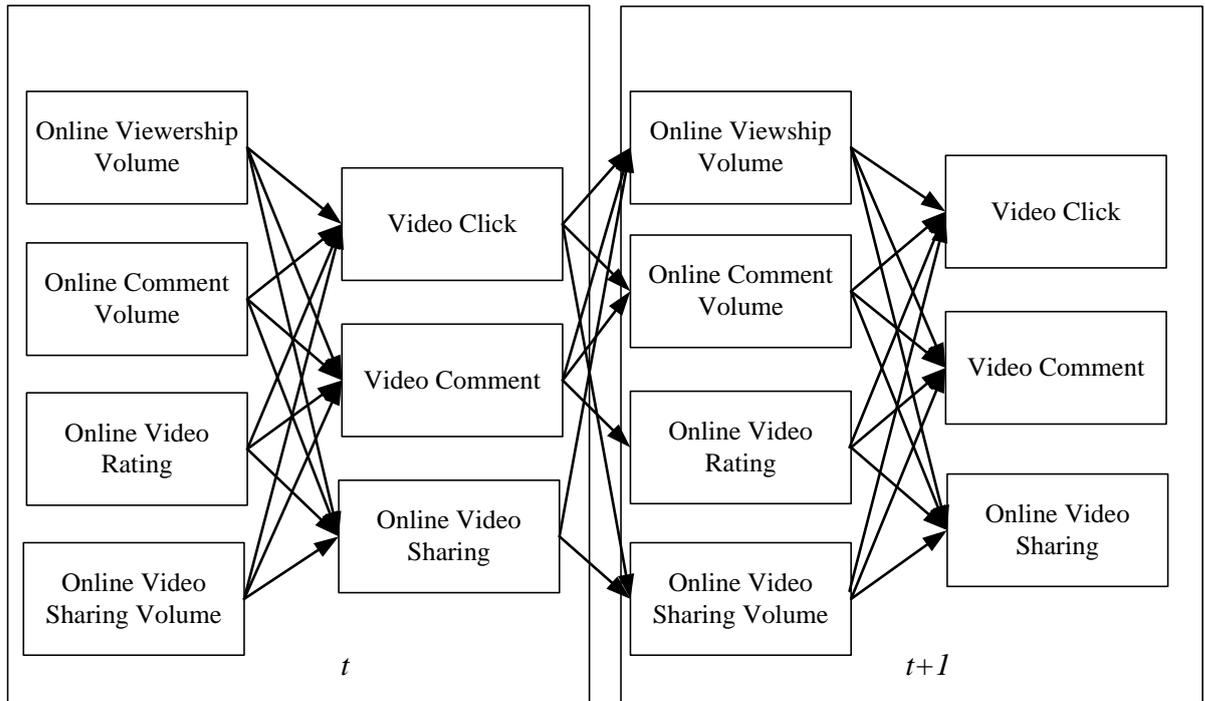


Figure 1. Conceptual framework

4. Research methodology

4.1 Description of the data and measures

This paper will study same-side effects by examining the e-community on Youku Tudou (Youku). There are several reasons why Youku serves as the source of data. First, Youku is the largest video website in China. As early as September 2012, Youku covered more than 300 million video audiences every week, equivalent to the size of US population. Second, any audience can watch most of videos on Youku for free, which will not only increase an installed base but also facilitate content-based interaction among audiences. Actually, the company is heavily dependent on advertising revenues. For example, advertising revenues held for over 90% of its total revenues in the year of 2013. Third, Youku is one of several video companies in China that pays attention to leverage social networking to market videos. The firm allows any registered user to rate, review and share a video program conveniently. Finally, Youku daily publishes statistics about video programs in the form of Youku Index, which covers users' behavior of watching, searching, reviewing and sharing video programs.

This paper will investigate same-side effects by analyzing professionally-produced TV programs on the video website. Particularly, we will use domestically-made TV dramas as a research sample as Youku's target audiences are Chinese. The sample has the following advantages for our research. First, due to the anytime and anywhere convenience offered by Internet, video websites have become a major way for Chinese youngsters to watch

professionally-produced programs, including TV dramas, while elders are accustomed to watching TV programs on TV (Wan, Hu, Wu, 2009). Professionally-produced programs have accounted for more than 70% programs on Youku since 2009. In this way, Youku is more like US-based Hulu rather than Youtube. As youngsters are the main force of an e-community, focusing on professionally-produced programs is a good way to study their behavior. Second, TV dramas, either on TV screens or video websites, have always been the most attractive TV program in China. Either traditional TV stations or newly-emerged video websites have spent a lot on purchasing quality TV dramas in the hope of reaping return from advertising revenues. For example, Village of Love VII, one title of TV drama in our sample, attracted more than 546 million clicks on Youku within one month and a half. The popularity of TV dramas on video websites makes them a good genre of programs to investigate same-side effects. Third, professionally-produced TV dramas have played a key role in pushing social networking of Youku's customers. In comparison with user-generated contents, professionally produced TV dramas usually can attract a larger size of audiences, which can facilitate same-side effects. Fourth, domestically-produced TV dramas have better data availability than other video programs. Youku Index, a daily-updated database of Youku, provides data about several measures of all TV dramas, including the times of video click, video rating, the volume of video reviews, and the volume of video sharing. Further, TV dramas are not only shown on a website, but simultaneously broadcast by TV channels. Ratings of TV dramas, as control variables in the model, can be obtained from public domain.

Table 2 Summary statistics of key variables

Variable	N	Mean	SD	Minimum	Maximum
View	829	200597.66	207001.49	23524.00	2318645.00
Review	829	15.93	22.16	1.00	262.00
Rating	829	4.39	1.08	2.82	10.77
Sharing	829	366.28	726.49	15.00	9000.00
TVrating	829	0.92	0.26	0.40	1.69

We collected data of eight titles of TV dramas on Youku, which were released by the website from February 10 2014 to April 10 2014. The eight titles all are comprised of 173 episodes. Different from TV media, once an episode is available online, it will be open to audiences in the future. So the number of samples is 829, far more than 173. Table 2 presents the summary statistics for our sample. Table 3 provides the description and measurement of the key variables used in the empirical analysis.

Table 3 Key variables, descriptions, and measures

Variable	Description and measure
View _{k,i,t}	Number of times of viewing the <i>i</i> th episode for TV title <i>k</i> in day <i>t</i>
Review _{k,i,t}	Number of reviews posted on <i>i</i> th episode for TV title <i>k</i> in day <i>t</i>
Rating _{k,i,t}	Average user grade for <i>i</i> th episode of TV title <i>k</i> in day <i>t</i>
Sharing _{k,i,t}	Number of times of sharing <i>i</i> th episode for TV title <i>k</i> onto social networking sites
TVrating _{k,i}	Ratings for <i>i</i> th episode for TV title <i>k</i>

4.2 Empirical model specification

Drawing on previous models on platforms and eWOM (see table 4), we develop an empirical model guided by the following considerations. First, we establish a simultaneous equation model to incorporate the interaction between video viewership and same-side effects. We construct three interdependent equations: one equation with video clicks as the dependent variable (the

viewership equation), the second equation with the review volume as the dependent variable (the review equation) and the third equation with the sharing volume as the dependent variable (the sharing equation). We assume that in each time period (i.e., day), the errors in the three equations may be correlated, which implies that factors not included in the model could simultaneously influence video viewership and same-side effects.

Second, we develop a system of dynamic equations as the interactions can go beyond one term (Duan et al., 2008a). That is, we include not only the time-lagged variable of video clicks, but also the cumulative variable of video clicks in the viewership equation. In addition, recognizing that a potential viewer makes a decision mainly based on historic information about a video, we include the cumulative variable of review, rating and sharing in the viewership equation. Likewise, cumulative variables of video clicks, review and sharing are incorporated in the review and sharing equations. We don't include contemporaneous term of these variables in those equations for the following reason. The design of the video website makes it impossible for an audience to make comments, rate a video or share a video while watching a video program simultaneously. So we speculate that the concurrent term of these variables has little impact on an audience's decision making, and don't include them in our model.

Third, we include fixed effects in the model by adding title-specific or episode-specific variables. The demographic variables, including title-specific ages and genders, are added to explain same-side effects in light of the fact that a genre of TV dramas may appeal to a specific group of audiences. In addition, TV ratings for every episode are incorporated, which can be regarded as an indicator of the quality of an episode. Fixed effects capture any non-time varying factors, including intrinsic title characteristics and other exogenous determinants (Duan, Gu, Whinston, 2008b). In addition, fixed effects estimation allows the error term to be arbitrarily correlated with other explanatory variables, thus making the estimation results more robust.

$$\begin{aligned} View_{k,i,t} = & \alpha_1 View_{k,i,t-1} + \alpha_2 \sum_{t=1}^{t-1} Review_{k,i,t} + \alpha_3 \sum_{t=1}^{t-1} Rating_{k,i,t} \\ & + \alpha_4 \sum_{t=1}^{t-1} Sharing_{k,i,t} + \alpha_5 TVrating_{k,i} + \alpha_6 Age_k + \alpha_7 Gender_k \end{aligned} \quad (1)$$

$$\begin{aligned} Review_{k,i,t} = & \beta_1 View_{k,i,t} + \beta_2 \sum_{t=1}^{t-1} Review_{k,i,t} + \beta_3 \sum_{t=1}^{t-1} Rating_{k,i,t} \\ & + \beta_4 \sum_{t=1}^{t-1} Sharing_{k,i,t} + \beta_5 TVrating_{k,i} + \beta_6 Age_k + \beta_7 Gender_k \end{aligned} \quad (2)$$

$$\begin{aligned} Sharing_{k,i,t} = & \gamma_1 View_{k,i,t} + \gamma_2 \sum_{t=1}^{t-1} Review_{k,i,t} + \gamma_3 \sum_{t=1}^{t-1} Rating_{k,i,t} \\ & + \gamma_4 \sum_{t=1}^{t-1} Sharing_{k,i,t} + \gamma_5 TVrating_{k,i} + \gamma_6 Age_k + \gamma_7 Gender_{k,i} \end{aligned} \quad (3)$$

Table 4 Overview of empirical platform models

Model type	Description	Specification and estimation	Literature
I	Dynamic monopoly platform with cross-network effects	$Sales_{1t} = f(Sales_{1t-1}, Sales_{2t-1}, Mktg_{1t})$ $Sales_{2t} = f(Sales_{1t-1}, Sales_{2t-1}, Mktg_{2t})$ Kalman filter	(Sridhar et al., 2011)

II	Static duopoly model with cross-network effects	$n_i^r = f(n_i^a - n_j^a, p_i^r - p_j^r)$ $n_i^a = g(n_i^r - n_j^r, p_i^a - p_j^a)$	(Kaiser, Wright, 2006)
III	Dynamic monopoly platform with eWOM effects	$R_{it} = f(n_{it}, \sum_{j=1}^J n_{i,t-j}, drating_{it}, cumrating_{it})$ $n_{it} = g(R_{it}, \sum_{j=1}^J n_{i,t-j}, drating_{it}, cumrating_{it})$	(Duan et al., 2008b)
IV	Dynamic monopoly platform with same-side effects	3SLS method Formula 1, 2 and 3 SUR method	This paper

Equation (1) reflects the viewership, equation (2) and (3) displays the same-side effects. Let $k=1, \dots, N$ index the title of TV dramas, while $i=1, \dots, N$ denote the episode of TV drama series. $View_{k,i,t}$ refers to the volume of viewing the i th episode of a TV drama k at day t , and $View_{k,i,t-1}$ means the volume of video clicks of the i th episode of a TV drama k at day $t-1$. $Review_{k,i,t}$ indicates the number of comments on the i th episode of a TV drama k at day t . $Rating_{k,i,t}$ expresses the ratio of positive/negative opinions on the i th episode of a TV drama k . $Sharing_{k,i,t}$ means the volume of a video shared on external social networking websites. We also incorporate the fixed effects to capture the idiosyncratic characteristics associated with every TV title, such as the TV ratings, the age and gender composition.

5. Findings

In this paper, the authors classify TV series into two groups based on their ratings. If a TV series have the volume of clicks more than average among the sample, it will be categorized into high viewership series, or it will be included into low viewership series. Figure 2 depicts the TV ratings of the 8 titles. As shown in figure 2, title 2, 4, 6, and 7 have high TV ratings, while the rest have lower TV ratings. Estimating them separately can avoid problems incurred by different cross-section units, like heterogeneous variance. The method of seemingly unrelated regression (SUR) is applied to estimate the system of three equations. For comparison, we also estimate every equation individually using the method of ordinary least square (OLS). OLS estimation is inconsistent because the regressors of all the equations include endogenous variables. The estimation results are reported in table 5 and 6.

For the viewership equation (SUR estimation), the lagged dependent variable has significant and positive impacts on audiences' viewing decisions in both higher and lower TV rating cases, which renders strong support for H3. It demonstrates the existence of informational cascade on the video website- audiences follow the behavior of preceding individuals despite of private information. The strength of preceding audiences' roles for different TV titles is not equivalent. To our surprise, the lagged dependent variable in the lower TV rating case has a larger impact on the dependent variable than in the higher TV rating case. In this line, information cascade will not lead to convergence of content consumption. $CumReview_{k,i,t-1}$ also play the same, significant and positive role in the two cases. However, its impact on the dependent variable is small, which renders weak support for H1a. The independent variable of online rating is a significant predictor for $View_{k,i,t-1}$ in the two cases, supporting H1b. The coefficient prior to $CumRating_{k,i,t-1}$ is 59.4%

larger in the higher TV rating case than the coefficient in the lower TV rating case. It means that all other things being equal, titles with higher TV ratings will have 59.4% more online viewership than titles with lower TV ratings if they enjoy the same increase in online rating.

Table 5 Estimation results for titles with higher TV ratings

Variable	Coefficients (<i>SE</i>)	
	SUR	OLS
Eq.(1) viewership equation		
View _{<i>k,i,t-1</i>}	.56(.03) ***	.44(.03) ***
CumReview _{<i>k,i,t-1</i>}	.07(.03) **	.09(.03) ***
CumRating _{<i>k,i,t-1</i>}	.51(.26) *	.51(.26) *
CumSharing _{<i>k,i,t-1</i>}	.08(.04) *	.06(.04)
TVrating _{<i>k,i</i>}	-.11(.14)	-.09(.14)
Age _{<i>k</i>}	1.39(.32) ***	1.83(.32) ***
Gender _{<i>k</i>}	-2.75(1.10) **	-2.93(1.11) ***
R ²	.43	.44
Eq.(2) review equation		
View _{<i>k,i,t</i>}	.81(.05) ***	.60(.05) ***
CumReview _{<i>k,i,t-1</i>}	-.01(.04)	.03(.04)
CumRating _{<i>k,i,t-1</i>}	-.96(.36) ***	-.86(.36) **
CumSharing _{<i>k,i,t-1</i>}	-.09(.06)	-.10(.06) **
TVrating _{<i>k,i</i>}	-.41(.20) **	-.42(.20) **
Age _{<i>k</i>}	-.95(.44) **	-0.22(.44)
Gender _{<i>k</i>}	-2.53(1.54) *	-3.28(1.55) **
R ²	.28	0.30
Eq.(3) sharing equation		
View _{<i>k,i,t</i>}	.83(.03) ***	.60(.04) ***
CumReview _{<i>k,i,t-1</i>}	-.10(.03) ***	-.07(.03) **
CumRating _{<i>k,i,t-1</i>}	-.85(.27) ***	-.73(.27) ***
CumSharing _{<i>k,i,t-1</i>}	.28(.04) ***	.27(.04) ***
TVrating _{<i>k,i</i>}	-.26(.15) *	-.27(.15) *
Age _{<i>k</i>}	-2.14(.33) ***	-1.32(.05) ***
Gender _{<i>k</i>}	7.38(1.14) ***	6.55(1.15) ***
R ²	.51	.54

Note: *, **, and *** represent significant levels of 10%, 5% and 1% respectively.

The coefficient of CumSharing_{*k,i,t-1*} is statistically significant at the 0.1 level for both cases, indicating that sharing behavior strongly influence viewing behavior. Thus, H1c is supported. Video sharing is different from video commenting, and the two kinds of behavior can increase online viewership in distinct ways. Only those who are watching or intend to watch a program on a video website can see comments of the program, so comments are the way of within-platform communication. In this line, comments can maintain audiences' attention to a program, but cannot effectively expand the audience size of a program. For a TV series, such stickiness may be transformed into motivation to watch remaining episodes of the series. Sharing a program is the way to introduce the program to acquaintances of an audience by means of posting links to social networking websites. The acquaintances are not necessarily customers of the video platform. Sharing a program can increase the audience base of a video program by leveraging existing relationship among acquaintances, while commenting a program can enhance program stickiness through interaction among strangers. The coefficients of CumSharing_{*k,i,t-1*} is larger than that of CumReview_{*k,i,t-1*} in both cases, which may demonstrate China's netizens tend to be influenced more by acquaintances than the crowd even in the internet era. The results that TVrating has negative impacts on the dependent variable in two cases show that online TV watching behavior is not consistent with conventional TV watching in China. It may be explained by the fact that youngsters are more likely to watch TV dramas online while old persons are accustomed to using traditional TV sets.

Table 6 Estimation results for titles with lower TV ratings

Variable	Coefficients (SE)	
	SUR	OLS
Eq.(1) viewership equation		
View _{k,i,t-1}	.62(.02) ***	.61(.02) ***
CumReview _{k,i,t-1}	.07(.02) ***	.07(.02) ***
CumRating _{k,i,t-1}	.32(.06) ***	.32(.06) ***
CumSharing _{k,i,t-1}	.14(.02) *	.14(.02) ***
TVrating _{k,i}	-.24(.07) ***	-.24(.08) ***
Age _k	1.13(.60) ***	1.13(.60) ***
Gender _k	-2.35(.05) ***	-2.34(.05) **
R ²	.95	0.94
Eq.(2) review equation		
View _{k,i,t}	.70(.09) ***	.61(.09) ***
CumReview _{k,i,t-1}	.16(.07) **	.17(.07) **
CumRating _{k,i,t-1}	-.22(.22)	-.21(.22)
CumSharing _{k,i,t-1}	-.31(.06) ***	-.31(.06) ***
TVrating _{k,i,t-1}	-.15(.25)	-.20(.26)
Age _k	-2.51(1.91) **	-2.30(1.95) ***
Gender _k	10.63(0.25) *	11.2(0.26) ***
R ²	.70	0.71
Eq.(3) sharing equation		
View _{k,i,t}	1.04(.07) ***	1.07(.07) ***
CumReview _{k,i,t-1}	-.11(.05) **	-.12(.05) **
CumRating _{k,i,t-1}	.10(.16)	0.10(.16)
CumSharing _{k,i,t-1}	-.08(.04) *	-.08(.05) *
TVrating _{k,i,t-1}	-.33(.19) *	-.32(.19)
Age _k	-3.90(1.43) ***	-3.96(1.46) ***
Gender _k	18.24(.19) ***	18.08(.19) ***
R ²	.92	0.92

Note: *, **, and *** represent significant levels of 10%, 5% and 1% respectively.

For the review equation (SUR estimation), View_{k,i,t} has significant and positive impacts on audiences' viewing decisions in both higher and lower TV rating cases, entailing strong support for H2a. The coefficients are 0.81 and 0.70 for the higher and lower TV rating cases respectively, both significant at the 0.01 level. Given the log-linear formation, the coefficients suggest that every 10% increase in the volume of online viewership will increase the number of same-day comments by 8.1% and 7% for higher TV rating titles and lower TV rating titles respectively.

For the sharing equation (SUR estimation), View_{k,i,t} is a significant predictor for Sharing_{k,i,t} in both cases, which renders support for H2b. The coefficient in the higher TV rating case is 0.83, while the coefficient in the lower TV rating case reaches 1.04. The coefficients of View_{k,i,t} in the sharing equation are higher than those of View_{k,i,t} in the review equation, especially for the lower TV rating case. As commenting is the way of communication among strangers, and content sharing occurs among acquaintances. It demonstrates that Chinese netizens are more fond of interacting with the clique of acquaintances rather than a large group of strangers.

When comparing the estimation results of SUR and OLS methods, we find that OLS tend to overestimate the effects of some independent variables and underestimate the effect of lagged dependent variables. Given the correlation between the error term and the endogenous variable, simple OLS regression does not correctly characterize the effect of independent variables. For example, OLS estimation overestimates the role of CumReview_{k,i,t-1} and underestimates the impact of View_{k,i,t-1} in the viewership equation because the estimation method fails to account for the endogeneity of audiences' reviewing behavior. The findings are compatible with findings by Duan et al. (2008b).

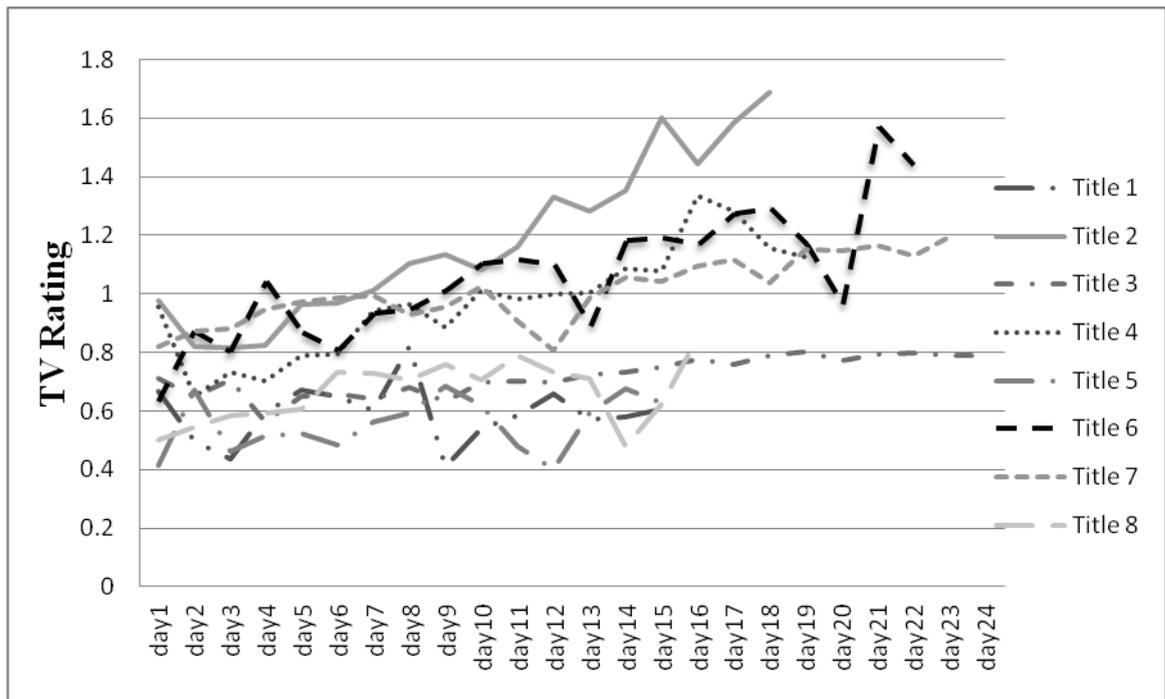


Figure 2 TV ratings of eight titles of TV dramas

6. Discussions, limitations and future research

Video websites are multiple-sided media platforms, encompassing agents such as content providers, advertisers, viewers. Literature about media platforms focuses on network effects, especially cross-group NE (Peitz, Valletti, 2008). Studies on cross-group effects finds that advertisers value much more on audiences than audiences place value on advertisers (Gal-or, Geylani, Yildirim, 2012). In this way, cross-group effects provide a mechanism to monetize its large installed base. But how can a media platform gain and retain its large installed base? The answer is the same-side effects, which have the following strengths.

First, the same-side effects are a way of marketing by customers themselves. Same-side effects are an interaction among the same side, facilitating cultivation of potential consumers. Although same-side effects exist long before, such as WOM, information technologies, especially internet, make it change fundamentally. A large number of users can interact in a timely, recordable, and searchable way. Users tend to trust more on other users than suppliers. They can ask other users whatever questions, particularly those that producers are not aware of or are not willing to disclose. In this way, early adopters act as marketing volunteers, and promote products/services to potential later adopters.

Second, same-side effects provide a mechanism to transform an experience good into a quasi-search good. Video programs are an experience good, while e-communities can offer TV audience the opportunities to draw on experiences of online viewers. Video websites provide multi-dimensional information about a video program, through which an audience can know a video program in advance without watching it thoroughly.

Third, same-side effects are a way to retain or lock in consumers. Consumers seem to have little switching costs from one video website to another. E-communities provide some mechanism for encouraging engagement and locking in customers. On the webpage of a TV program, audiences can watch trailers of a program, interact with comments of other audiences on the website and other hyperlinked websites, and enjoy other similar dramas recommended by the website, and if they have interest they can see relevant information about a drama, such as

clips on production and release of a drama and information about actors and actresses. Rich materials about a TV drama not only attract more audiences, but also promote customer engagement.

Further, same-side NEs stress the significance of an installed base, while same-side effects emphasize the role of active users. The concept of an installed base is related to platform participation. However, participating in a platform is not enough to bring sustainable development for a platform. It is especially true in an environment where participation cost is low and users tend to multihome on various platforms. In such an environment, the focus of wars between platform shift from participation to attention. Attention is a scarce resource and the currency in platform markets (Tiwana, 2013). A platform should develop capability to sustain attention of its existing users, which is key to attract both potential users and third parties. Same-side effects can promote customers' engagement on a platform, and thus facilitate platform stickiness.

The findings of this paper will have managerial implications. Platform firms should rethink about the roles of audiences in their strategies. Platform firms usually confront the tricky Chicken-and-Egg problem when starting up one platform (Caillaud, Jullien, 2003; Parker, Van Alstyne, 2005). The power of same-side effects lies in self-reinforcing mechanism. Interaction on the same side, usually the demand side, can not only facilitate exponential growth of users, but also increase engagement on a platform. In this way, platform owners can partially solve the Chicken-and-egg problem by establishing a virtual community or adding social networking elements to a platform. When the same-side loop takes effect, audiences themselves may voluntarily add value to platforms by contributing, sharing and discussing contents.

This paper has several limitations. First, our variables may not well represent the construct of the same-side effects. We use three variables in our empirical model to measure the same-side effects: the volume of review, the volume of sharing, and the score of audiences' rating. The three variables have the advantage of quantifiability, but some non-quantifiable variables may be equally significant to explain the same-side effects, such as data related to review contents. Further, our data are title-specific rather than audience-specific. If we had audience-specific data, we could have probed into the black box of the same-side effects at both sub-group and group levels. Second, our data is mainly about several titles of TV dramas on a China's video website, which may restrict generalization of the conclusions in this paper to other settings. Although Youku is the largest video website in China, the sample just reflects audiences' behavior of watching some specific TV dramas in a short period of time. Further, Chinese internet video audiences may behave differently from their foreign counterparts due to reasons like culture, information infrastructure, and content regulation. So it should be more cautious to apply the conclusions of this paper to foreign countries'.

The concept of the same-side effects is proposed in this paper as no existing concepts can sufficiently explain the exponential growth of the demand side on social networking sites. We hold that the concept of the same-side effects are significant for a specific type of platforms where the demand side features a self-reinforcing mechanism, like e-communities and social network sites. There are a number of opportunities to extend the current research. One important and interesting extension of our research will be to link the consumers' decision process with the same-side effects. The same-side effects work on some platforms, but fail on other platforms. It is of both academic and practical value to study the conditions for realizing the same-side effects, and to probe into the emergence process of the same-side effects.

Furthermore, we regard the same-side effects as a positive feedback in the demand side of a

platform. Arthur (1990) proposes that some manufacturing sectors are subject to positive feedbacks, which exist in the supply side of the economy. We speculate that the positive-feedback loop can be extended from the supply side to the demand side. Grasping the mechanism of the demand-side positive feedbacks is key to understanding the rise of social networking sites and their roles in the economy. In this line, some questions are worth further exploring. For example, how can the demand-side positive feedback generate increasing returns for the platform?

Additionally, TV dramas are not only available on video websites, but broadcast on traditional TV channels. It's interesting and valuable to study whether or not the same-side effects on a video website will impact TV ratings and further how the same-side effects impact the relationship between video website and traditional TV channels. Thus, an important extension to the current research would be to study the impacts of the same-side effects on cooperation and competition between a video website and traditional TV channels.

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Institutional Dimensions of Family Friendly Policies, Typology of Work-Family Relations and Their Outcomes in Work-Family Boundaryless Context:

A Conceptual Framework

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Abstract

Data technologies have driven work into family in all aspects resulting in work-family boundaryless context(WFBC) in which managing institutions of organizations should consider work and family as a whole and regulate all the work-family relations (WFRs) into positive ones. However, current studies on family friendly policies (FFPs) and family supportive programs offer conflicting insights. Thus, it is necessary to establish an overarching framework to integrate all these policies and programs into formal managing institutions to regulate all kinds of WFRs that may possibly appear in WFBC. For this purpose, this study defines institutional dimensions embedded in current FFPs from institutionalism perspectives and typologies WFRs into work-family conflict (WFC), work-family balance (WFB) and work-family enrichment (WFE). It identifies further the outcomes of these institutional dimensions at levels of employee, family and organization. Hereby, this study develops an integrative conceptual model to verify that the institutional dimensions can reduce WFC, improve WFB and WFE. Thus, formal WFB institutions are structured to regulate overall WFRs to improve well-being, family satisfaction and productivity in WFBC. The WFB institutions, typologies of WFRs and the theoretical framework developed herein contribute to current literature and lay

foundation for institutionalizing HRM practices and future empirical study.

Keywords: family friendly policies, work-family conflict, work-family balance, work-family enrichment, institutionalism, work-family boundaryless

Content Area: Work-family relations and Institutionalism

Methodological Area: Qualitative & interdisciplinary;

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