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Editorial

The current issue of the International Journal of Sales, Retail and Marketing is once more dedicated to the best research papers from the area of retailing, sales and marketing. In this issue we are proud to present five original research papers from the U.S.A., Great Britain, Bangladesh and Croatia. The contributing authors published several interesting researches from the area of customer behaviour, digital boat sales, recruitment of sales graduates, immigration rotues and migrant behaviour and about service quality of electric power supply.

The profile of contributors to the Journal ranges from well-known established professors to young and promising doctoral students whose time is yet to come.

Thank you for taking interest in publishing and reading *The International Journal of Sales, Retailing and Marketing*. We hope it will be a valuable help in your professional and academic advancement.

Editor,

Mirko Palić, Ph.D.

THE FOREST, PAPER AND PACKAGING INDUSTRY AND SUSTAINABILITY

Peter Jones and Daphne Comfort

Abstract

The aim of this paper is to offer an exploratory review of the sustainability agendas and achievements reported by the leading companies within the global forest, paper and packaging industry. The paper begins with brief outlines of corporate sustainability and the growing interest in sustainability reporting. The empirical material for the paper is drawn from the most recent sustainability reports posted on the leading forest, paper and packaging companies' corporate websites. The findings reveal while the leading companies within the industry recognised the impacts their businesses have on the environment, on society and to a lesser extent on the economy, there are variations in the character, extent and detail of the sustainability reporting process. That said the sustainability reports included details of a wide range of environmental, social and economic issues but more generally the reports had a number of weaknesses that, at least partly, undermine their transparency and credibility. The authors also argue that the selected companies' definitions of, and commitments to, sustainability are principally driven by business imperatives rather than by any fundamental concern to maintain the viability and integrity of natural and social capital. More critically the authors argue that this approach is couched within existing business models centred on continuing growth. The paper provides an accessible review of current approaches to sustainability in the global forest, paper and packaging industry and as such it will interest professionals working in the industry and its supply chain as well as academics and students interested in business strategy and sustainability.

Keywords: forest, paper and packaging industry: corporate sustainability; sustainability reporting; environment; society; assurance; materiality.

Introduction

The forest, paper and packaging industry provides an important illustration of one of the principal and controversial elements in the consumer supply chains which underpin modern consumption, in that it links primary production, manufacturing and retailing. While packaging encompasses a wide range of materials including paper and paper board, plastic, metal, glass and wood, in 2015 paper and paper board packaging had the largest (31%) share of the global

Peter Jones and **Daphne Comfort** work in the Business School at the University of Gloucestershire.

packaging market (All Pack 2017). While there is no precise differentiation between paper and paperboard, though the latter is generally thicker than the former, both are ultimately produced from virgin sources, principally wood. As such paper and paper board packaging make major demands on natural timber resources and their disposal has a direct impact on the environment and widespread concerns have been expressed about the environmental impact of such packaging materials. In outlining the environmental impact of paper based packaging, for example, Michael Warner, a Senior Resource

Campaigner at Friends of the Earth, argued that *'each stage of production – forestry, pulping, processing and printing – has associated environmental and human impacts'* (Raconteur 2013, webpage). The environmental pressure group the World Wildlife Fund (2017, webpage), for example, argued that *'the forest practices associated with some pulp and paper operations have had devastating impacts on some of the world's most ecologically important plants and species.'* More specifically Michael Warner argued that *'the production process takes its toll'* in that *'transforming wood from trees into thin uniform paper products requires the intensive use of wood, energy and chemicals'* and that *'clearing forests for packaging also worsens climate change'* (Raconteur 2013, webpage). The World Wildlife Fund (2017, webpage) also claimed that pulp and paper operations have contributed to *'human rights and social conflicts'* and the Environmental Association for the Universities and Colleges (2010, webpage) suggested that the 'potential impacts on poor people of forestry activity include *'dangerous and poorly paid work'*, *'damage to people already dependent on forests for food'* and *'fuel'*, and *'pollution impacts on local communities and livelihoods.'* The World Wildlife Fund (2017, webpage) also claimed that *'making pulp and paper requires vast amounts of water'*, that *'the pulp and paper industry is the single largest consumer of water used in industrial activities in developed countries'* and that *'paper mills may also discharge many pollutants in surrounding water bodies, which causes damage to aquatic ecosystems and threatens the health of people that live near the mill.'*

On the other hand Jane Bickerstaffe, Director of the Industry Council for Research on Packaging and the Environment, claimed that the packaging industry *'performs a major role in protecting far more resources than it uses and preventing far more waste than it generates'* (Raconteur, webpage) and in a similar vein Europen (2011, p. 5), the European Organisation for Packaging and the Environment, argued that

the packaging industry has claimed that *'packaging clearly contributes to sustainability by limiting product waste and over production.'* At the same time the forest, paper and packaging industry is an important source of employment. The American Forest and Paper Association (2017), for example, claimed that in the US the forest products industry accounted for 4% of total Manufacturing GDP, that it employs over 900, 000 people, which is more than those employed in the automotive, chemical and plastics industries, and that the industry was among the top ten manufacturing sector employees in 47 states. Contrasting and in many ways contested views on packaging throws the issue of sustainability into sharp relief. Mikkila and Toppinen (2008, p.500), for example, argued that *'forest based industry has a crucial role in global sustainable development because of its unique raw material base and its increasing globalisation.'* More generally PricewaterhouseCoopers (2010, p. 18) argued that *'unless the industry becomes more proactive in the debate about the definition and role of sustainable packaging, it runs the risk of packaging continuing to receive disproportionate attention for its environmental impact'* but more recently Bouw (2014, p.1) claimed that *'sustainability is a top priority among the world's forest, paper and packaging companies.'* With this in mind the aim of this paper is to offer an exploratory review of the sustainability agendas and achievements reported by the leading companies within the global forest, paper and packaging industry. The paper begins with brief outlines of corporate sustainability and the growing interest in sustainability reporting. This is followed by a review of the most recently published sustainability reports from the leading global forest, paper and packaging companies and the paper concludes by offering some reflections on current approaches to sustainability within the industry.

Corporate Sustainability and Sustainability Reporting

As investors, consumers, governments, interests groups and the media have become more acutely aware about the environmental, social and economic impacts of business activities so corporate sustainability initiatives have assumed ever increasing importance. KPMG (2012, webpage), for example, suggested that *'the evidence that sustainability is becoming a core consideration for successful businesses around the world grows stronger every day.'* While there is broad agreement that corporate sustainability is concerned with environmental, social and economic issues and with ethics and governance, there is little consensus in defining the term and a number of meanings can be identified. There are definitions which seem to emphasise business continuity. Dyllick and Hockerts (2002, p.13), for example, defined corporate sustainability as *'meeting the needs of a firm's direct and indirect shareholders……. without compromising its ability to meet the needs of future stakeholders as well.'* There are also definitions that look to include environmental and social goals and to formally incorporate these goals into corporate strategy. van Marrewijk and Werre (2002, p. 107), for example, argued that *'corporate sustainability refers to a company's activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns.'* In some ways Amini and Bienstock (2014, p.13) combined both approaches and argued that corporate sustainability *'embraces the idea that an organization, in order to remain fundamentally sustainable in the long term, must consider all of the contexts in which it is embedded: economic, social and environmental.'*

 More generally corporate sustainability is increasingly seen to incorporate the related concepts of sustainable development and the creation of shared value. Sustainable development, is most commonly defined as *'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'* (World Commission on Environment and Development 1987, p. 43). That said a distinction is often made, for example, between 'weak' and 'strong' sustainability and Roper (2012) suggests that *'weak sustainability prioritizes economic development, while strong sustainability subordinates economies to the natural environment and society, acknowledging ecological limits to growth.'* The more recently developed concept of creating shared value has been *'defined as policies and practices that enhance the competitiveness of a company while simultaneously addressing the economic and social conditions in the communities in which it operates'*(Porter and Kramer 2011, p. 78). In many ways all three concepts share a common, if competing, set of theoretical underpinnings. Garriga and Mele (2004, p. 51), for example, identified four groups of theories namely instrumental theories, political theories, integrative theories and ethical theories, based on *'ethical responsibilities of corporations to society.'* Further Garriga and Mele (2004) suggested that in practice, each theory presents four dimensions related to profits, political performance, social demands and ethical values. More recently Lozano et al. (2015) have reviewed how a wide range of theories of the firm have contributed to corporate sustainability but suggested that each of these theories is limited in that they each address specific dimensions of sustainability. The authors concluded by proposing a new theory which, they argued, provides corporations, and their stakeholders, with a more complete vision of their obligations, opportunities, relations and processes in *'helping to make societies more equitable and sustainable in the short and long term'* (Lozano 2015, p. 430). The growing interest in, and commitment to, corporate sustainability has seen the emergence of sustainability reporting across a wide range of companies and organisations. In essence sustainability reporting is a general term used to describe how a company, or an organisation,

publicly reports on its environmental, social and economic impacts and performance. For the Global Reporting Initiative (2011, webpage) *'sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development.'* van Wensen et. al. (2011, p.14) argued that *'sustainability reporting is the provision of environmental, social and governance information within documents such as annual reports and sustainability reports.'*

In some ways sustainability reporting has become an 'industry' in itself and a number of private companies and voluntary organisations offer sustainability reporting services and frameworks. The United Nations Environment Programme (2013, p.21), for example, identified a number of *'reporting frameworks and protocols, reporting systems, standards and guidelines'* but argued that the Global Reporting Initiative *'has become the leading global framework for sustainability reporting'* and cited its comprehensive scope, its commitment to continuous improvement and its consensus approach as being important in contributing to its pre-eminence in the field. Originally founded in 1997 the Global Reporting Initiative reporting framework has progressively evolved from the original G1 Guidelines launched in 2000 into the current G4 Guidelines introduced in 2013. Within the current G4 Guidelines materiality and external assurance are seen to be of central importance. Materiality is concerned with who is involved in identifying the environmental, social and economic issues that matter most to a company and its stakeholders and how this process is undertaken. External assurance is a procedure employed to provide confidence in both the accuracy and the reliability of the reporting process. More specifically external assessors work to one of two so called 'levels of assurance' namely 'reasonable assurance' and 'limited assurance.' In the former *'the assurors have carried out enough work to be able to make statements about the report which are framed in a positive manner e.g. the reported environmental data accurately reflect'* (the company's) *'environmental performance.'* In the latter *'the assurors have only carried out enough work to make statements about the report which are framed in a negative manner e.g. Nothing has come to our attention which causes us to believe that the reported environmental data do not accurately reflect'* (the company's) *'environmental performance'* (CorporateRegister.com Limited 2008).

More generally the growth in corporate sustainability reporting and an increasing focus on materiality and external assurance in the reporting process essentially reflect calls for greater transparency within sustainability reporting. Sustainability (2014, p.10) defined *'effective corporate transparency'* as being *'when a company provides or makes available appropriate and timely information to all relevant stakeholders with the intention of optimizing decision making that leads to more sustainable decisions.'* In many ways transparency can be seen as the key to sustainability in that *'once a company makes a commitment to transparency, the rest must follow'* (CSR Reporting 2011, webpage). Looking to the future greater transparency can be seen to be crucial in creating the momentum within companies to actively address environmental and social impacts and challenges and more generally in driving corporate performance.

Frame of Reference and Method of Enquiry

In an attempt to obtain an exploratory review of how the forest, paper and packaging industry is publicly addressing and reporting on their sustainability strategies and achievements, the top ten global companies, (as measured by 2015 sales and as listed by PricewaterhouseCoopers 2016), namely International Paper, Kimberley-Clark, Svenska-Cellulosa (SCA), Oji Paper, Westrock, UPM-Kymmene, Stora Enso, Smurfit

Kappa, Sumitomo Forestry, Nippon Paper Group, were selected for study. These companies represent different sectors of the industry as a whole in that while Kimberley-Clarke and Svenska-Cellulosa are consumer goods companies, International Paper, Stora Enso and UPM-Kymmene, for example, are manufacturers of paper, paperboard and pulp, though they do have some forest operations, and Sumitomo Forestry is primarily a wood producing company. Kimberly-Clark, for example, is a US <u>multinational</u> corporation, based in Irving Texas, which <u>produces mostly paper</u>-based consumer products and employs some 43,000 people. International Paper is the world's largest packaging company, and produces fibre based packaging, pulp and paper. The company has its headquarters in Memphis, Tennessee, US, it employs some 55,000 people worldwide and has manufacturing plants in 24 countries and in 2014 it generated revenues of US $23 billion. Westrock, has some 42,000 employees in 30 countries, Smurfit Kappa, is an Irish based company which employs some 45,000 people, while Stora Enso, which is based in Helsinki, Finland, has the majority of its manufacturing operations within Europe. Sumitomo Forestry, originally established in 1691, employs some 17,000 people across 17 countries.

As the leading players within the industry the selected companies might be seen to reflect contemporary approaches to sustainability within the sector and be keen to publicise their sustainability initiatives to a wide audience. Increasingly large companies employ the Internet to report on their sustainability strategies and achievements. This led the authors to conduct a digital Internet search for information, using the key phrase 'sustainability report' and the name of each of the selected companies. This search was undertaken in May 2017, employing Google as the search engine, and the most recent report for each of the selected companies within the forest, paper and packaging industry obtained via this search formed the empirical material for this paper.

More specifically the authors took the decision to tease out the key themes and narratives by a close reading and review of the sustainability reports. The aim is not to offer a systematic and detailed comparative analysis and evaluation of the selected companies' approaches to sustainability and the specific examples and quotations are employed primarily for illustrative rather than comparative purposes. Essentially the focus was on conducting an exploratory examination of the current sustainability issues being addressed by the leading companies within the forest, paper and packaging industry rather than on providing a systematic analysis and comparative evaluation of sustainability policies and achievements of these companies. Unless specifically cited all quotations are drawn from the selected companies' sustainability reports (Table 1). The paper is based on information that is in the public domain and the authors took the considered view that they did not need to contact the selected companies to obtain formal permission prior to conducting their research.

When outlining the issues of reliability and validity in relation to information on the Internet, Saunders et.al. (2009) emphasised the importance of the authority and reputation of the source and the citation of a specific contact individual who can be approached for additional information. In reviewing the sustainability reports the authors felt that these two conditions were met. At the same time the authors recognise that the approach chosen has its limitations in that there are issues in the extent to which a company's public statements fulsomely, and in detail, reflect strategic corporate thinking and whether or not such pronouncements might be considered little more than carefully constructed public relation exercises. However the authors believe that their approach offers a suitable approach for the current exploratory study.

Findings

The findings revealed that nine of the selected companies, namely International Paper, Kimberley-Clark, Svenska-Cellulosa (SCA), Oji Paper, Westrock, UPM-Kymmene, Smurfit Kappa, Sumitomo Forestry, Nippon Paper Group, within the forest, paper and packaging industry had published dedicated sustainability reports while Stora Enso produced a sustainability report as part of its annual report. Two of the selected companies, namely International paper and Kimberley-Clark, produced two sustainability reports, one designed for a general audience while the other was more technical and included performance data on environmental and social issues. The reports were variously described as a company's sustainability report, sustainability review, sustainable development report and corporate social responsibility report, and in the case of UPM-Kymmene, a corporate environmental statement. Some of these reports were subtitled, seemingly to capture the company's positive commitment to sustainability, for example as *'Sustainability in Every Fibre'* (Smurfit Kappa), *'In Our Nature'* (International Paper). *'Responsibility to Results'* (Westrock), and *'Sustainability for a Better Life'* (Kimberley-Clark). Two sets of themes, namely the environmental, social and economic issues on which the selected packaging companies report on sustainability and the nature of the reporting process, merit attention.

Firstly the majority of the selected companies emphasised their corporate concern for, and commitment to, sustainability. The International Paper Group, for example, emphasised its *'commitment to the highest ethical and sustainability standards is guided by a basic principle: do the right things for the right reasons. This affects everything we do - from employee and community engagement, to our use of natural resources and our commitment to forest stewardship, to our impact on the planet.* In a similar vein Stora Enso, reported that its *'sustainability strategy is incorporated into the wider company business strategy',* that *'sustainability is a key element of Stora Enso's corporate governance'* and that *'the Chief Executive Officer carries the ultimate responsibility for the successful implementation of our sustainability strategy.'* In *'A Message from Our Chief Executive Officer'*, Tom Falk claimed that *'sustainability has been central to Kimberley-Clark since we began operation more than 140 years ago'* and that *'throughout our history, we've continuously improved how we operate and embed sustainable practices into our business.'* UPM-Kymmene stressed that the company *'is committed to sustainable development'* and that *'responsibility and a holistic approach to environmental issues are key building blocks of'* the company's *'safe and responsible business operations and product development.'*

Some of the selected companies explicitly identified a number of strategic priorities. Within its sustainability strategy International Paper, for example, identified *'six strategic focus areas'* namely safety; stakeholder engagement; ethics and compliance; forest stewardship; greenhouse gas emissions; and water use. The company stressed its belief that *'a sharp focus'* on these areas *'will help us continue to move in the right direction on some of the most critical issues for our company and the communities in which we operate.'* The company stressed, for example, that *'ethical behaviour and personal integrity are at the core of our culture'* and that *'these values extend beyond our employees to our suppliers, who are required to maintain the same level of ethics and integrity in their dealings with us.'* In a similar vein Smurfit Kappa identified *'five strategic sustainability priorities'* namely forest management; climate change; water management; waste management; and people. Some of the selected companies also stressed their commitment to the 'circular economy' which looks to keep resources in use for as long as possible and to recover and regenerate products and materials at the end of each service

life. UPM-Kymmene, for example, emphasised its *'commitment to be the frontrunner in sustainability and circular economy in our industry'* while Smurfit Kappa stressed its commitment to *'designing our operations around a circular economy model'* in which *'the productivity of the resources we use is maximised and waste, including carbon dioxide emissions, is minimised.'* However there was little detailed evidence or performance data was provided to illustrate how such circular economic models worked or contributed to sustainable development.

More generally the selected packaging companies evidenced their strategic commitment to sustainability across a wide range of environmental, social and economic agendas. A number of environmental issues were addressed including climate change and greenhouse gas emissions, energy efficiency, sustainable forest management, preserving biodiversity, water management and waste management and recycling. Under the banner *'Climate Change Initiatives'*, the Nippon Paper Group, for example, reported on *'reducing carbon dioxide emissions at every stage of our business activities'* and more specifically on *'actively using biomass and waste fuels to reduce fossil energy use'*, on *'working to promote green logistics'* and on *'sequestering atmospheric carbon dioxide in forests and food products.'* Smurfit Kappa recognised that *'the production and use of fossil energy is one of the major contributors to greenhouse gas emissions and climate change globally'*, that *'paper production is energy intensive'* and that *'our industry's challenge is to reduce the energy intensity of production.'* More specifically the company reported a reduction of 22.6% in its relative fossil carbon dioxide emissions from its paper and board mills between 2005 and 2015 and a 10% improvement in the energy usage per tonne of paper produced at its mills during the same time period. Westrock reported that *'a key element in our strategy to reduce greenhouse gases is leveraging what we do best — using biomass.'* More specifically the company reported that its integrated kraft paper mills, which are its most energy intensive manufacturing facilities, burn renewable biomass to generate 60% of their energy needs. Westrock also reported having established a goal to reduce greenhouse gas emissions from its manufacturing facilities by 20% in the ten years up to 2025.

Forest and plantation management is an important theme within many of the selected sustainability reports. Sumitomo Forestry, for example, recognised that *'forests perform a variety of functions for the public good, such as storing and purifying water, preventing floods and landslides, absorbing and retaining carbon dioxide, which is linked to global warming, and preserving biodiversity'* and claimed that the company *'advances sustainable forest management both in Japan and overseas to ensure that timber resources will be available in perpetuity while preserving the public functions of forests.'* Stora Enso, emphasised that *'sustainable forest management is in our immediate and long term interest, as it keeps forests healthy and productive, and thus helps secure the long-term availability of the renewable resources we use.'* The company claimed that its *'policy on wood and fibre sourcing covers the entire cycle of forest and plantation management'* and that *'compliance with national legislation is only the starting point for our work.'* This work also includes supporting and implementing *'voluntary forest conservation and restoration measures'*, *'tree* breeding', designed, for example, to improve the productivity and quality of eucalyptus trees grown on company plantations and participation in *'numerous local and global forestry associations, networks and programmes.'*

Smurfit Kappa reported on its approach to sustainably sourcing fibres at its plantations and forestry operations. The company argued that *'we believe forests can supply sufficient quantities of sustainable, renewable sources of fibre when manged well'* and claimed that *'everything we do is subject to strict principles of sustainability and*

the highest standards of practice to ensure sustainable forest management.' That said the company recognised that globally forest areas are decreasing and that continuing deforestation is a growing concern for stakeholders and that wood fibres cannot be endlessly recycled but suggested that research was required to extend the lifespan of fibres. The Nippon Paper Group reported on the establishment, in 2016, of its *'Policy on the Preservation of Biodiversity'* which, inter alia, recognised *'the protection of biodiversity as a critical social issue'* and looked to *'promote the development of technologies, products and services that contribute to preservation of biodiversity and the sustainable use of ecosystem services.'*

Water management is an important issue for many of the selected packaging companies. Stora Enso, for example, recognised that water played a central role in the company's production, heating, cooling and cleaning processes and in the generation of hydroelectricity. While the majority of the company's production plants are located in areas where water is relatively abundant there is a clear recognition that *'global water scarcity may still impact our operations in the long term through our supply chains, and as controls on pollution, recycling and water pricing are toughened.'* In a similar vein International Paper emphasised that *'water is essential to our manufacturing processes, so it is crucial that we actively seek ways to use water effectively and in harmony with local communities and ecosystem needs'* and the company reported on its achievements in reducing freshwater consumption at three manufacturing plants in Florida, California and Pennsylvania in the US and at a paper mill at Saillat sur Vienne in west central France. Svenska-Cellulosa reported that it had been evaluating water risks at its own production facilities since 2011 but that it had begun conducting such assessments at all of its 54 pulp suppliers and this assessment is to updated regularly.

Waste management is also seen to be an important element in many of the selected companies' sustainability plans and programmes. UPM-Kymmene, for example, claimed that *'reducing the amount of solid waste and increasing reuse are key objectives at all UPM mills.'* More specifically the company reported that the emphasis is on sorting waste at source, that a large part of the process waste is used either as raw material or in energy production and that the majority of solid waste sent to landfill sites has been reduced significantly in recent years due to efficiency gains in the production process. At the same time while the company recognised that landfill sites used to deposit solid waste account for the most significant environmental impact in waste management, it claimed to be monitoring this impact in line with the relevant statutory regulations. Kimberley-Clark outlined its *'zero-waste mindset'* and suggested it was *'about recognizing the value of materials that go into our products and packaging'* and that *'whenever we can find ways to reduce, reuse and recycle these materials'* thus *'keeping them in circulation-and out of the landfills.'* Sumitomo Forestry reported on initiatives to achieve zero emissions and to reduce industrial waste, to raise employee awareness and on the collection of wood waste generated through its manufacturing processes and its subsequent reuse as fuel.

In reviewing the social dimensions of sustainability being addressed by the selected packaging companies a number of themes can be identified including, the importance of employees, the health, wellbeing and safety of employees, employee training and development, human rights and labour practices, diversity and equality of opportunity, employee representation and association, links with local communities and charitable donations. Oji Paper, for example, claimed *'our people are what differentiates us from our competitors- they bring their great thinking , judgement and commitment to work every day'* and *'when our people grow,*

our business grows, together we work to find the right development support for the individual and the sustained success of our business.' Further Oji Paper reported working with Competenz, an industry training organisation, in New Zealand, to develop skills and to promote nationally recognised qualifications within the company. Westrock reported that it 'provides employees with opportunities to enhance their knowledge and skills' and argued that by 'providing training and career development programmes we improve employee engagement at work resulting in greater job satisfaction for our co-workers and better results for the company and our stakeholders.'

Svenska-Cellulosa emphasised that 'the working environment and safety of its employees is of paramount importance to SCA and the company wants everyone to feel safe at work' and that 'this relates not only to the physical work environment, but also to promoting a culture where safety always comes first.' Company policies and management systems on health and safety, follow-up and control and extensive training are seen to be central in raising safety ambitions. Oji Paper recognised that 'our worksites are high-hazard work environments where the highest level of industry safety performance is critical ', stressed that 'we are committed to the safety, health and wellbeing of every person who works with us' and that 'we believe that people perform at their best when their individual health and wellbeing is supported.' More specifically Oji Paper reported on its 'Wellbeing Challenge' and 'Fit4Work' programmes which include health monitoring, and initiatives to promote weight loss, to encourage employees to make better lifestyle choices and to reduce absenteeism.

Sumitomo Forestry stated its 'Basic Policy on Respect for Human Rights' namely 'that everyone belonging to the Group shall respect people in terms of diversity such as gender, age, nationality, race , religion and disability and acknowledge that everyone is equal and that no discrimination whatsoever will be tolerated.' The company also reported on measures taken to verify efforts to ensure human rights, on the prevention of sexual harassment and bullying in the workplace and on human rights training. In focusing on 'Human Rights, Employment and Labor Responsibility' the Nippon Paper Group reported that its 'basic stance' was on 'the optimal application of diverse human resources whilst ensuring safety and disaster prevention.' More specifically the Nippon Paper Group reported meetings with Amnesty international to 'deepen our understanding of global trends in human rights issues' and that it 'considers the culture and traditions of residents in each region of its overseas afforestation operations.' Stora Enso reported on working with BSR, a global not-for-profit organisation, to define and calculate a living wage in Brazil, India, China, Pakistan, Russia, Laos and Uruguay. In this exercise a living wage was defined as a level of earnings that best corresponds to the actual costs of acquiring the goods and services that are necessary for a basis standard of living and at the start of 2016 Stora Enso reported its current minimum salary levels exceeded the living wage estimates in all seven countries.

A number of the selected companies reported on their commitment to, and links with, local communities and on their charitable donations. In reporting on its approach to 'Community Relations' Svenska-Cellulosa claimed it wanted to 'help solve social challenges', and reported that the company 'prioritizes social initiatives with a clear link to the company's values, expertise, operations and geographic presence', that 'many initiatives are in hygiene and health, often related to women and children' and that 'these projects strengthen SCA's position in the community and build loyalty and goodwill.' By way of an illustration of its work Svenska-Cellulosa provides outline details of its support for adolescent girls in Mexico, sick children and their parents in Hungary and more generally its help for communities struck by natural disasters. Under the banner 'Giving Back is in Our Nature', International Paper reported on a number of

global projects it supported either through direct donations or employee volunteering programmes. These projects included employee volunteering at a dam construction site in Tantikonda, near one of the company's paper mills in India, and providing food to children in need in Nairobi through the 'World Food Program USA' and empowering low income young students in Tres Lagoas in Brazil.

Economic issues generally received more limited explicit coverage in the sustainability reports posted by the leading companies within the forest, paper and packaging industry. Many companies reported on economic issues indirectly mentioning the creation of employment opportunities and supplier relationships, for example, as part of wider commentaries on sustainability. That said one of the selected companies, Stora Enso, explicitly reported on the economic impacts of their business operations. Stora Enso *'Economic Agenda'* embraced three sets of issues namely, customers, supplier and investors. In prefacing its commentary on customers, for example, the company argued that *'increasing global consumer demand for sustainability is encouraging companies and brand owners to provide smart and safe solutions to meet everyday needs.'* The company claimed to be *'developing our expertise in renewable materials to meet customers' needs through products with high sustainability performance'*, to *'work actively together with our customers to improve the material efficiency and environmental impact of our products and related production processes'* and to *'regularly measure customer satisfaction.'* In addressing the issue of investors Stora Enso recognised the tensions between the growth in the number of socially responsible investors and shareholder demands for financial profits from their investments and outlined how it looked to manage the challenges posed by such tensions and stressed the importance of timely and transparent

communication with shareholders on environmental, social and governance issues.

Secondly there are marked variations in the nature of the reporting process. There was little or no uniformity in the character and style of the sustainability reports published by the leading companies in the forest, paper and packaging industry and the reports varied considerably in length. At one end of the spectrum the Sumitomo Forestry report ran to 327 pages and while the Smurfit Kappa, Svenska-Cellulosa, Stora Enso and Nippon Paper Group report were 100, 76, 75 and 70 pages respectively, at the other end the Oji Paper and Kimberley-Clark reports were 28 and 24 pages respectively. Some of the sustainability reports provided detailed structured narratives others offered a lighter and less detailed commentary. While all the selected companies included some data on environmental and social issues within their sustainability reports the scope and time scale and geographical coverage varied considerably. Thus while the Westrock report included some limited companywide statistical information on the number of employees attending training course, on the company's total energy mix, and on greenhouse gas emissions, for example, the Stora Enso report included data on fossil carbon dioxide emissions, process water discharges, chemical oxygen demands and processed waste to landfill across a number of countries and plants in Northern and Western Europe. The selected companies often looked to illustrative general narrative in their sustainability reports with cameo 'case studies' and with graphs, diagrams and photographic images.

All the leading companies within the forest, paper and packaging industry made reference to external reporting guidelines. International Paper, Kimberley-Clark, Svenska-Cellulosa, Westrock, UPM-Kymmene, Smurfit Kappa, Sumitomo Forestry and Nippon Paper Group, and Stora Enso stated that their reports had been

prepared in accordance with GRI G4 Core reporting option while Oji Paper reported that it had *'referred to the GRI Sustainability Reporting Guidelines for guidance only in the production of this report.'* Sumitomo Forestry also reported that it had been included in a number of Socially Responsible Investment indices including the FTSE4Good and the Morningstar Socially Responsible Index. More generally by way of external accreditation for its approach to sustainability Westrock highlighted that in 2016 the company had won the American Forest and Paper Association Sustainability Award for Leadership in Sustainability Safety

While, as noted earlier in this paper, materiality and external assurance are seen to be central to the GRI G4 Guidelines the leading companies in the forest, paper and packaging industry varied in their integration of these issues within the sustainability reporting process. The majority of the selected companies, namely International Paper, Kimberley-Clark, Svenska-Cellulosa, UPM-Kymmene, Stora Enso, Smurfit Kappa and Nippon Paper Group looked to introduce the concept of materiality into their sustainability reporting processes but there was some variation in the mechanics of how materiality was determined. In constructing its materiality matrix Smurfit Kappa, for example, followed the approach recommended by the GRI in that the matrix axes focused on *'significance of economic, environmental and social impacts'* and *'influence on stakeholder's assessments and decisions'* (Global Reporting Initiative 2011, p.8). Kimberley-Clark reported engaging Corporate Citizenship, a management consultancy, to conduct a materiality assessment to help develop *'a comprehensive perspective on the future of the business'*, which enabled the company *'to focus on the core economic, environmental and social topics that are integral to supporting and growing our company.'* This assessment embraced seven sets of international stakeholder groups, namely suppliers, customers, distributors, employees,

investors, labour/trade organisations and non-governmental organisations. These stakeholder groups were asked to determine both the importance of each material issue and the impact they considered each would have on the business and these two sets of responses formed the axes for the materiality matrix. The materiality exercise conducted by International Paper focused on *'a consideration of economic, environmental, social and governance matters that affect the ability to create or erode value for shareholders'* and as such might be effectively seen to ignore consideration of wider environmental, social or economic issues.

Five of the selected companies, namely Kimberley-Clark, Svenska-Cellulosa, Stora Enso, Smurfit Kappa and Sumitomo Forestry commissioned independent external assurance while the Nippon Paper Group included some *'Third Party Comments'* in its sustainability report and International Paper stated that it would be commissioning a limited external assurance exercise for its next report. The assurance assessments were limited either in the percentage of the issues on which the companies reported or more technically in terms of the nature of the assurance process. On the one hand the assurance exercise conducted for Stora Enso by Deloitte & Touche, for example, covered only the company's direct and indirect fossil carbon dioxide emissions and here Deloitte & Touche offered the limited assurance concluded that *'nothing has come to our attention that causes us to believe that information subject to the assurance engagement is not prepared in all material aspects, in accordance with the Sustainability Reporting Guidelines G4.'* On the other hand Smurfit Kappa, commissioned KPMG *'to provide limited assurance on the data and text'* of all of its sustainability report and the auditors came to exactly the same conclusion. The third party comments on the Nippon Paper Group's sustainability report commended the company for preparing its report in accordance with the G4

Guidelines and for its approach to preserving biodiversity but also suggested that the company should look to keep its occupational accident rate and its employment rate for people with disabilities under review.

Discussion

The findings revealed that while the majority of the leading companies within the forest, paper and packaging industry publicly recognised the impacts their businesses have on the environment, on society, and to a lesser extent, on the economy, there are variations in the character, extent and detail of the reporting process. The packaging companies' generally idiosyncratic approach to reporting on sustainability makes it difficult to make any meaningful comparisons between companies or to attempt any evaluation of the contribution the leading players within the industry are making towards the achievement of sustainability targets at national or international levels. This is not a problem per se, in that companies have no statutory obligation to report on sustainability, but in reviewing the leading packaging companies' current approach to sustainability four sets of issues of issues merit discussion and reflection.

Firstly while the majority of the leading packaging companies emphasised their commitment to sustainability they can be seen, individually and collectively, to have constructed a specific definition of the concept. This definition is primarily built around business efficiency and cost savings and is driven more by business imperatives than with maintaining the intrinsic viability and integrity of environmental and social capital. Thus while many of the environmental agendas addressed by the selected companies are designed to reduce greenhouse gas emissions, energy, water consumption and waste, for example, they also serve to reduce costs. In a similar vein the packaging companies' commitments to their employees focusing for example, upon good working conditions, health and safety at work and training all help to promote stability, security, loyalty and efficiency within the workforce.

The leading companies in the forest, paper and packaging industry might thus be seen to have constructed sustainability agendas, which are driven primarily, though not necessarily exclusively, by their own commercial interests. The accent being on efficiency gains across a wide range of economic, social and environmental issues rather than on maintaining the viability of natural ecosystems and reducing demands on finite natural resources. More generally Aras and Crowther (2009, p.279) argued that corporate sustainability reporting has the effect of obscuring 'the *effect of corporate activity upon the external environment and the consequent implications for the future''* and that *'one of the effects of persuading that corporate activity is sustainable is that the cost of capital for the firm is reduced as investors are misled into thinking that the level of risk involved in their investment is lower than it actually is.'* In a similar vein Banerjee (2008, p.51) has argued that *'despite their emancipatory rhetoric, discourses of corporate citizenship, social responsibility and sustainability are defined by narrow business interests and serve to curtail the interests of external stakeholders.'*

Earlier in this paper the authors suggested that corporate sustainability was also increasingly seen to incorporate the concept of the creation of shared value. While the leading companies within the forest, paper and packaging industry do not explicitly employ the term shared value in their sustainability reports a number of their sustainability commitments, to employees and communities, to investing in social welfare and to environmental stewardship, are expressed within the idiom of shared value. However Crane et al. (2014) identified a number of weaknesses and shortcomings in the creation of the shared value model. More specifically Crane et al. (2014, p.131) argued that the model *'ignores the*

tensions between social and economic goals' that it is *'naïve about the challenges of business compliance'* and that it is *'based on a shallow conception of the corporation's role in society.'* In examining the first of these concerns, for example, Crane et al. (2014, p136) suggested that *'many corporate decisions related to social and environmental problems, however creative the decision-maker may be, do not present themselves as potential win-wins, but rather manifest themselves in terms of dilemmas.'* As such Crane et al. (2014, p. 136) suggested that such dilemmas are effectively *'continuous struggles between corporations and their stakeholders over limited resources and recognition.'* In justifying their assertion that creating shared value is based on a shallow reading of the corporation's role in society Crane et al. (2014, p. 140) argued that the model seeks to *'rethink the purpose of the corporation without questioning the sanctity of corporate self-interest.'*

Secondly materiality and assurance received limited attention from the leading packaging companies. Generally there was only limited reference, for example, as to how material issues were identified by the companies or to the role of a range of stakeholders in the identification process. As such the sustainability reports and information posted by the selected companies might be seen to represent the executive management's approach to sustainability rather than the potentially wider sustainability agendas and concerns of the company's stakeholders. The approach to the construction of materiality matrices employed by some of the leading companies within the forest, paper and packaging industry might be seen to favour corporate business continuity goals, rather than more general environmental, social and economic concerns. McElroy (2011, webpage), for example, claimed that this approach *'essentially cuts out consideration of what are arguably the most material issues'* namely *'the broad social, economic and environmental impacts of an*

organisation regardless of how they relate to a particular business plan or strategy.'

At the same time the independent external assurance of the sustainability reports posted by the leading companies within the forestry, paper and packaging industry can be seen to be problematic. While some of the leading companies in the forest, paper and packaging industry did commission external assurance the scope of the assurance exercises was limited as noted earlier, others did not report on commissioning such assurance exercises. This can be seen to reduce the credibility, integrity and reliability of the sustainability reporting process undertaken by the leading companies in the forest, paper and packaging industry. That said the selected companies are large, complex and dynamic organisations and capturing and storing comprehensive information and data throughout the supply chain in a variety of geographical locations and then providing access to allow external assurance is a challenging and a potentially costly venture. Thus while data on a company's carbon emissions may be systematically collected, collated and audited as part of the company's environmental commitments, information on their impact on local communities and levels of staff satisfaction may be more difficult to measure, collate, interpret and assure. Currently some of the leading companies within the forest, paper and packaging industry choose not to publicly pursue such an exercise.

Thirdly with an eye to the future while the sustainability reports posted by a number of the leading companies within the forest, paper and packaging industry are couched within the idiom of continuing growth and business expansion, there are tensions between continuing growth, and sustainability. These packaging companies' commitments to growth are evidenced in a number of ways. Smurfit Kappa, for example, stressed its approach to sustainable development

'has delivered consistent growth.' In his 'Message' at the start of the sustainability report, Fumio Manoshiro, President of the Nippon Paper Group, stressed the company's commitment 'to grow our business over the long term' and that it would 'make the best of growth opportunities' and more generally the company reported that its was 'striving to achieve sustainable growth and increases in corporate value.' However, with the exception of little more than a genuflection to the circular economic model mentioned earlier, the selected sustainability reports make little attempt to define sustainable growth and in many ways the term is used to refer to continuing economic growth. That said there are fundamental questions about whether continuing economic growth is compatible with sustainable development. On the one hand some critics would suggest that continuing economic growth, dependent as it is, on the seemingly ever increasing depletion of the earth's natural resources is fundamentally incompatible with sustainability. Higgins (2013, webpage), for example argued 'the economic growth we know today is diametrically opposed to the sustainability of our planet.'

On the other hand the dominant corporate argument is that continuing economic growth will inevitably be accompanied by the more efficient use of resources. This trend which is seen as either relative or absolute decoupling (relative decoupling refers to using fewer resources per unit of economic growth while absolute decoupling refers to a total reduction in the use of resources) underpins many conventional definitions of sustainability and the vast majority of current corporate sustainability strategies and programmes. However decoupling is seen by some critics as an elusive goal and Conrad and Cassar (2014,p. 6370) suggested that 'a substantial body of research has cast doubts on whether countries can truly grow their way out of environmental problems.' In a similar vein Wiedmann et al. (2015, p. 6271) argued that

'achievements in decoupling in advanced economies are smaller than reported or even non-existent' and this, in turn, may be seen to ultimately undermine the potential to achieve sustainable growth. Arguably more radically Jackson (2009, p. 57) concluded a discussion of what he described as 'the myth of decoupling' by arguing that 'it is entirely fanciful to suppose that deep emission and resource cuts can be achieved without confronting the structure of market economies.'—Equally critically Castro (2004) has questioned the very possibility of sustainable development under capitalism and argued that economic growth relies upon the continuing and inevitable exploitation of both natural and social capital.

At the same time a number of the leading packaging companies reported on their commitment to innovation and to harnessing a wide range of new developments in technology would be vitally important in improving efficiency across the sustainability spectrum and in helping to deliver sustainable growth. Smurfit Kappa, for example stressed its commitment to 'drive innovation and sustainability for long term success' and claimed 'we use sustainability as a lens through which to focus our innovation strategy and processes' and Svenska-Cellulosa emphasised that the company 'develops innovations for people and nature' and that 'these new solutions offer improvements for the user or for the environment.' More generally Clark and Dickson (2003, p. 8059) suggested that 'the need for sustainable development initiatives to mobilize appropriate science and technology has long been recognized' and advances in technology are often seen to provide the best way of promoting greater efficiency. However while Schor (2005, p.310) recognised that 'advocates of technological solutions argue that more intelligent design and technological innovation can dramatically reduce or even stop the depletion of ecological resources' he argued that such approaches 'fail to address increases in

the scale of production and consumption, sometimes even arguing that such increases are not unsustainable if enough natural-capital-saving technical change occurs.'

Conclusion

All the leading companies within the forestry, paper and packaging industry publicly reported on their commitments to sustainability and on their achievements in meeting such commitments. A number argued that by integrating sustainability into their businesses, they are creating sustainable value, are better placed to provide long term growth and financial security for all stakeholders and to enhance their market position and reputation. However the authors argue that the selected companies definitions of, and commitments to, sustainability can be interpreted as being driven as much by business imperatives as by any fundamental commitments to sustainability. Thus the accent currently appears to be on making efficiency gains across a wide range of economic, social and environmental issues rather than on maintaining the viability and integrity of natural ecosystems and on reducing demands on finite natural resources. As such the leading companies within the forest, paper and packaging industry are, at best, pursuing a 'weak' rather than a 'strong' model of sustainability. More critically the authors suggest that the selected companies' commitments to sustainability are couched within existing business models centred on continuing growth and that current policies might be viewed as little more than genuflections to sustainability. This echoes Roper's (2012) belief that weak sustainability represents *'a compromise that essentially requires very little*

change from dominant economic driven practices but effectively works to defuse opposition, increase legitimacy and allow business as usual.' Such criticism notwithstanding, the authors would argue that the sustainability reports published by the leading players in the forest, paper and packaging industry compare favourably with those produced by the world's leading retailers (Jones et. al. 2011) and those produced by the major companies elsewhere in the consumer goods and services industries (e.g. Jones et al. 2012; Jones et al 2014).

Looking to the future and in the face of growing media, investor, customer, pressure groups and government scrutiny, the leading companies within the forest, paper and packaging industry may seek to further develop, and adopt, a more rigorous and transparent approach to, their sustainability reporting. Here the leading players in that the forest, paper and packaging industry may want to address how they can continue to reflect on corporate approaches to sustainability, on the development of such approaches over time and on how to bring greater value and transparency to the reporting process. At the same time future academic research agendas might usefully build on the current exploratory paper by focusing on a number of avenues of enquiry. These include, for example, market research into customers' perceptions of the environmental and social impacts of the forest, paper and packaging industry and its impact on purchasing behaviour, investigations into if, and how, the forest, paper and packaging industry looks to manage sustainability issues within the supply chain and if, and how, greater transparency in the sustainability reporting process is reflected in corporate investment and profitability.

TABLE 1: THE LEADING FOREST, PAPER AND PACKAGING COMPANIES' SUSTAINABILITY REPORT WEBSITES

International Paper
http://www.internationalpaper.com/docs/default-source/english/sustainability/reportlayout-yironly-web.pdf?sfvrsn=2

Kimberley-Clark
http://www.kimberly-clark.com/sustainability/Content/PDF/GRI%20Report_FA.pdf

Svenska-Cellulosa
http://reports.sca.com/2016/sustainability-report/

Oji Paper
http://www.ojifs.com/userfiles/file/Oji%20Fibre%20Solutions_Sustainability%20Report%202015_Spread.pdf

Westrock
http://www.ojifs.com/userfiles/file/Oji%20Fibre%20Solutions_Sustainability%20Report%202015_Spread.pdf

UPM-Kymmene
http://www.upm.com/Responsibility/fundamentals/CertificateFinder/Documents/UPM%20Corporate%20EMAS%20report%202015%20UPM%20Paper%20Mills_en.pf

Stora Enso
http://assets.storaenso.com/se/com/DownloadCenterDocuments/Sustainability_Report_2016.pdf

Smurfit Kappa
http://resources.smurfitkappa.com/Resources/Documents/Smurfit_Kappa_SDR_2015-Sustainability_in_every_fibre.pdf

Sumitomo Forestry
http://sfc.jp/english/information/society/pdf/pdf/2016_report_en.pdf

Nippon Paper Group
http://www.nipponpapergroup.com/english/csr/npg_csrr2016_all.pdf

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THE VIABILITY OF DIGITAL BOAT SALES

John E. Dillard, Jr. and Lucinda Parmer

Abstract

Six categories of 1,606 currently registered boat owners were surveyed as to their likelihood of purchasing a boat within a digital storefront platform. The vast majority of respondents fit into one of two categories: (1) those with low interest – virtually no interest in the digital purchase concept; and (2) those with high interest – high interest towards the digital purchase concept. Significant differences were found in trust and personal risk, age, buyer, and boat type. The best initial targets for digital boat purchases are those individuals who recreate with friends and family either in a social context or highly competitive context.

Keywords: *recreation, leisure, e-commerce, values, motivations*

Introduction

Internet buyer behavior has been closely scrutinized for over 15 years, beginning in mid-1990 when digital retail sales were mostly considered to be a novelty venue. In 2012, over 2 billion Internet users engaged in total e-Commerce retail sales of $188.1 billion with the estimation that this total would approach $270 billion by 2015 (Industry trends, e-commerce & Internet business trends analysis - Plunkett research, Ltd, no date). The acceptance of web-based retailing has seen a gradual evolution. One significant earlier concern for digitally based consumers was security. The main security concern included privacy issues regarding the personal protection of the consumer's credit card information feasibly being exploited within the online transaction. Consumers' trust of website purchasing transactions quickly emerged as a salient issue and Shankar, Urban, and Sultan

(2002), and Yoon (2002) suggested a link between trust and behavioral intent, for example, lack of trust translated into buying reluctance. This dimension of trust, with respect to online purchasing, has been widely researched as a critical component of acquiring and retaining digital customers.

Goel, Dincelli, and Williams (2017) affirmed that consumers today are susceptible to deceptive practices of modern-day hackers trolling the Internet. This digital reality leaves consumers vulnerable when it comes to interacting on the World Wide Web. Garrett (2017) found that digital business storefronts could become unguarded if proper security controls are not initiated in such areas as diminishing social engineers who hack into people's personal accounts, by way of, manipulating others to hand over their personal log-in and password information. Consumers' social media websites, such as Facebook, Twitter, and Instagram accounts are likewise exposed to hackers being able to retrieve their personal information.

John E. Dillard, Jr., Ph.D.
University of Houston – Downtown
Lucinda L. Parmer, Ph.D.
Miami University, P.O. Box 92, Miamiville, OH 45147
Phone: (513) 302-2520, E-mail: parmerl@miamioh.edu

Jarvenpaa, Saarinen, and Tractinsk (1999), and Reichheld and Schefter (2000) identified perceived trust in website purchasing behavior's importance over a decade ago. However, recently, there have been mixed findings regarding consumer trust and online or digitally based shopping efforts. Bart et al. (2005) and Chen and Barnes (2007) discovered that the concern for financial and personal information fraudulent obtainment tended to lessen, as e-shoppers became savvier digital buyers. In addition, Bart et al. (2005) identified an array of distinct areas that could impact Internet trust. These included not just privacy and security, but the navigation and presentation of the website, strength of the brand in question, or brand loyalty and brand equity features, customer service, proper and speedy order fulfillment, community features of the website, absence of site errors, familiarity, digital expertise and aesthetics, prior shopping experience, and the entertainment experience of the website itself.

A 2005 survey conducted by Privacy and American Business (Some Fab Pandabs, 2016) reported that concerns regarding the use of personal information hindered 64% of respondents from purchasing from a company while two-thirds of respondents declined to register at a website or shop online because they found the privacy policy to be confusing or unclear. Tsai et al. (2011) discovered numerous consumers were willing to pay a premium to purchase products from privacy-protected websites. It is established that trust and security continue to impact purchases made within a digital storefront capacity in a variety of different ways.

Furthermore, an additional related factor to security and trust buying issues, which has inhibited consumers' acceptance of certain products, or product categories, within the cyberspace buying channel, are the personal risk factors involved. Consumers carefully weigh the individual danger of purchasing a product online. Fram and Grady (1999) found that product categories, which involved fashion materials, or size decisions, were considered a high-risk buying category and were least likely to be purchased within a digital storefront space. Bhatnagar, Misra, and Rao (2000) discovered that the probability of purchasing over the web decreased dramatically with increases in product risk. High product risk was associated with (1) higher product technical complexity, (2) higher ego-related or inflated needs, (3) a higher price, and (4) any product category where feel and touch sensories are important. Pavlou (2003) defined perceived risk as a consumer's subjective assessment that a loss would be suffered in pursuit of the desired outcome. Kolsaker, Choy, and Lee-Kelley (2004) discovered that perceived risk was more highly correlated with customers' willingness to shop online.

Determinants of digitally based shopping behavior vary widely but can be broadly classified as relating to either specific consumer motivations or traits, features of the online medium, or in some cases, a combination of both. Pachauri (2002), for example, classified these determinants into the following four encompassing concepts, to include (1) *time minimization*, whereas when consumers are searching for the best product at the lowest price and they shop online when the time it takes to accomplish this is minimized; (2) *risk minimization,* when consumers want to optimize decision-making processes regarding price and quality of products, they then shop online where merchant reliability, credibility, and trustworthiness are not significant deterrents; (3) *consumer lifestyle*, such as, when shopping behavior is a direct function of one or several consumer variables such as socio-demographics, buying motives, needs, attitudes, interests, and opinions; and (4) *contextual influence*, where digital shopping behavior can be driven by such contextual factors as website ambiance and site user-friendliness.

The time and risk minimizations, along with the consumer lifestyle determinants are more

consumer related, whereas, the contextual influence determinants make-up the particular features and aesthetics of the digital medium channel.

Furthermore, Mitchell (2015) found that a company's digital storefront is the firm's website. Therefore, it is imperative that an organization designs their company website to be inviting, enticing and aesthetically pleasing to existing and future customers. Making a good first impression with suitable website content helps to establish a positive brand image and long-lasting relationships with customers. Perea y Monsuwé, de Ruyter, and Dellaert (2004) conjectured that the consumer traits of escapism, pleasure, and arousal, when combined with certain situational factors, predicted a high likelihood of Internet shopping intent. Sorce, Perotti, and Widrick (2005) reported that the four primary motives for shopping within a digital storefront or platform were (1) convenience, (2) informativeness, (3) selection, and (4) the ability to control the shopping experience. Argumentatively, these motives are both consumer motivations, as well as, features of the digital channel.

In regards to gender disposition, there are substantial differences in online shopping behavior between men and women. Van Slyke, Belanger, and Comunale (2002) found that men were more likely to be in the early adopter category for online purchasing when compared to females. Stafford, Raisinghani, and Turan (2004) reported that men spent more money on digital purchases because of the buying convenience and reduced social interaction factors. Passyn, Diriker, and Settle (2011) discovered that the most notable differences between male and female digital shoppers centered around the entertainment value, and the time and effort factors towards shopping online. For example, women were more likely to view shopping online as boring, and to be more concerned about the time and effort it took to find what they wanted to buy.

While there is a substantial body of research on a wide range of product categories sold on a digital storefront that would be classified as consumer goods, there is considerably less research on the viability of an online format in sustaining the purchase of major durable products. The notable exception to this is the automobile where there has been an extensive examination of the Internet search and transaction processes. Ratchford, Lee, and Talukdar (2003) reported that the Internet has led to a reduced automobile search time. In a subsequent study, Ratchford, Lee, and Talukdar (2007) found that 60% of new car buyers accessed information through the Internet. Zettelmeyer, Morton, and Silva-Risso (2006) determined that consumers searching the Internet lowered purchasing prices in two distinct ways, first, by providing pricing information that consumers were able to utilize in direct negotiations with the brick-and-mortar automobile dealerships, and secondly, it helped customers obtain lower prices from additional online buying services, such as, with CarMax and CarsDirect. Kulkarni, Kannan, and Ratchford (2012) found that automobile consumers consulting the Internet were predominantly concerned with the automobile ratings when making a purchase buying decision. Offline consumers were considerably more interested in recommendations. In addition, Wilson (2015) determined that when companies transition from a brick-and-mortar selling experience towards a digital storefront utilizing an existing or new company-wide website redesign platform, the process turns from just simply being an informational site to becoming a transactional website overhaul.

This research aims to investigate the viability of selling a non-automotive major durable product in a digital format, as within the powerboat market. Boat sales have a similar set-up in comparison to automobiles in that there are numerous manufacturers pushing product through a network of dealers to a consumer base

that relies on the dealer network to provide service after the sale. The boating category introduces additional variables into the Internet equation because (1) a boat purchase is most likely a discretionary income purchase, (2) it is a purchase primarily driven by a leisure/recreational motivation, and (3) price might vary between a few thousand dollars to several million dollars dependent upon the size of the boat and its selected features and amenities. Since the vast majority of new boats sold are 15 - 40 feet, it was decided to focus on boating categories $\leq$ 40 feet and in the following specific categories (a) fiberglass sport/deck boats 17 - 23', (b) fiberglass sport cruiser boats 24 - 38', (c) fiberglass fishing boats 15 - 23', (d) fiberglass fishing boats 24 - 40', (e) aluminum fishing boats 14 - 28' and (f) pontoon boats. These six categories account for 80+% of all new boat unit volume sales in the United States. In addition, boating represents a substantial market with global recreational boating revenues of nearly $20 billion in 2011 and expected to rise to $30.6 billion by the end of 2017 (*Global Recreational Boating Industry Analysis and Forecast 2012-2017*, 2012).

The desire to purchase a discretionary product over the Internet could be related to the motivation one has for using the product. Dillard and Bates (2011) exposed four primary core value and motivation dynamics for recreating. These four motivations were escape, enhancing relationships, personal mastery and winning. Further, utilizing multi-dimensional scaling, it was found that a significant difference existed for individuals across the benefit attained from the experience of the recreational activity versus the results of the activity. To understand the viability of the online/digital format for selling powerboats, this research attempts to recognize the precarious consumer elements and experiences desired in a digital buying behavior experience. Additionally, the following seven hypotheses were tested:

H_1: Trust and personal risk to potential buyers impact the likelihood of purchasing a boat over the Internet.

H_2: Geography impacts the initial likelihood of purchasing a boat within a digital storefront capacity.

H_3: Age impacts the initial likelihood of purchasing a boat within a digital storefront capacity.

H_4: Gender impacts the initial likelihood of purchasing a boat within a digital storefront capacity.

H_5: Buyer type impacts the initial likelihood of purchasing a boat through the Internet.

H_6: The type of boat impacts the initial likelihood of purchasing a boat through the Internet.

H_7: Consumer personal core values and motivations for recreating impacts the likelihood of purchasing a boat within a digital storefront capacity.

Methods

A sample was selected from registered boat owners in the United States and quotas were established for each of the following variables (1) boat types to include sport/deck, sport cruiser, fiberglass fishing 15' - 23', fiberglass fishing 24' - 40', aluminum fishing, and pontoon; (2) geographical location to include Northern, Southern and Western United States; (3) age including 21 - 45-year olds and 46+; (4) gender and (5) buyer type including first-time boat buyer, and second time or more boat purchase buyer. The survey was conducted by telephone. Table 1 summarizes the sample breakdown for each of the above-specified variables. A total of 1,606 surveys were completed.

Table 1: Sample Breakdown

Sample Breakdown	Fiberglass Sport/Deck Boats 17'-23'	Fiberglass Sport Cruiser Boats 24'-38'	Fresh/Salt Fiberglass Fishing Boats 15'-23'	Fresh/Salt Fiberglass Fishing Boats 24'-40'	Aluminum Fishing Boats	Pontoon Boats	Total
Overall	284	284	264	229	282	263	1,606
Geography							
North	119	110	96	91	109	93	618
South	80	90	91	95	83	78	517
West	85	84	77	43	90	92	471
Age							
21-45	183	150	128	91	90	77	719
46+	101	134	136	138	192	186	887
Buyer Type							
1st Boat	85	52	58	49	64	51	359
2nd +	199	232	206	180	218	212	1,247
Female Owner							216

Results

Initial Likelihood of Purchase

Purchasing a new powerboat over the Internet represents a new channel, therefore, it was anticipated that some explanation of the purchase process would be required and that this explanation might influence the consumer's perception of the process, and as a result, it was decided that a before and after question would be given, prior to and after the explanation of the process, respondents would be questioned as to their likelihood of purchasing a boat digitally. Figure 1 establishes the initial likelihood scenario created for each respondent.

Figure 1: Initial Likelihood Scenario Survey Question

> Assume you have been shopping for a new boat and have researched several brands either on the Internet, by reading magazines, talking to friends, or visiting dealerships or boat shows. Assume you even went for a test ride if that was requested. Further assume that you have researched the cost of the boats in which you are most interested, and have even requested a price quote from a dealer. Now you have decided you're ready to buy a new boat. Assume you have an acceptable price range in mind based on the boat and the options you want. What is different about this buying experience is that you can now purchase this boat on the Internet.
>
> First, I would like to understand how you feel about this concept before any descriptions of the possible process are offered. If you could purchase a new boat on the Internet today, and every part of the process such as delivery, trade-in, purchase price, and service is satisfactory, how likely would you be to do this? Please use a scale of 0 to 10 with 10 being **EXREMELY LIKELY** and 0 being **EXTREMELY UNLIKELY**.

Table 2 summarizes the likelihood of purchasing a boat over the Internet prior to any description of the process and indicates a somewhat likelihood ($\bar{x}$ = 4.56, p < .05 on a 0 - 10 scale). Additional factors were examined to include geographical location of the North, South and Western United States, age to include 21 – 45 year olds, and 46+, buyer type of 1st boat purchase or 2nd or more boat purchase, gender, and boat type to include sport/deck, sport cruiser, fiberglass fishing 15' – 23', fiberglass fishing 24' – 40', aluminum fishing, and the pontoon model.

Table 2: Initial Likelihood of Internet Boat Purchase by Various Categories

Category	Initial Likelihood of Internet Purchase
Overall	4.56
Geography	
North	4.49
South	4.67
West	4.53
Age	
21 – 45	5.12
46+	4.11
Buyer Type	
1st Boat	3.34
2nd or More Boat	4.91
Gender	
Male	4.59
Female	4.34
Boat Type	
Sport/Deck	4.86
Sport Cruiser	4.70
Fiberglass Fishing 15'- 23'	4.37
Fiberglass Fishing 24 - 40'	4.62
Aluminum Fishing	4.11
Pontoon	4.72
	Significantly Higher
	Significantly Lower

Somewhat expectedly, two sub-groups revealed a significantly higher initial likelihood of powerboat Internet purchase. These sub-groups are younger age owners, 21- 45 years old, and individuals who had owned multiple powerboats of two or more ($\bar{x}$ = 5.12, p < .05 and $\bar{x}$ = 4.91, p < .05), respectively. Additionally, among boat types, sport/deck boat owners reported a significantly higher initial likelihood of utilizing a digital storefront platform for a powerboat purchase ($\bar{x}$ = 4.86, p < .05) while aluminum fishing boat owners were significantly lower ($\bar{x}$ = 4.11, p < .05).

A drill-down look at the initial likelihood of Internet boat purchase data is even more revealing. Table 3 shows two significant groups. Group 1 (nearly 30%) represents the 0, 1, and 2 responses and is those participants with low, virtually no interest in the concept of purchasing a boat online. Group 2 (over 43%) represents the

7, 8, 9, and 10 responses and is those participants whose reaction to the digital boat buying experience is highly favorable. While the overall mean of 4.56 (on a 0-10 scale) suggests a lukewarm reaction to the concept, the reality is that the sampled population is intensely bipolar.

Table 3: Initial Likelihood of Internet Boat Purchase: Drill-Down Look

0-10 Ratings	Overall %	
0	21.2%	Low interest in the online boat purchase concept
1	2.7%	
2	5.4%	
3	4.5%	
4	4.6%	
5	12.3%	
6	6.2%	
7	10.4%	High interest in the online boat purchase concept
8	14.1%	
9	6.7%	
10	11.8%	
7-10 response	43.03%	

Table 4 summarizes the level of concern for various factors in a digital boat transaction. Essentially these are trust issues and can be divided into two distinct dimensions. The first dimension revolves around financial and personal data concerns while the second dimension centers on nonfinancial issues such as tolerance to ambiguity about how the digital transaction process would work, not being able to see the product, and/or the issue of dealing with an unknown dealer website. The biggest concerns within the sample base were the disclosure of financial and personal information in an unknown environment ($\overline{x}$ = 7.22/10), dealing with an unknown website dealer ($\overline{x}$ = 6.62) and how the digital boat purchase overall process would work ($\overline{x}$ = 6.51). This is totally consistent with expectations given the empirical data that has emerged to date.

Table 5 corroborates what is reported in the literature identified by Bhatnagar, Misra, and Rao (2000) regarding personal risk, in regards to, digital boat transactions would likely fit in all of the high-risk categories and therefore the rating for personal risk is not at all surprising. ($\overline{x}$ = 5.44/10). In order for more clarification, the personal risk factors associated with consumers when purchasing boats utilizing a digital storefront platform include (1) higher product technical complexity, (2) higher ego-related or inflated needs, (3) a higher price and (4) any product category where feel and touch sensories are important.

Table 4: Concerns With Purchasing a Boat Digitally

PURCHASING BOAT ONLINE CONCERNS AND PERSONAL RISK	OVERALL SAMPLE MEAN
Disclosure of financial/personal information in an unknown environment	7.22
How the purchase process would work	6.51
Issues with the product (i.e. seeing, touching, meeting expectations)	5.28
Dealing with website/dealer I don't know	6.62
The actual payment transaction	5.96
Personal risk of online boat purchase	5.44

Survey Question: There could be several concerns you might have **in** purchasing a boat on the Internet. For each item, indicate your level of concern using a scale of 0 to 10 with 10 being **EXTREMELY CONCERNED** and 0 being **NOT CONCERNED AT ALL.**

Table 5: Personal Risk of Digital Boat Purchase/Transaction

PERSONAL RISK	MEAN
Boat	5.44

Survey Question: How would you rate the personal risk of purchasing a boat on the Internet? Indicate your level of personal risk using a scale of 0 to 10 with 10 being **HIGH PERSONAL RISK** and 0 being **NO PERSONAL RISK.**

Table 6: Consumer Preferences for Digital Boat Purchase Transactions

PURCHASE TRANSACTION ISSUE	CONSUMER PREFERENCE	MEAN/10
Finding the product	Search the online inventory from several dealers in my market area	7.22
Finalizing the price	Negotiate the price with the dealer of my choice	7.73
Trade-in/selling current boat	Have the dealer of my choice see my trade and offer a price	7.11
Financing the new product	Obtain a loan from my own bank, credit union, or other financial service	7.68
Taking delivery of the new product	I would pick up the boat at my selling dealer	6.83
Service after the sale	Use the dealer who delivered the boat	7.93
Communication after the sale	A phone call at a time I select confirming the details of my purchase including the boat, price, delivery, financing and service	4.31

Consumer Preferences Within a Digital Boating Transaction

The process of purchasing a boat over the web must address each of the following issues, (1) finding the right new product, (2) finalizing the price, (3) trade-in or selling current boat, (4) financing, (6) delivery of the new product, (7) service after the sale and (8) communication after the sale. Locating a suitable powerboat containing the desired features and options can

be accomplished by custom building the product online, or scanning through the available inventory of one or more boat dealerships. Table 6 summarizes consumer preferences for each of the aforementioned issues. The top consumer preferences regarding the participants of this study with respect to the purchase transaction issues were being able to use the dealer who delivered the boat for service after the sale situations, and being able to negotiate the price with the dealer of their choice when configuring a final boat price ($\bar{x}$ = 7.93, and $\bar{x}$ = 7.73), respectively.

Establishing and finalizing pricing is a two-step process, first, it is important to understand with whom the consumer would prefer to interact with, the dealer or the manufacturer. Secondly, by what method or process would price be determined, for example, a no-haggle pricing or a negotiation of some kind? With respect to trade-ins, major differences between the automotive market and boat market revolve around used product. In the automotive market, a highly developed, well-structured used vehicle system exists resulting in the easy disposal or sale of used auto products. Numerous automotive dealers make more profit per vehicle on used inventory than on new inventory. Trading your used vehicle in on your new vehicle is a widely accepted and encouraged the practice. In the boating industry, just the opposite is true. The used boat market is highly fragmented and many dealers would prefer not to take trades. The consumer preference is to have a system similar to automotive, for example, having the selling dealer see the trade-in and then offer a price, but close behind the first preference is the market reality, with consumers essentially selling the boat on their own.

Financing for marine products is another area that differs markedly from automotive. Numerous automobile manufacturers have their own financing departments and personnel as part of their business model and, are readily prepared to finance new car sales. Most boat manufacturers have not vertically integrated into financing, and as a result, boat dealers are forced to do for survival what auto dealers do for profit and/or competition, which is to develop local relationships for financing. It is not surprising that by a substantial margin, consumers would prefer to obtain financing through their own means.

Most consumers prefer taking delivery of a new boat either (1) at the dealership where it is purchased, or (2) at their marina or slip. For the former, a primary consideration is making sure that the boat can be properly towed. There is a slight preference for picking the boat up from the selling dealer. Interestingly, the second most popular response is to have the boat delivered to the buyer's driveway. This undoubtedly reflects a high proportion of repeat buyers in the participant sample who would likely be more inclined to have towing issues already resolved.

One of the interesting facets of this research is that since digital boat sales represent a new channel of distribution, there are likely elements of the transaction that consumers have not fully considered because the proposed channel introduces choices that are both desirable and not available in the normal channel of distribution in which has been currently used. This is opposed to other elements in the transaction, for example, financing, where a well-known alternative of obtaining a personal loan is a highly established practice in the dealer direct-to-consumer channel. Communication after the sale on the Internet will likely be different from anything consumers have experienced previously. There are several choices for communication, to include, email, phone, live chat, and in-person. The first three of which would be brand new alternatives for the consumer, whereas, most preferred a phone call at the time of boat selection. This suggests there may be a call center role in developing this channel. Note that the communication preference mean is much lower than earlier preferences signifying a likely role for consumer education as this channel is developed.

Likelihood Revisited

Once respondents better understood how an actual Internet boat purchase might transpire, the respondents were queried again as to their likelihood to purchase in this manner. Table 7 demonstrates that the mean likelihood of a boat purchase over the Internet is .72 points higher after the process is described than prior to the process being described. Comparing the means reveals there is a significant difference (*p* < .0001). This clearly shows that an educational process will be required for consumers. Additionally, it was insightful to observe the change that individual consumers underwent after the explanation of the process. Not a single individual that was initially in the "no interest in purchasing a boat online" moved out of the "no interest" category. The explanation that was provided simply took those who were positively inclined towards the idea and made them even more so.

Table 7: Likelihood of Internet Boat Purchase After Process is Described

LIKELIHOOD TO PURCHASE A BOAT OVER THE INTERNET AFTER THE PROCESS IS DESCRIBED	MEAN
Overall	5.28

Survey Question: Thinking about all of the options we just discussed related to buying a new boat on the internet, and **ASSUMING THAT MOST OR ALL OF YOUR PREFERENCES** for finding the boat, negotiating the price, taking delivery, arranging for financing, and obtaining service were met, how likely would you be to purchase a new boat on the Internet? Please use a scale of 0 to 10 with 10 being **EXTREMELY LIKELY** and 0 being **EXTREMELY UNLIKELY**.

Core Recreational Values

Dillard and Bates (2011) developed a model of core recreational values based upon a factor analysis of a comprehensive list of recreational motives. Figure 2 illustrates this model and depicts four major recreational motives, to include, *Escape, Enhancing Relationships, Personal Mastery,* and *Winning*, as well as, two sub-motives of *Self-Actualization* and *Play Hard*. The Self-Actualizer is a subset of the Personal Mastery motive, whereas, the Play Hard is a subset of the Winning motive. Additionally, the model includes a vertical dimension of activity participation with self versus others, and a horizontal dimension, which describes the benefit attained by the participant regarding the experience versus the results. The simplified explanation of these dimensions is as follows; recreational values typically either focus on the individual (i.e. self) or the individual within a group (i.e. other people namely family and friends). The second dimension concerns whether the recreational motive focuses on the experience of the activity or the results of the activity. For example, the Personal Mastery quadrant is self-focus/results driven while Enhancing Relationships is an "other people" focus/experience driven.

Each survey participant was asked to select their primary motivation for engaging in leisure/recreational activities, and based upon each respondent's choice; they were classified into one of the four core recreational value categories developed by Dillard and Bates (2011). This data is summarized in Table 8, along with the statement motivations. Enhancing Relationships was the largest core recreational value selected by respondents at 35.2% followed by Escape at 26.8%. Additionally, these were the two largest core recreational values identified by Dillard and Bates (2011). Table 9 illustrates a comparison of the four core recreational value sizes in this study versus the original study by Dillard and Bates (2011). As is evident, the data in this study compares closely to the original data thus, not

only supporting the original findings but also establishing credibility and normality for the dataset.

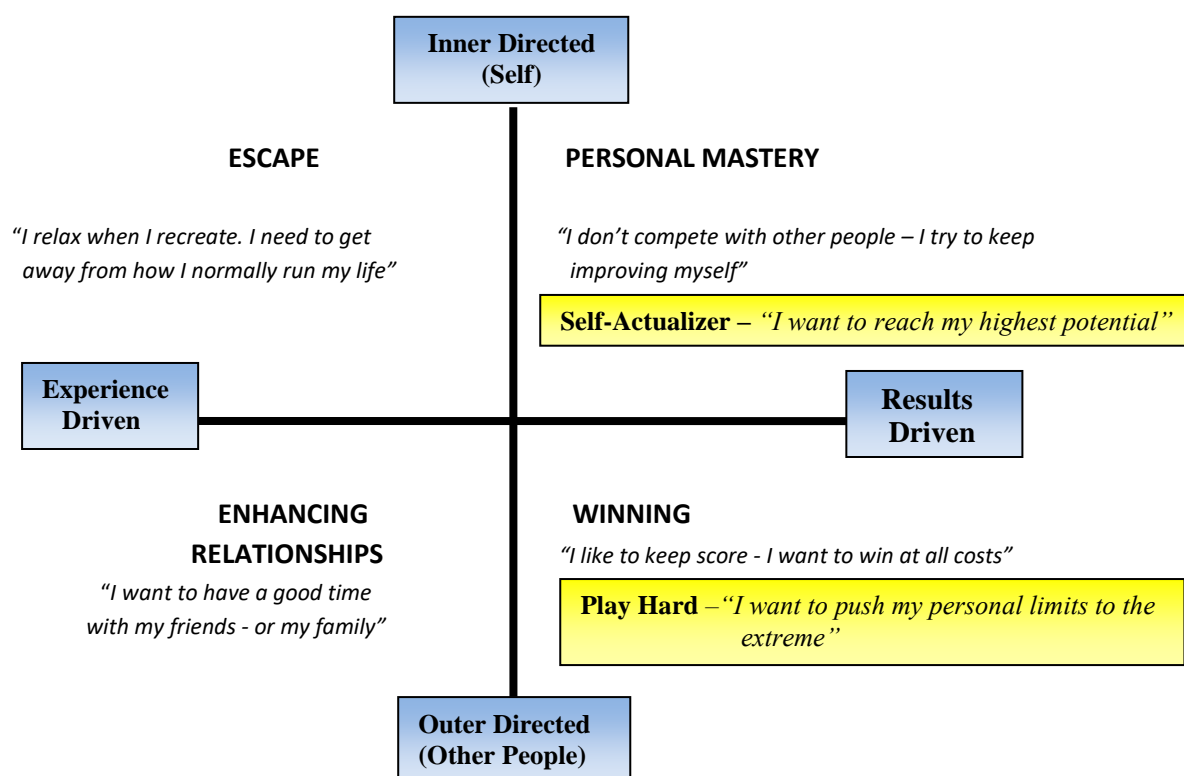**Figure 2:** Recreation Core Values/Motivations

Table 8: Recreational Core Values/Motivations

STATEMENT/MOTIVATIONS	RECREATIONAL CORE VALUE	#/% Selected
I like to relax when I recreate. I need to get away from how I normally run my life.	Escape	430/26.8%
I want to reach my highest potential.	Personal Mastery	47/2.9%
I like to keep score -- I want to win at all costs.	Winning	194/12.1%
I want to have a good time with my friends – and/or my family.	nhancing Relationships	565/35.2%
I want to push my personal limits to the extreme.	Winning	137/8.5%
I do not compete with other people -- I try to keep improving myself.	Personal Mastery	233/14.5

Survey Question: Which of the following statements best describes your primary reason for engaging in leisure/recreational activities? (**SELECT ONLY ONE**)

Table 9: Core Value Comparison of Samples: Original Research vs. Current Study

RECREATIONAL CORE VALUE	Dillard/Bates Original Research (N = 622)	Current Study (N = 1606)
Escape	30.1%/187	26.8%/430
Enhancing Relationships	33.9%/211	35.2%/565
Personal Mastery	20.1%/125	20.4%/328
Winning	15.9%/99	17.6%/283
TOTAL	100%/622	100%/1606

Analysis and Test of Hypotheses

Given the general bipolarity of the data as described in Table 3, it was decided that a reasonable assessment of the sample could be derived by evaluating the responses of the two groups identified in Table 3, the low-interest group in purchasing a boat over the Internet with the 0 - 2 response to the initial purchase intention question, and the high-interest group with a 7-10 response to the initial purchase intention question. The two groups together accounted for nearly 75% of all respondents.

Table 10 summarizes the trust and personal risk issues for the two groups and clearly demonstrates a significant difference ($p < .0001$) between the two groups in every trust and personal risk category, whereas, the low-interest group sees the digital boat purchase transaction as a significantly riskier proposition across every trust and risk issue measured.

H_1: Trust and personal risk to potential buyers impact the likelihood of purchasing a boat over the Internet, therefore accepted.

It is insightful to recognize which trust and risk items are of concern to each group as this provides additional understanding regarding the specifics of the risk hierarchy. For example, the high-interest group is most concerned with dealing with the website, and an unknown dealer, but least concerned with issues surrounding the product, such as being able to actual see and touch the product, and the product meeting expectations. The high-interest group displays characteristics of individuals with channel familiarity regarding the concern about completing a transaction with an unknown/lesser known entity (i.e. store, dealer, website), but generally not having concerns about the product itself, the payment transaction, or disclosing financial/personal information.

The low-interest group demonstrates all of the characteristics of a consumer about to enter a channel with which they have little familiarity. This includes being most concerned about the disclosure of financial and personal information within an unknown environment and having to deal with the website and an unknown boat merchant. They are more concerned about how the purchase process would work; more so than they are about the actual payment transaction because the payment transaction is typically not going to take place for them. These results reinforce the necessity for consumer education as part of the process of selling a major durable, such as a boat in a digital storefront capacity.

While the above data demonstrates a clear relationship between trust and risk and the willingness to purchase online, this would be a complex variable for a marketing manager in the marine industry to target. A considerably higher value would be a specific consumer demographic, a particular type of boat, or a behavioral and/or lifestyle characteristic that could be easily

targeted. An examination of geography, age, buyer type, gender, and boat type found significant differences in that 21 – 45 year olds were more likely to make a digital boat purchase over the Internet ($p < .05$), buyer type of purchasing a 2nd or more boat was more likely to make a digital boat purchase over the Internet ($p < .05$), and the boat type was significant in that the sport/deck model was more likely to be purchased utilizing a digital storefront platform ($p < .05$). There were no significant findings found with geographical location and gender ($p > .05$).

H_2: Geography impacts the initial likelihood of purchasing a boat within a digital storefront capacity, therefore rejected.

H_3: Age impacts the initial likelihood of purchasing a boat within a digital storefront capacity, therefore accepted.

H_4: Gender impacts the initial likelihood of purchasing a boat within a digital storefront capacity, therefore rejected.

H_5: Buyer type impacts the initial likelihood of purchasing a boat through the Internet, therefore accepted.

Additionally, an examination of the six boat type categories (i.e. sport/deck, sport cruiser, fiberglass fishing 15' - 23', fiberglass fishing 24' - 40', aluminum fishing, and pontoon), showed that the most likely initial boat type to be purchased over the Internet was the sport/deck model ($p < .05$).

H_6: The type of boat impacts the initial likelihood of purchasing a boat through the Internet, therefore accepted.

As outlined previously, each respondent in the survey was asked to select his/her primary motivation for engaging in recreational/leisure activities and based upon this individual response, was assigned to one of the core recreational values of Escape, Enhancing Relationships, Personal Mastery, and Winning, or

to a sub-value associated with one of the primary core values. Table 11 summarizes the percentage of respondents in each of the four core recreational values for a) the overall sample and b) the High and Low Interest in purchasing a boat online group. Two distinct findings are apparent from this table. First, There is a significant difference between the High and Low Interest groups for each core recreational value ($p < .0001$); and second, Enhancing Relationships and Winning are significantly higher for the high-interest group ($t = 5.379$, $p < .0001$; $t = 6.248$, $p < .0001$), respectively.

H_7: Consumer personal core values and motivations for recreating impacts the likelihood of purchasing a boat within a digital storefront capacity, therefore accepted.

Figure 3 represents an abbreviated version of the core recreational value model developed by Dillard and Bates (2011) and depicts further insight into the high-interest group. In their original research, it was found that the horizontal axis explained a considerable amount of overall brand strategy of experience versus results orientation, as so forth that most recreational companies were aligned against either the left or right side of the model of experience or results, but usually not both. In their initial work, the authors discovered that there was a significant insight into the right side of the model of the results axis through certain demographic characteristics of gender and income. In the current study, as is seen in Figure 3, the distinguishing/predictive axis is vertical, not horizontal and the key factor of identification is outer/other people directed. This essentially means that the best initial targets for digital boat purchases will be those individuals who recreate with friends and family either in a social context or highly competitive/play hard context.

Table 10: Digital Purchasing Trust and Personal Risk Means: High vs. Low Interest Group

DIGITAL BOAT PURCHASE CONCERNS AND PERSONAL RISK	OVERALL SAMPLE MEAN	HIGH INTEREST IN PURCHASING BOAT OVER THE INTERNET MEAN	LOW INTEREST IN PURCHASING BOAT OVER THE INTERNET MEAN	T-TEST/ (PROB)
Disclosure of financial/personal information in unknown environment	7.22	5.46	8.27	19.189 ($p < .0001$)
How the purchase process would work	6.51	5.82	7.30	10.107 ($p < .0001$)
Issues with the product (i.e. seeing, touching, meeting expectations)	5.28	4.08	6.53	16.731 ($p < .0001$)
Dealing with website/dealer I don't know	6.62	6.11	8.19	14.204 ($p < .0001$)
The actual payment transaction	5.96	5.57	6.36	5.395 ($p < .0001$)
Personal risk of online boat purchase	5.44	4.96	5.82	5.873 ($p < .0001$)

Table 11: Core Value Comparison of Samples: High vs. Low Interest Group Comparisons and T-Test Results

RECREATIONAL CORE VALUE	OVERALL STUDY (N=1606)	HIGH INTEREST IN PURCHASING BOAT DIGITALLY (N=691)	LOW INTEREST IN PURCHASING BOAT DIGITALLY (N=543)	T-TEST
Escape	26.8%	17.800%	32.781%	6.083 ($p <. 0001$)
Enhancing Relationships	35.2%	44.428%	29.466%	5.379 ($p < .0001$)
Personal Mastery	17.4%	12.446%	26.519%	7.448 ($p < .0001$)
Winning	20.6%	25.326%	11.234%	6.248 ($p < .0001$)

Figure 3: Recreation Core Values/Motivations: High vs. Low Internet Purchase Interest
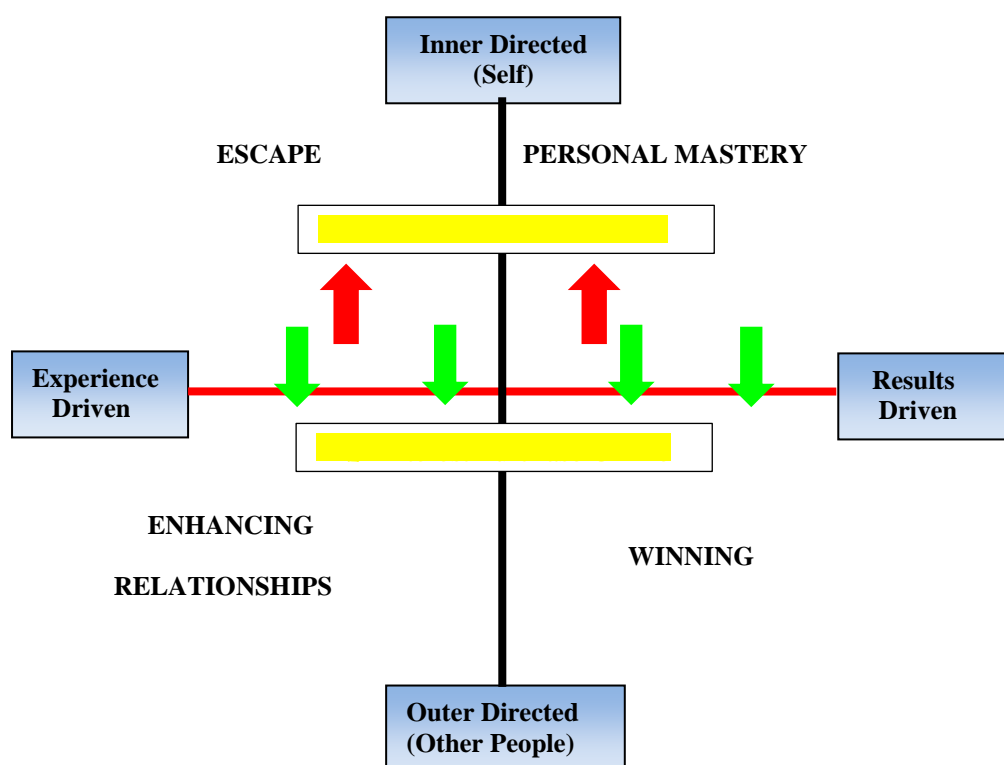
Table 12: Leisure/Recreation Core Value/Motivation Descriptors

Which of the following best describes <u>why</u> you recreate (check only 1)?
   a)   I relax when I recreate. I need to get away from how I normally run my life.
   b)   I want to reach my highest potential.
   c)   I like to keep score -- I want to win at all costs.
   d)   I want to have a good time with my friends -- or my family.
   e)   I want to push my personal limits to the extreme.
   f)   I don't compete with other people -- I try to keep improving myself.
Which brand do you currently own? ___A ___B ___C ___D ___E
  ____ Don't currently own product but am considering brand(s): _____

Managerial Implications

Distribution channels ultimately have to support both the product positioning and the brand strategy. New channels must be carefully considered in this context. The new boat market has shifted considerably in recent years moving away from sterndrive product to outboard aluminum models and overall boat sales are mostly flat worldwide. But the reality is that the consumer purchase decision process for boats continues to be in the multi-month range, as opposed to automobiles which are typically less than 30 days, and is primarily driven by boat shows and onsite visits to dealerships. The Internet offers the same advantages for boats that it offers for automobiles, to include 1) speedier access to product information, 2)

current new and used inventory and 3) comprehensive pricing information. Most importantly, it offers an opportunity to move the consumer buying process along more rapidly.

How might a dealer or boat manufacturer take advantage of the information provided in this study? First, this research positively indicates that a significant percentage of boat owners are highly interested in a digital boat-buying purchasing experience. It further demonstrates that those most likely to be interested can indeed be identified. A simple form such as is illustrated in Table 12 can be utilized to gather information from potential customers in any venue (i.e. boat shows, dealership visitors, website visitors). It could similarly be emailed to current customers. Those selecting alternatives "c", "d" or "e" would be prime candidates for becoming engaged in a digital boat transaction. However, those respondents selecting "a", "b" or "f" are not complete throwaways. These types of consumers simply are less likely to want to purchase a boat over the Internet. A direct mail campaign might easily push the c, d, and e respondents to a specific website while the a, b and f respondents are invited to a dealership event, for example. The marketing strategy for both types of consumers would be different thus allowing for the highest potential of closing the digital boat sale transaction.

Discussion

This research explored the viability of a digital distribution channel for boat purchases, which currently does not exist. The study focused on a single major durable recreational good (power boats) sold within a specific geographical location (United States) and considered relevant variables of trust and risk, selected demographics, buyer type, boat type, and core recreational motivations. However, analyzing personality traits (i.e. conscientiousness, agreeableness, neuroticism, openness to new experiences, and extraversion), which have been closely linked to Internet purchase behavior, as well as, the demographic elements of income and

family size, are potential future research directions.

Additionally, this study provided little insight into understanding why consumers of major recreational durables are drawn to the Internet channel as a purchase option. For example, there was no attempt to understand any respondent's current level of Internet purchase activity and its impact on channel acceptance, and because powerboats are sold all over the world, these findings should be validated on a less geographically restricted sample of boat owners. Lastly, this study focused on a single major recreational durable product – powerboats. There are numerous supplementary recreational products that this could be extended to, for example, all-terrain vehicles (ATVs), sport utility vehicles, sailboats, snowmobiles, motorcycles, and jet skis.

Conclusions

Based on the results of this study, the 21 – 45 years old would be most likely to initially make a boat purchase over the Internet, as would individuals making a boat purchase for the 2nd or more time. The sport/deck boat model was the most popular boat of choice among potential digital buyers, whereas, aluminum fishing boats were the least popular of choice. There were no significant findings found with geographical location and gender. The main concern regarding purchasing a boat digitally had to do with disclosing financial and personal information within an unknown or unfamiliar dealer website and uncertainty regarding how the overall process would work. The top consumer preferences were being able to use the dealer who delivered the boat for service calls after the sale and being able to negotiate the price with the dealer of their choice when settling on a final boat price.

Overall, what motivates the participants are wanting to enhance relationships by having a good time with friends and family, and escapism, by way of, the need and desire to relax. In regards

to trust and personal risk to potential buyers, the low-interest group saw the digital boat purchase transaction as riskier, whereas, the high-interest group was more concerned with dealing with the website and working with an unknown dealer. The low- interest group represented a group with

little to no channel familiarity, whereas, the high-interest group represented a group with channel awareness and familiarity. The high-interest group regarding buying a boat digitally scored higher within the core recreational values of enhancing relationships and winning.

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Organizational Compensation Limitations Inhibiting Recruitment of Top-Tier Qualified Sales Graduates

Blake Nielson, Steven Eichmeier and Desiree Cooper-Larsen

Abstract

There is a shortage of qualified salespeople both domestically and globally. This has propelled an environment where recruiting the top talent has become a competitive nightmare for some employers. This study investigates the employment data of senior sales students before they enter the market. The earning power of these students is also reported. This centralized sample's results indicate that the majority of the students already had jobs before graduation and the top earners were making much more than many recruiting companies can offer. These results imply that organizations should consider adapting their compensation policies and/or processes of recruiting students.

Keywords: Recruiting Sales Students, Work Experience, Compensation

Introduction

Finding, hiring and retaining a well-staffed sales function is vital to business success (Fogel et al., 2012); however, many organizations struggle filling this important sales function because there is a shortage of qualified salespeople in today's workplace on both a domestic and global market with a growing shortage in insurance, business to business and technical sales (Cummins et al., 2013). Some statistics have suggested that as much as 60% of all business students will take a job with at least some sales-related duties after graduation (Agnihotri et al., 2014). These business students can be valuable to the sales function; however, it may take more resources to train them on the selling and sales management

processes. There is a clear distinction between a business student that is taking a sales position because that is their best opportunity and a qualified salesperson who can immediately influence an organizations bottom line.

To help ensure that sales students are qualified professionals right away Universities around the country have opened sales centers that assist in teaching and training the next generation of professional salespeople (Dixon and Tanner, 2012). These centers have instructors that are tasked with teaching and helping students develop sales skills such as handling objections, closing techniques, identifying buying participants, and negotiations techniques (Leach, Liu, and Johnston, 2005). The demand for these students is well documented and companies are competing to find and hire these qualified salespeople. Organizations may need to consider changing their compensation and onboarding strategies to be an appealing option for some of these students that may already be making a great living using the skill set they learned in their sales education process. In other words, it may be possible that sales

Blake Nielson, Ph.D.
Assistant Professor of Professional Sales
Weber State University, 1765 Edvalson St, Department 2402, Ogden, UT 84408
Phone: (801)626-7385, Email: blakenielson@weber.edu
Steven Eichmeier, Ed.D.
Professor of Professional Sales, Weber State University
Desiree Cooper-Larsen
Professor of Professional Sales, Weber State University

students in some situations are in so much demand that they are choosing and taking employment in the early years of their college process rather than the latter. This research analyzed if certain qualified sales students are priced out of some companies hiring range because of success in their current positions.

Sales Students Recruitment

The placement process can be complex and effects a few different stakeholders. Students and parents are very invested in this process due to the investment of time and money. Schools are also extremely invested in this process because most academic missions include training successful graduates and brokering successful student placement (Peltier et al., 2014). In any recruitment process hiring managers are tasked with finding the best candidates to fill organizational vacancies. There has been an increased confidence in the validity of personnel selection methods (Greenburg and Greenburg, 1990; Robertson and Smith, 2001); however, these instruments can be useless if there are not enough potential candidates to fill the positions. The sales student recruitment process has become very intense simply because there are far more sales jobs in the economy than there is students to fill those jobs (Waldeck, Pullins, and Houlette, 2010).

There seems to be a void in the sales literature about the student recruitment and career development process. Agnihotri et al. (2014) found that most sales articles have dealt with one of two substantive areas: preparation for a sales career and change in perception about sales careers. Gray, Peltier, and Schibrowsky (2012) found that only 3.7% of the articles published between 1979 and 2012 in The Journal of Marketing Education focus on student needs in the career development process. Studies which have been published in this area have shown that sales education has a positive effect on a student's perception about a career in sales (Bristow, Gulati, and Amyx, 2006; Karakaya,

Quigley, and Bingham, 2011), while other studies have indicated that students lacking exposure to the intricacies of personal selling are likely to keep a negative opinion about sales careers (Dubinsky, 1980; Swensen et al., 1993). Bolander, Bonney and Satornino (2014) conducted a study that found that sales education is a significant contributor to sales rep performance. This article was very visionary in testing and indicating that sales education is having a positive effect on performance; thus, companies should desire to recruit and hire students that go through sales programs.

These articles have made great strides for the profession and have indicated that training in the classroom helps build qualified salespeople (Cron et al., 2005); however, there is less information on how years of work experience can prepare a student to succeed in the field immediately upon employment. In other words, does academic sales training and work experience help students be even more successful upon or even before graduation? This is important to companies trying to hire sales professionals especially if the combination between the years of work experience and the knowledge obtained in a sales degree propel salespeople ahead of normal salesperson compensation hiring standards. This idea was established due to faculty in one sales program seeing that many seniors were already creating a substantial amount of income in sales positions before they graduated with their degree. In this circumstance employers had been frustrated because their normal recruiting policies have not allowed them to offer a high enough salary to attract these sales students to leave their current situations. The results could indicate that some organizations need to either rethink their compensation packages for sales graduates or find ways to hire students earlier in the process.

The theoretical implications of the study are rooted into the pay perceptions of fairness literature. Equity theory was started by Homans (1961) and enhanced by Adams (1963), and is the

group having six or more which yielded two groups that are fairly equal in size. Even though this study will not be able to be applied in all academic situations, there are similar institutions and it is hopeful that the results will inspire similar tests at schools with different circumstances.

The study hypotheses was tested using a couple of different statistical techniques. The One Sample T-Test was used to analyze if more than half of the sample took jobs before they graduated from college. The Independent Samples T-Test was used to analyze if there is a difference in income levels between students that are considered entry level verses students that have qualified work experience. Descriptive statistics were also explored to analyze the different levels of income as well as the top earners by percentiles.

The data for this study comes from senior sales students. These students were surveyed during their senior year in their last semester. They were asked if they were currently employed, how many years of work experience they had and how much their total earnings were over the past year.

These students have many local sales opportunities and the ability to finish their degrees online if they take a full time position. Not all students across the country may have these same circumstances; however, sales opportunities are in high demand all across the country (Forbes, 2015). One of the issues that was observed by recruiters at the school where the data was collected is that many of the most talented students were not leaving their current positions upon graduation. There was feedback from employers that they wanted to hire many of these students and even promote them into sales leadership; however, their organizational pay policies would actually require these students to take a pay cut, which was met with reluctance. This research is intended to help recruiting organizations understand the current employment and earning power of these top sales students that are graduating with and without work experience so that they can analyze if they need to change some compensation policies to attract and hire quality sales professionals.

Results

The data was collected over a two year period from 2014-2016. It was collected during a senior seminar class in the last semester before students graduate. During the time period there were 218 students from which this information was collected. All of these students were Professional Sales majors. Four of these surveys were incomplete and removed from the analysis; thus, the final sample size for the study was 214 participants.

H_1 was tested using the One Sample T-Test with a test value of .5 and those that were not working were coded as 0 and those that were currently working was coded as 1. The percent of students that were employed during their senior year is presented in Table 2. The results of the One Sample T-Test are presented in Table 3.

Table 2. Employment Data of Sample

	N	Mean	Std. Deviation	Std. Error Mean
Employment	214	.87	.33	.02

Table 3. One Sample T-Test

| | Test Value = .5 | | | | 95% Confidence Interval of the Difference | |
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Employment	16.431	213	.000	.37	.32	.41

Table 4. Group Statistics

Total Compensation	N	Mean	Std. Deviation	Std. Error Mean
0-5 Years' Experience	101	29,653.46	17,080.79	1,699.60
6+ Years' Experience	87	49,856.32	22,129.88	2,372.57c

Table: 5. Independent Samples T-Test

| | | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Con. Inter. | |
							Lower	Upper
Exp.	Equal Variances Assumed	7.05	186	.000	20,202.85	2,863.67	14,553.40	25,852.31
	Equal Variances Not-Assumed	6.92	161	.000	20,202.85	2,918.51	14,439.22	25,966.49

Table 6. Top Earners for Each Group

	Average	Top 30%	Top 20%	Top 10%
0-5 Years Exp. (N=101)	29,653	49,333	55,250	65,500
6+ Years Exp. (N=87)	49,856	72,500	75,147	81,944

Table 2 shows that over 87% of the sample was working before they graduated with their degree. The One Sample T-Test indicated that there was a significant amount of students that were working before graduation. These results show support for H_1 which indicates that the majority of the sample was working before graduation.

Next, the Independent Samples T-Test was used to analyze H_2. Those who weren't employed were removed from the analysis which decreased the sample to 188 participants. Two groups were formed. These included those that have 0-5 years of work experience and those that have 6 or more years of work experience. This work experience was the categorical independent variable. The dependent variable for the analysis is total salary. The group statistics with respect to salary of the sample is presented in Table 4 and the Independent Samples T-Test is presented in Table 5.

The statistical results indicate that there was a significant difference between the sample that have over five years of work experience and those that do not. To dissect the difference even more the breakdown of the averages were computed and compared on the top 30% of earners, 20% of earners and 10% of earners for each category. Table 6 shows the breakdown of this information for the two groups.

These statistics reiterate and validate the results from the Independent Samples T-Test. It clearly shows that the top earners in both groups make a significant salary before graduation and those with more work experience are making much more on average. The study hypotheses were tested by using the One Sample T-Test and the

Independent Samples T-Test. Table 7 presents the study hypotheses, statistical findings and results.

Table 7. Hypotheses Results

Hypotheses	Findings	Results
H$_1$: More than half of sales students will take jobs before graduation when their local area has many sales opportunities.	Supported	The One Sample T-Test indicated that there was a significant difference in those students that chose to take jobs and those who didn't.
H$_2$: Those sales students who have significant work experience and are finishing a degree make more than those with less or no work experience and thus make them harder for companies to hire.	Supported	The Independent Samples T-Test indicated that there was a significant difference in the earning power of current students based on their years of work experience.

Discussion

The literature has documented the importance of employers building "deepening connections" with students to enhance job attractiveness (Backhaus and Tikoo, 2004; Berthon, Ewing, and Hah, 2005). This study has borne out some interesting conclusions for organizations to consider during this process. The results have revealed that reaching out to sales students as seniors may not be enough to hire them unless your company has high starting incomes to attract the top talent. A majority of the sample were already employed by the time that they were seniors and some are making more money than recruiting companies are able to offer in a starting position. These results indicate that the competition for sales students may be long before they are seniors and organizations need to build recruitment strategies to obtain these assets earlier in the process. The implications of equity theory imply that students may not take kindly to receiving a degree and being offered a salary that is less than they are currently making. The results should be taken with a little discretion due to the self-reported study design.

The general feel while talking to employers is that the starting salary for many sales positions in the geographical area where the study was conducted is around a 40K-55K base salary plus commission. The struggle for these employers is they're probably most interested in top sales students (Agnihotri et al., 2014); however, they may not have high enough entry-level salaries to entice these students. For example, the results indicated that the top ten percent of the group of students with more experience were averaging over 80k as students and the top ten percent of entry-level students are already averaging over 65K as students. It is reasonable to assume that many of them will do even better once they have their degree and can focus more on their employment. Organizations should either attempt to hire students earlier in the process (Graham-Leviss, 2012; Mumm, 2013), or reexamine if they are willing to raise salaries to bring on a top-tier qualified salesperson.

There are a few important study limitations as well as directions for future research. The sample was only measured pertaining to their work experience and other factors such as age could be important. There was no differentiation between those students who were working part and full time. If this data was collected it could increase the averages even more if the part time salespeople were excluded.

This study was completed in a centralized area and the school with which the study data was collected is a commuter school where most students are employed and the results should not be used in all settings. These students live in an area with many sales employment opportunities and flexibility of finishing their degree through online sections which may not be an option in many higher education institutions.

Future studies could determine if the results would be the same with different samples throughout the country and world and compare these results. Every country could bear interesting results. This study would also benefit from more levels of experience and perhaps dig deeper into current employment data. For example, this study only measured work experience and it could be beneficial to measure the difference between general work experience and specific sales experience. It could also be broken down to measure different types of sales experience such as telesales versus direct sales or B2B sales versus B2C sales. Future studies could also examine if students that are working are still looking for other employment based on benefits,

work-life balance or other reasons. A regression model may also be beneficial that analyzed which variables drives initial sales compensation. It would also be interesting to see that if students do decide to take a position where the earning potential is less the reasons they chose to do so.

Conclusion

This study investigated the sales recruitment process and discussed issues that some employers may face when recruiting top talent. The majority of the sample were already in meaningful employment positions as students. The results also revealed that those sales students that have six or more years of work experience may be even harder to recruit. It may be beneficial to have more academic studies done in this important area to better understand the sales recruitment process. It is hopeful that organizations that do have salary ceilings or are waiting until sales students are seniors to try to acquire them will take this information and make adjustments to acquire qualified sales people that will immediately be an asset to the organization.

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Determinants of Choice of Migration Destination: Evidence from the Western Balkan Transit Route

Sabina Sačer, Mirko Palić, Marko Grünhagen and Tihomir Kundid

Abstract

This paper explores motivations of migrants on the Western Balkan route in their destination choices during the recent wave of mass-migration from crisis regions of the Middle East to Western and Northern Europe. The research used the survey method on a convenience sample of migrants who passed through a refugee transit camp in Eastern Croatia. Using empirical, quantitative methodology we gathered insights into reasons for the migrants' departure from their homelands, logistics of their journey, as well as some of their decision parameters for the final destination of their journey. The data was analyzed with the SPSS statistical software package. We discuss potential benefits for the European Union as the chief target of this enormous influx of human capital. The main objective of this paper is to gain a better understanding of migrants' decision making who decided to risk their lives to find a better future in a country whose language and culture they don't know. These findings may be useful to all those who are interested in this huge mass-migration issue overall. In addition, the research results should be of interest at the strategic level of government since the findings could improve their understanding of the relationship between migrants and human traffickers/smugglers.

Keywords: migrant crisis, human capital, destination choice, Western Balkan route

1. Introduction

,,Increasing numbers of refugees and migrants take their chances aboard unseaworthy boats and dinghies in a desperate bid to reach Europe. The vast majority of those attempting this dangerous crossing are in need of international protection, fleeing war, violence and persecution in their country of origin. Every year these

Sabina Sačer, *University of Zagreb, Faculty of Economics & Business, Kennedy sq 6, Zagreb, Croatia*
sabina.sacer@gmail.com
Marko Grunhagen, Ph.D., *Eastern Illinois University, 3105 Lumpkin Hall, Charleston, Illinois, USA*
mgrunhagen@eiu.edu
Mirko Palić, Ph.D., *University of Zagreb, Faculty of Economics & Business, Kennedy sq 6, Zagreb, Croatia,*
mirkopalic@gmail.com
Tihomir Kundid, *University of Rijeka, Faculty of Economics & Business, Ivana Filipovića 4, Rijeka, Croatia,*
tihomir.kundid@gmail.com

movements continue to exact a devastating toll on human life.'' (UNHCR, 2016)

Putting in Google search term ,,Migrant crisis'' in 0,72 seconds you will get more then 43.200.000 results (www.google.com, accessed 31th January 2016). This is clear evidence that this is one of the most popular and important phenomena in the world that has influence on every sphere of our society. This is central issue for 28 member states of the European Union (EU). First we have to clarify some terms so that we can to be able to talk about migrant crisis. In this article in term ,,migrants'' we are not talking about irregular migration in terms of persons who crosses a ,,border without proper authority or violating conditions for entering another country'' (Jordan & Düvell, 2002, p.15), but we will refer to the people who travel from Asia through Europe

entering each country through official border crossing point with intent to seek asylum in one of EU members.

Through four sections we will explore migrants who travel through Western Balkan route and enter Croatia on their way to west EU countries. In first section we will discus about the route itself and the numbers regarding it. In next section, we will talk about key factors and theories that influence on destination choice from marketing side. In third one, you can find details about fieldwork and quantitative research that we conducted in Refugee camp in Slavonski Brod, Croatia and the results of it. Final section is conclusion and some of the questions that still have to be replied.

2. Western Balkan route

2.1. Main definitions

To be able to talk about migrant crisis we need to define four key terms: irregular migration, asylum seekers, smuggling and transit migration. Media, politicians and researchers use different terms in varied combinations – adjectives irregular, illegal, undocumented, unauthorized or clandestine are put together with different nouns – migrants, immigrants, foreigners or aliens. European Union uses the term ,,illegal migration'' as an act of migration that is ,,not legal'', or an act of migration that is carried out against legal provisions of entry and residence. (Jandl and Kraler 2006). Some authors have argued against neutral state of this term, and pointed out that word ,,illegal'' stand for something connected with criminal or otherwise ,,illicit'' behaviour and should be avoided (Sciortino 2004, p.17). If we look at it in narrow sense, the term ,,illegal migration'' is the act of entering a country in contravention to the law and is confined to illegal border crossing (but not overstaying the terms of visas or residence), referring only to a flow and not to a stock of persons. It is important to distinguish between irregular migrants and asylum seekers. Düvell states that these terms

are frequently used in the same frame (Düvell, 2012). There are two main things in which this terms are different. First, asylum seekers may enter a state irregularly (this is not always the case). As second, if they are rejected, asylum seekers may stay in that country without right to stay and then they will become irregular migrants. In this paper we will discufe about people who went from their home to Europe and on their final destination they will ask for asylum. The Palermo protocol defines human smuggling as ''the procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the illegal entry of a person into State Party of which the person is not a national or a permanent resident' (UNODC, 2010., p.1).

Main difference between terms of human smuggling and human trafficking is that the migrant is not a victim in case of smuggling. There is still no exact definition of transit migration because in migration debates in 1990s were terms 'transit migration' and 'transit countries' as a reaction to changing patterns of migration to Europe (Collyer, Düvell & De Haas, 2012). Key unresolved issues are: intentions of the migrant, such as the intention to migrate onwards or not; duration, referring to the point at which country turns from transit to destination; and is the entry or exit illegal through the country passages (Düvell, 2008). If we look at it within EU context we may find six types of countries that are involved in transit migration (Düvell, 2008):

Country of origin;

The countries that are staging posts along the road (e.g. Russia, Yemen, Mauritania, Senegal, Mali);

The country that acts as a stepping stone to the EU (e.g. Ukraine, Serbia, Turkey, Libya, Morocco);

The first EU country entered (e.g. Slovakia, Hungary, Greece, Cyprus, Malta, Italy, Spain);

EU countries that are passed en route;

The final country of destination in the EU, or elsewhere.

2.2. The route itself

,,The Western Balkan route describes two main migratory flows: from the Western Balkan countries themselves, and the secondary movements of mainly Asian migrants who originally entered the EU through Bulgarian-Turkish or Greek-Turkish land or sea borders and then proceed, through Western Balkans into EU.'' (Frontex, 2016). In this paper we will limit our findings on flows of Asian migrants. But to be able to go through Western Balkan route, our respondents first came from Eastern Mediterranean route. This route goes through Turkey to the EU via Greece, southern Bulgaria or Cyprus. Since 2008, this route has become the second biggest migratory hot spot, with the EU external border with Turkey being the main nexus point on this route. In just 2015 total number of illegal border crossings were 880 820 people; Syria 494 103, Afghanistan 212 721 and Iraq 90 917 people (Frontex, 2016). If we would like to understand how big this problem is, it is sufficient to look just at numbers of people who decided to leave everything and risk their own life. In figure 1 you may see that in just one month (take into consideration that is winter time) through sea we received 67,413 people, and in whole 2015 that number was 856,723 (29% children, 17% women and 54% men). Alarming figure is 3.498 dead/missing by September in 2016 (figure 2). If we go further details we may see connection with increasing number of dead/missing persons and growth of persons who decide to go through sea. In 2013 600 persons were dead/missing, and number of sea arrivals were 59.421; in 2014 was 3500 dead/missing and 216 054 sea arrivals and in 2015 3771 persons dead/missing and 1.015.078 sea arrivals. If we take into consideration total number of population of Republic of Croatia (census 2011 - 4.284.889 persons) and data that from 1st of October 2015 to 31st of January 2016 through the Republic of Croatia passed 532.697 persons (UNHCR, 2016) you may see how important that migration is.

Figure 1. Arrivals by Mediterranean sea in 2016

Source: UNHCR, 2016, Accessed 30th November 2016.

Figure 2. Path of migrants routes with highlighted Western Balkan and Eastern Mediterranean routes
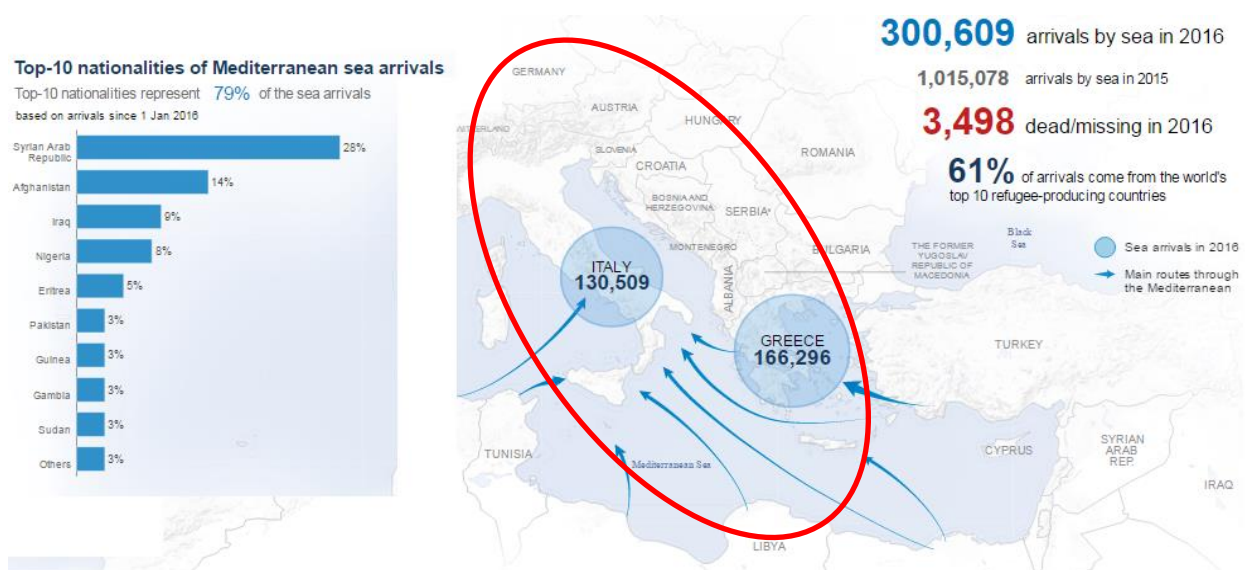
Source: UNHCR, 2016, Accessed 30th November 2016.

3. Key theories and factors that influence on destination choice from marketing side

As we could see in previous section, number of persons who decided on their journey is enormous. The route itself is very dangerous and exhausting, so the person who risks their own life has to be powered with some of the factors named below. The key problem is to recognize what is that thing that decides that this is their final country - land of milk and honey for them.

3.1. Key theories that influence on destination choice

Over the previous two decades literature has changed regarding destination choice. Irregular migrants and asylum seeker were portrayed as victims with little agency in terms of destination choice (Havinga & Böcker, 1999). UK Home Office commissioned some studies that gave new insights and models that emphasised migrants' agency in the decision-making process relating to destination choice (Robinson & Segrott, 2002; Koser & Pinkerton, 2002). Key study by Brekke and Aarset (2009) commissioned by Norwegian government, developed a new model of the

migration trajectory and factors influencing destination choice. All of these theories have one thing in common: all of them highlight the role of migrants' agency in the decision-making process of destination choice. Some of the studies also stress out that irregular migrants often do not have an intended destination when leaving their country of origin (Collyer, 2007; Hamood, 2006; Schapendonk, 2012; Düvell, 2014; Papadopoulou-Kourkoula, 2008; Grillo, 2007).

When we are talking about agency and structure, it is important to clarify two key concepts. Within the migration context, agency can be defined as: ''the limited but real capacity of individuals to overcome constraints and potentially reshape structure'', and the structure we can define as: ''the constraining or enabling general political, institutional, economic social and cultural context in which migration takes place'' (De Haas, 2010, p.241).

Theoretical models of relevance for this study can be divided into the three categories: factors relating to the asylum process; hierarchies of destination choice; human smuggling. Robinson and Segrott (2002) gave us the first model on asylum seeker decision making (figure 3). Model presents that there are four stages of asylum

seeker decision-making and selection of a destination country. From decision to leave; decision how to leave; decision where to go and selection of the specific destination country. Throughout these stages there are key influences, such as availability of resources, access to information and networks, individuals' perception and knowledge of various countries of destination. Good side of this model is that it displays the multiple options available to migrants and the variety of decision that need to be made. But it doesn't show transit experiences that migrants have on their way.

Figure 3. Generalised model of asylum seeker decision making
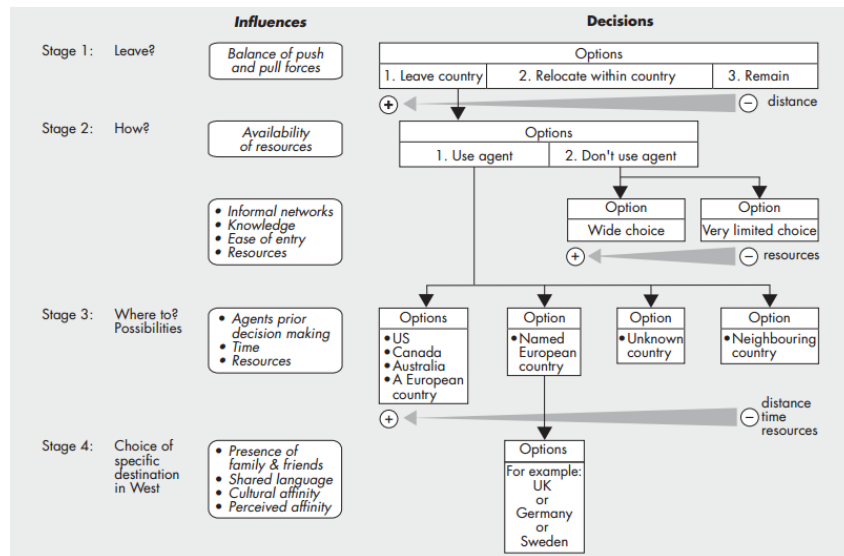
Source: Robinson and Segrott, 2002, p.61

Figure 4. Asylum Journey Model
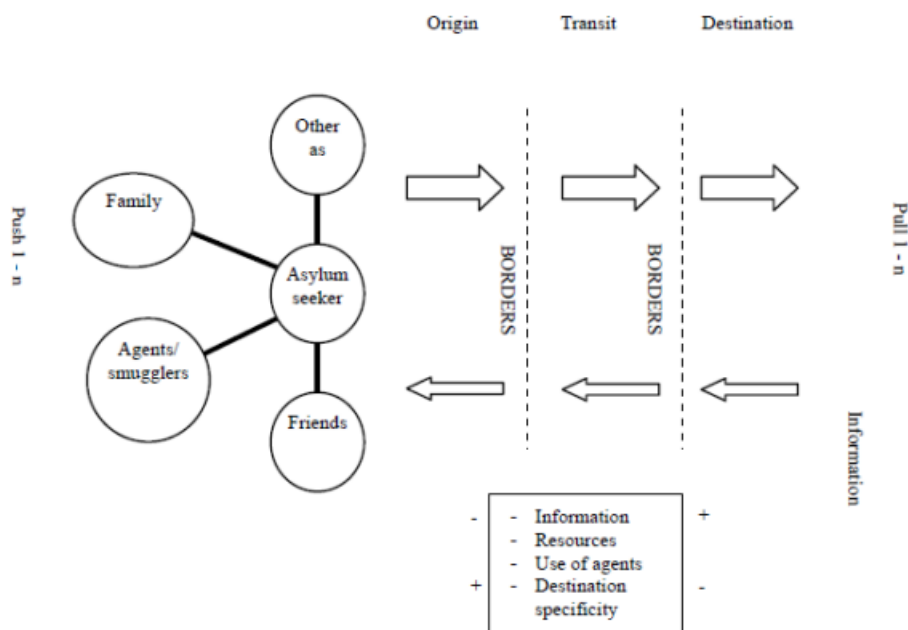
Source: Brekke & Aarset, 2009, p.33

There is also alternative model called the 'asylum journey model' (figure 4) that further stresses the experiences in transit countries (Brekke & Aarset, 2009). This model also seeks to further account for the role of information in the migration trajectory. Although this model incorporates more dynamics, it still does not capture the full complexity of irregular migration. These two authors also developed a hierarchy of pull factors that are specific to British and Norwegian context which they based on their empirical work (sample of 20 asylum seekers). The figures are to be interpreted as the 'bottom layer being the most basic' (Brekke and Aarset, 2009). In British case from bottom to the top goes six levels pf pull factors within the hierarchy: democracy, freedom, human rights; modern country, labour market, education, welfare system, improved life; networks in receiving country diasporas; language; cultural links; image. In Norwegian case the hierarchy of pull factors looks somewhat different: security; future; networks; asylum policy; reputation. There are two central points that can be drawn from these hierarchies of pull factors. First, these hierarchies are country specific, and we can assume that every country would have its own. The second point is that in spite they diversity, they contain several similar elements. For example, networks, the notion of an improved life or future, general goal of seeking safety and security, which reflect democracy, freedom, and human rights as central drivers in migrating to Europe.

3.2. Key factors influencing migrant's destination choices within EU

If we compare different literature regarding factors that influence destination choice of irregular migrants, we may find five of them that stand out: economic factors, the role of migrant smugglers, access to information and social networks and experiences and conditions in transit countries.

3.2.1. Economic factors

These factors primarily include the cost of travelling to a certain destination, but it can also include the economy of the destination country and migrant's perception of the mix of economic factors such as employment, wages and benefits in the destination country (Robinson and Segrott, 2002; Van Hear 2014). A key element determining destination choice is the cost of the journey; as a respondent in one study stated: 'I went as far as my money would take me'' (Van Hear, 2006, p.1). Migrants with limited financial means may choose more accessible locations, which stresses the importance of class and socio-economic status in influencing the destination choice (Van Hear, forthcoming). We may conclude that migrants with more resources can take 'total package' which include flying directly to Europe; for some with fewer resources can travel shorter distances but on more dangerous routes (Van Liempt & Doomernik, 2006). From this two findings we may confirm following: notion from De Haas that ''the poorest of the poor do not migrate'' (De Haas, 2005), and second, that class and socio-economic status play a role in shaping migration flows and trends.

It is also important how migrants percept economic environment in the destination country. Due to economic crisis and the difficulty in finding jobs in Europe, according Aderghal and Berriane (2012) had an impact on the views of potential migrants in Morocco on/about Europe. Neumayer (2004) found in a macroeconomic analysis based on UNHCR asylum applications in western industrialised countries that asylum seekers judge the economic desirability of a destination country by looking at its general level of economic development, which he measured as per capital income. He concluded that richer country is more attractive than poor one, and that potential asylum seeker have mostly a basic picture of destination countries and do not consider short-term economic changes.

3.2.2. Migrant smugglers and their role

Two decades they barely exist, but now approximately two-third of migrants use smugglers to access Europe (Koser & Kuschminder, 2015; Crawley, 2010). We had the same findings when were prepared our survey; almost every migrant noticed that they used smugglers who helped them to reach Europe. Smugglers may play a key role in influencing destination choice on three ways: the routes and destination choices that they offer (or exclude) to the migrant; in making destination decision for the migrant and in deviating from an agreement with a migrant and delivering/leaving them in different destination than agreed. Robinson and Segrott (2002) indicate that once migrants decide to use smugglers they are restricted in their destination choices based on the routes that a smuggler operates within. Also they may present options on some countries in different way. Gilbert and Koser (2006) found in a study on asylum seekers in UK that smugglers were crucial in determining, or at least strongly influencing, the country of destination.

In some occasions migrants may not be involved at all in making the decision of the destination; this decision can be made by smugglers or someone else on behalf of the migrant. Crawley (2010) performed a study of unaccompanied minors in the UK and found out that many participants who had their destination chosen for them were not told where would be going until they were in transit, or in some cases, when they reach final destination. Similarly to that, (Kuschminder & Siegel, forthcoming) performed a study of irregular Afghan migrants in Netherlands where more then third participants (of total 47) reported that smugglers or a relative who arranged the migration chose their destination.

Come cases shown that migrant and smuggler agreed on one destination, but smuggler decided to deliver migrant on another place. This situation we may find in several qualitative studies (Kuschminder & Siegel, forthcoming; van Liempt & Doomernik, 2006) and shows that smuggler depending on their resources and desires or ability to migrate onwards decide which would be their final destination.

3.2.3. Social networks and access to information

Network connections, such as family and friends in the destination country, are recognised as playing a central role in determining destination choice for both regular and irregular migrants (i.e. De Haas, 2010; Mabogunje, 1970; Massey et al., 1993; 2009; Brekke & Aarset, 2009; Neumayer, 2004; McAuliffe, 2013). Information received from social networks was more valuable and trusted by migrants then information from another source (Koser & Pinkerton, 2002). In most cases, those connections were established prior to a migrant leaving the country of origin and influence the destination at the beginning stages of the migration. This may corroborate with study that found that half of the asylum seekers in Norway mentioned social network connection as a reason for choosing Norway. (Brekke & Aarset, forthcoming). Sometimes migrant have a weak or latent tie in a country as a distant relative in some country and seek to migrate to that country because they have some knowledge of it or hope to find the relative; they may not, however, actually contact that relative directly prior to migration. (Brekke & Aarset, forthcoming; Brewer & Yükseker, 2009; Kuschminder & Siegel, forthcoming).

Migrants may receive information through multiple sources, not only social networks. Internet, media, social media and migrant smugglers can all act as information sources. McGregor and Siegel (2013) conducted research on unaccompanied Afghan minors in Netherlands where many of respondents noted the use of social media (such as Facebook, YouTube and online) to acquire contemporary information on irregular migration routes and weather conditions.

3.2.4. Experiences and conditions in transit countries

As we mentioned before, transit countries are countries that a migrant stays in en route to their final destination and they can be inside or outside of the EU. There are three central ways in which transit countries may influence in destination choice: poor conditions in transit countries can instigate onwards migrations (eg. Greece and Italy); transit experiences can become settlement; access to new sources of information in transit can redirect migrants' destination choices (Dimitriadi, 2013; Triandafyllidou & Vogel, 2010; Triandafyllidou & Maroukis, 2012). Kuschminder and Siegel (forthcoming) found that among Afghan respondents in the Netherlands, the migrants had agreed with a smuggler to take them to Europe and became unhappy with the situation in Greece after arriving, leading them to seek to migrate further. National differences in the asylum reception system, comprehensive of welfare states, integration support, conditions in the periphery countries of the EU instigate onward migration to the EU (Brekke & Brochman, 2014; Munteanu, 2007; Molodikova 2014). Koser and Pinkerton (2002) claim that along the way migrants are able to access new sources of information regarding destinations. It can be via other migrants or individuals who are a source of help and information on how to survive in transit, on destinations and travel routes. This phenomenon is called "spontaneous social networks" (Collyer, 2007). Kuschminder and Siegel (forthcoming) found that Afghans in Greece were most often advised to migrate to Sweden by other migrants, who can be considered members of their spontaneous social networks.

4. Methodology

4.1. Procedure

Research was conducted during January (focus groups and deep interviews) and February (survey) 2016 in Refugee camp in Slavonski Brod, Croatia. Participants were asked to fulfil survey that was consisted of 20 basic questions grouped into four categories in which participants just had to put "x" next to the statement which is related to them. Survey was translated into Syrian and Afghan (Dari) language using their own letters. There were some categories that was in focus of research interest, such as general information; about final destination; logistics of travel; acquaintance of English language, Latin letter, etc. The data was analyzed with the SPSS statistical software package.

4.2. Sample description

One hundred and thirty-six (N=136) migrants participated in this research study. It was on voluntary basis and anonymous. All participants were migrants who went through Refugee camp Slavonski Brod. With regards to gender, 92% of the respondents were males and 8% females. Half of the participants were Afghan (51%), then followed by Syrian with 32% and 18% were Iraqi. The most represented age categories were between 19 and 25 (51%) while the oldest were in 36 to 45 category (10%). All of participants declared themselves as Muslims (100%). Almost half of the participants had some high school education (40%), 21% college degree and 27% some primary school while 11% had no education at all.

4.3. Results and discussion

Research was conducted in the time when some countries were closing borders for migrants and that influenced on them to decide where they want to go. All of them knew their final destination; 82% of them made that decision before the journey, and the rest were influenced during the journey. For most of them it was Germany (83%), then followed by Austria (6%),

Sweden (4%) Switzerland (2%) and just 1% of them decided for Netherlands, France, Norway, Denmark, Finland, Canada and Belgium. Interesting thing is that 57% of them are able to communicate in English and don't know any other foreign language (82%) but in spite of that 0% decided for United Kingdom or Ireland whom has English as official language. Figure 5 show in which ways they got information about country of destination. It is shown that they mostly have confidence firstly in internet (43%) and then in relatives (38%). Only tweeter got 0% which is unexpected because of his popularity.

Figure 5. Information sources about country of destination (Research)
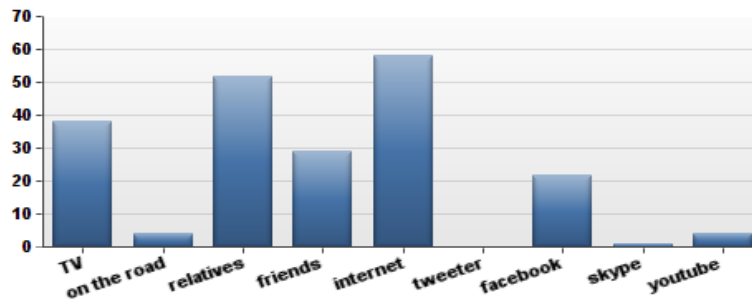
Source: Research

It is confirmed that more than half of them communicate with someone (in interviews and focus groups they admit that those people are smugglers) and ask for addition information during the travel (57%). Mostly it is Whats'Up (26%), then Viber (16%) and Facebook (10%).
From final destination most of them expect better living conditions (46%) and peace (no war 44%). They are also divided about good wages (22%) and good social care (23%) while just 10% of them don't want any migrants nearby. It is significant information that 76% plans to bring their family to host country if it turns to be good for them, and 31% already took someone to travel with them. Western countries can face a major problem educating that population and adopting them into society because 55% of them don't know how to read Latin alphabet and 71% aren't able to write Latin alphabet. Also, these people on their journey spend a lot amount of money just to get there (figure 6).

Figure 6. Money spent on travel in US
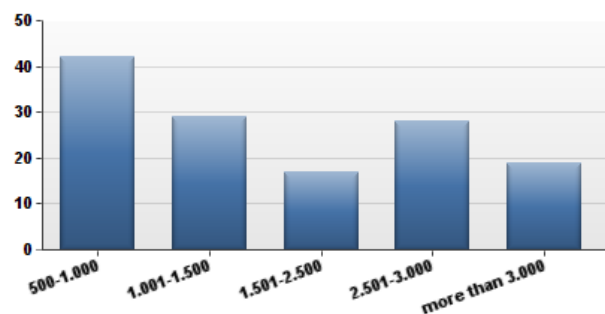
Source: Research

During the journey they used different ways of transportation through different countries. It is show to compare through which countries each citizen passed and how (figure 7).

Figure 7. Countries and transportations means: Syrian, Afghan and Iraqi (Research)
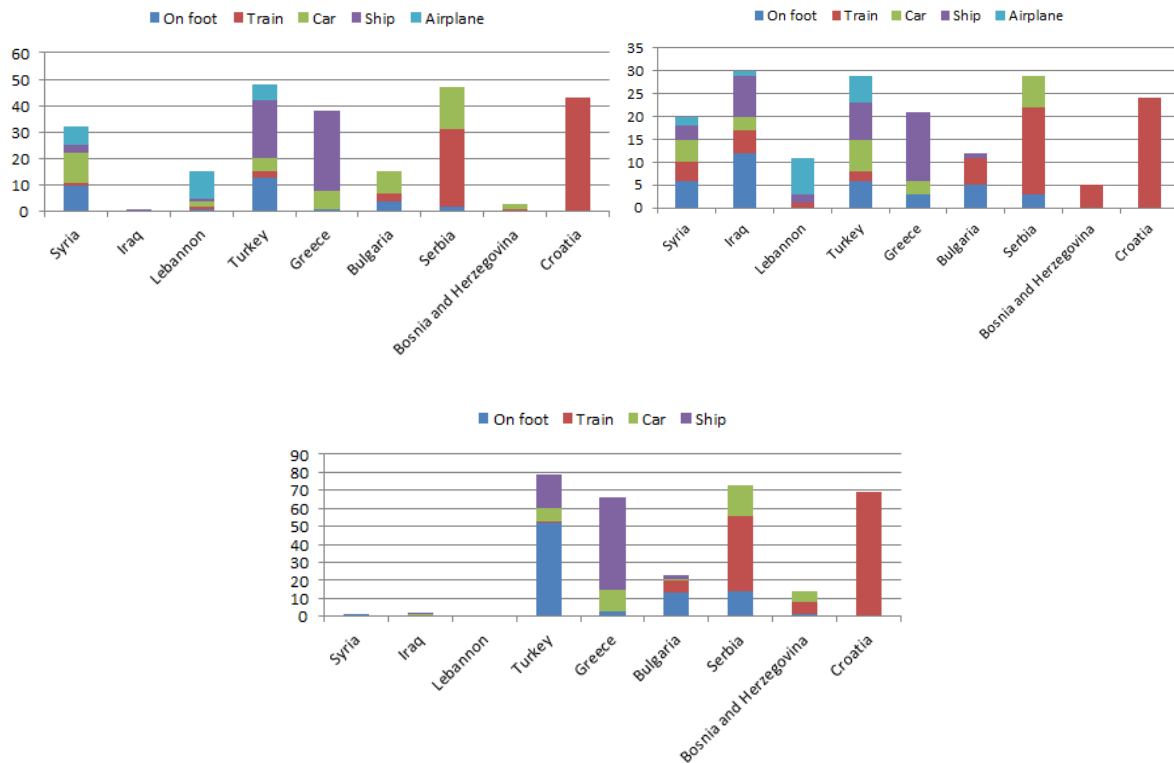

Source: Research

5. Conclusion

Migrant crisis is global problem for long period now. Europe has faced it unprepared. European Union still doesn't have clear prospective and unique opinion for this problem. Tensions in the EU have been rising because of the disproportionate burden faced by some countries, particularly the countries where the majority of migrants have been arriving: Greece, Italy and Hungary. Some members of EU decided to set up barb wires as a way to preserve borders (like Slovenia). Some members decided to allow migrants to pass through their country, but without longer stay (like Croatia). And some members decided to have "open door" politic and give them safe place to stay and allow them to ask for asylum (like Germany). More than a million people had been counted in Germany's "EASY" system for counting and distributing people before they make asylum claims. Only in 2015, more than 476.000 migrants asked it in Germany, and 140.910 were approved. But Germany is facing another problem and that is too much migrants on their territory which puts German towns into debts. So they decided to invest money and reach to migrants in their home country and try to explain them that Germany isn't paradise on Earth, and that they won't except too much asylum claimers. But in research that is conducted findings popped-up a fact that maybe they aren't the right audience. It is shown that they (migrants) ask information along the road. And they are well trained whom they have to contact when they reach specific points, and that person directs them further.

What can make a person to put a head in a bag, to risk everything and go searching for better place in the Earth? From 2010 to 2016 more than 13.389 people died in Mediterranean route. They spend more than five years savings just to reach EU. Most of them don't know how to read and write Latin letter, aren't able to communicate in English, or any other language besides their mother tongue. But most of them know that Germany is Promised Land. How?! Everyone realise that smugglers exist, but we aren't aware how big their role is in this crisis. It's imposing to find out that role and whole comprehension of it. Also, one of the research questions would be to investigate connection between migrant crisis and crime growth in EU. One of the main issues that was mention is the fact that they are planning to bring their family in short period of time, and having in mind that their average family counts five to seven members, would present even bigger problem and asks for further research.

Limitations of this research are small sample of migrants who travelled in organization of EU. Also, their lack of foreign language imposed that questions in survey were composed in Yes/No form.

Mankind can't prevent migrations, but can make them safer and welcomed. It represent multiculturalism, transfer of knowledge. Also, it is crucial try to make a change in the place of its origins, rather that dealing with consequence. As Albert Einstein said: "Peace cannot be kept by force; it can only be achieved by understanding because the world is a dangerous place to live; not because of the people who are evil, but because of the people who don't do anything about it."

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Acknowledgements

ELECTRIC POWER SUPPLY IN BANGLADESH: MEASURING THE SERVICE QUALITY

Ayesha Tabassum and Tasnuva Rahman

Abstract

Electricity industry is vital for socioeconomic development in a country like Bangladesh. But poor maintenance, transmission and distribution, inadequate supply, frequent failure of power plants, all these are making the growth of the economy sluggish. Maintaining quality of electricity supply thus has become a crucial issue as not only for customer satisfaction researches but also for economic progress, as both home and business consumers are related to the quality of power supply. Electricity supply is a special type of service which should be measured in both functional and technical quality dimensions. The current study developed and tested a model for electricity service quality measurement based on literature review. A total of 80 home and business consumers are included in the study for primary data collection through structured questionnaire survey. A multiple regression analysis was employed and assurance appeared as the best predictor of service quality, followed by convenience, electricity supply quality, empathy, reliability, responsiveness and pricing.

Keywords: *Electricity supply quality, electricity service quality, perceived service quality.*

Introduction

Electricity industry is considered as one of the most fundamentals for the overall socioeconomic development of any developing nation. Bangladesh, being a least developing country, it is imperative to understand the attitudes, motivations and behavior of electricity consumers; particularly in terms of quality of services, as the national economy is crucially dependent on the adequate power supply (Sharma, 2012). A reliable power supply has a great positive impact on any country's gross domestic product (GDP). In both small and large capital-intensive investments, this sector generates substantial cash transactions compared with other infrastructure sectors (Doig, 1999). Therefore, use of the power is rapidly increasing in our country day by day. Human civilization has tremendously advanced through the versatile uses of power and the demand for power is related to all aspects of development. Consistent to this electricity is one of the most widely used forms of energy in Bangladesh. It is also recognized that the pace of power development has to be accelerated in order to

Ayesha Tabassum, Assistant Professor, Faculty of Business Administration, eastern University, House 26, Road 5, Dhanmondi, Dhaka 1219, Bangladesh. Mobile Phone: +880 1822220567, E-mail : tabassum105@yahoo.com

Tasnuva Rahman, Assistant Professor, Faculty of Business Administration, eastern University, House 26, Road 5, Dhanmondi, Dhaka 1219, Bangladesh. Mobile Phone: +880 1822220567, E-mail : tasnuva_miti@yahoo.com

achieve overall economic development of the country.

But electricity supply in Bangladesh could not contribute to the economy's progress due to no electricity access in the rural areas as the distribution network was limited to urban and sub-urban peripheries (Shrestha, Kumar, Sharma & Todoc, 2004). Currently, urban consumers of electricity cannot be provided with continual and quality supply of electricity due to insufficient generation compared to the national demand (Rahman, 2012; Bhattacharya, 2006). The actual demand for power is much higher than what the Power Development Board (PDB) states to be. The reasons for low electricity generation from existing power plants are may be poor efficiency of aging power plants, a lack of routine maintenance, and unplanned shutdowns because of overloading (Uddin & Taplin, 2008). Besides, electricity accessibility in the country is also affected from time to time in rural, remote, and coastal areas by extreme climatic events. Thus, today many economic experts think that reducing losses of existing electricity transmission and distribution as well as extending the electricity network would assist in facilitating electricity accessibility.

Besides, the above mentioned tribulations, the quality of power supplied throughout the country is very poor. The nationwide established power grids are weak, which experience instabilities of voltage and frequency at the end of long transmission lines. Along this, low voltage lines result in significant power losses throughout the country (Doig, 1999). It is found that the voltage fluctuations of electricity cause major problems in many industries (Wijayatunga & Jayalath, 2008). Frequent changes in the prices of electricity are also creating inflationary pressures. Prices of essential consumer goods tend to make another jump when power tariff rises (Rahman, 2012). Therefore, Bangladesh lags in economic development and other drawbacks because the

matter of balancing the supply against the demand for electricity has remained largely an unresolved matter. The country is currently facing a significant challenge in revamping its network responsible for the supply of electricity.

Under this situation, maintaining quality of the electricity supply is a crucial issue for final consumers of all types and sizes. Muñoz (2010) specifies the quality of electric service as: continuity of supply, in respect of the number and duration of interruptions; the quality of the product, i.e. the characteristics of the voltage wave, the quality of customer help and relations, in addition to information, advice, contracting, communication and complaints. According to Fumagalli & Schiavo (2009), consumers value the timeliness with which their requests are dealt with (commercial quality), the reliability of electricity supply (continuity of supply), and also the characteristics of the supply voltage (voltage quality). In our country, electricity reforms led to increased customer's expectations particularly in terms of quality of services i.e., pertaining to service delivery process and technical quality aspects i.e., issues concerning what is actually delivered (Sharma, 2012). However, no initiative was taken to explore the consumers' perception regarding the service quality of electricity in Bangladesh. Today, service quality is a crucial determinant for the success of any liberalized service industry. Therefore, it is increasingly valuable to make an investigation regarding the service quality of electric supply in Bangladesh. The significance of service quality concept and prevailing deficiency of literature on the same has stimulated the researcher to study consumers' perceived service quality for electricity supply in Bangladesh.

Service Quality
In the field of services marketing, service quality grabbed the most attention from the researchers (Wang, Lo & Hui, 2003). To define service quality Zeithaml and Bitner (2003) emphasized on the

superiority of a service. According to these scholars, perception of service quality arises from the judgment of customers, who define the service as superior. The classic researchers has defined the term 'service quality' as the difference between customer expectations of the service to be received and perceptions of the service actually received (Grönroos, 1984; Parasuraman, Zeithaml & Berry, 1988). Perception is defined as consumer's beliefs relating to the received service (Parasuraman, Zeithaml & Berry, 1985). Brown and Swartz (1989) defined perceived service as "experienced service". On the other hand, expectation is the desire or want of the consumer about the service (Parasuraman, Zeithaml & Berry, 1985). In most of cases, service quality expectations involve norms and these norms are developed based on previous experiences of the consumers (Carman, 1990). Parasuraman and colleagues' (1985) definition is based on the concept of "disconfirmation", which is defined as the difference between perception and expectation. This disconfirmation in terms of service quality leads to a service gap. Parasuraman, Zeithaml and Berry (1988) considered that a customer's assessment of overall service quality depends on this service gap.

The importance of measuring service quality can be well apprehended from the vast literature. Quality is the key factor for the sustainable competitive advantages in terms of any business, and thus it is considered as the cornerstone of success for any business by Hampton (1993). Bebko (2000) posited that quality is a critical and of paramount importance for the success of any service organization. This emphasize can be realized easily as service quality is positively related with customer loyalty (Baker & Crompton, 2000; Bloemer, Ko de Ruyter & Wetzels, 1999; Zeithaml, Berry & Parasuraman, 1996). In fact, perceived service quality can influence customers' behavioral intentions, such as purchase intention, paying a price premium for

the service, positive word-of-mouth communications, etc. (Alexandris, Dimitriadis & Kasiara, 2001; Zeithaml, Berry & Parasuraman, 1996). It is also found that positive perception about service quality is related with increased customer satisfaction (Cronin & Taylor, 1992; Boulding, Kalra, Staelin & Zeithaml, 1993). Thus service quality is regarded as a driver of corporate marketing and financial performance (Buttle, 1996). Because increased customer retention rate is associated with financial benefits of the service organizations (Kouthouris & Alexandris, 2005). That's why if the gap exists between expectation and perception of service quality according to the disconfirmation theory, the service organizations become concerned to fill the gap, otherwise the customers intend to quit (Kouthouris & Alexandris, 2005).

Dimensions of Service Quality

Service quality is widely accepted as a multi-dimensional concept today (Kouthouris & Alexandris, 2005). Grönroos (1982), and Parasuraman, Zeithaml and Berry (1985) has defined service quality in terms of multiple dimensions. But no general agreement is found on the nature or content of the dimensions (Brady & Cronin, 2001). At first, Lehtinen and Lehtinen (1982) defined service quality in terms of physical quality, interactive quality and corporate quality. The tangible aspect of the service is referred as physical quality. Interaction quality emerges from the nature of interaction between customer and service provider. Lastly, corporate quality refers to the image of a service provider by different entities, such as, its current customers, potential customers, other publics, etc.

According to Grönroos (1982) there are two service quality dimensions, the technical aspect and the functional aspect. The technical aspect indicates "what" service is provided, whereas the functional aspect indicates "how" the service is provided. Later on, Parasuraman and colleagues

(1985) suggested quality evaluation involve evaluations of the service delivery process. Based on this concept these scholars developed SERVQUAL model with ten components (see Parasuraman, Zeithaml & Berry, 1985). Thus Parasuraman and colleagues (1985) emphasized only on the functional aspect of service quality. Cronin and Taylor (1992) identified several limitations of SERVQUAL scale and proposed their own scale named as SERVPERF based on the term ''performance-only measures''. This model has the focus on service quality measurement that is based only on consumers' perceptions of the performance of a service provider. Later on, the researchers tried to explore the strengths and limitations of the classic ideas about service quality dimensions and adapted accordingly.

Service Quality for Electricity Supply

Electricity supply is considered as a consumer product by the early researchers (Engel, Kollart & Blackwell, 1968; Howard & Sheth, 1969; Nicosia, 1966). In a recent study Sharma (2012) treated electricity as a convenience good as customer needs it on a regular basis, it has limited differentiation possibilities, and consumers have little involvement in decision making. At the same time Sharma (2012) mentioned that electricity is an intangible product and it has no true substitute. Thus consumers need continuous and reliable electricity supply with sustained frequency and voltage (Steiner, 2000). This indicated the necessity of classifying the electricity service quality into two dimensions, functional and technical, which can be found as similar with Grönroos's (1984) service quality modeling. For functional dimensions Sharma (2012) adapted four SERVQUAL dimensions of Parasuraman et al. (1988), namely, reliability, responsiveness, assurance and empathy. Sharma (2012) excluded the tangibles dimension and added a new one named as convenience, which are related to comfortable and flexible facilities that match varying needs of consumers. Under technical dimension of service, quality of

electricity supplied was considered, such as, frequency of supply, voltage fluctuations, supply cuts, duration of supply, physical condition of transformers and timings of cuts etc (Sharma, 2012). Besides he added another dimension named as pricing dimension of service as price can have a significant impact on overall consumer perception about service (Sharma, 2012). Researchers have also defined electricity service quality based on three dimensions, commercial quality, continuity of supply, and voltage quality (Fumagalli & Schiavo, 2009). Whereas, commercial quality is concerned with the timing and accuracy of services, continuity of supply and voltage quality are related to technical aspects of service quality are also referred as 'power quality'.

Based on this literature review the current researchers have developed the following conceptual framework for the study. As the objective of the study is to measure the service quality of electricity supply, Sharma's (2012) scale for service quality measurement in retail electricity industry is adapted in the present study. As mentioned earlier, according to Sharma's electricity service quality model, there are seven dimensions. These are reliability, responsiveness, assurance, empathy, convenience, electricity supply quality, and pricing dimensions. All of these dimensions act as the determinants of service quality in the retail electricity supply industry.

Research Methodology
Procedure

The data were collected in Dhaka, the capital city of Bangladesh by mean of structured questionnaire. Participants were included in the study on a voluntary basis by visiting different households and business premises. In total 80 responses were included in the study. According to Nunnally (1978), the ideal sample size for any exploratory research is within 40 to 60. Thus the current study with 80 samples exceeds the

criteria of the sample size. As data were collected only from Dhaka city, consumers evaluated the electricity service quality for two service providers available in the city. These are Dhaka Power Distribution Company (DPDC) and Dhaka Electric Supply Company Ltd. (DESCO).

Participants

Among the 80 customers, 55 were male and the rest 25 were female. Half of the respondents were consumers of DPDC and rest half were consumers of DESCO. Both home and business consumers were included in the study; half of them were home consumers and rest half were business consumers. Customers from various age groups were included in the survey; 32.5% respondents were from 20 to 30 years of age range, 22.5% were from 31 to 40 years of age range, 21.3% were from 41 to 50 years of age range, 18.8% were from 51 to 60 years of age range and the rest 5% were older than 60 years of age. In terms of occupation, 52.5% were service holders, 8.8% were housewives, 10% were students and the rest 28.8% had own businesses. About 55% usually consumed 1-500 units, 38.8% consumed 501-1000 units and 6.3% consumed more than 1000 units.

Measures

The electricity service quality measurement model tested by Sharma (2012) was used for the study. Sharma (2012) included four dimensions from Parasuraman, Zeithaml and Berry's (1988) SERVQUAL model; reliability, responsiveness, assurance and empathy. Similar as the original SERVQUAL model, reliability and empathy dimension included five item statements, whereas responsiveness and assurance dimensions included four item statements in each. He dropped the tangibles dimension and included a new dimension named as convenience. The convenience dimension was consisted of six item statements. Since he found pricing dimension as significantly affecting customer's perception, four items related to

pricing dimension were incorporated in the model. Finally Sharma (2012) one more dimensions to identify the technical quality that was named as Electricity Service Quality (ESQ). This dimension also contained six item statements. Thus the total model was consisted of 34 item statements. In the current study these 34 statements were used for developing the questionnaire with minor changes for reflecting the cultural difference such as, the word "load shedding" was used instead of "power cut", etc. The respondents were asked to respond on a 5-point 'Likert' scale ranging from *strongly disagree* (1) to *strongly agree* (5).

Reliability and Validity of Data

Reliability is the extent to which a variable or set of variables is consistent in what it is intended to measure (Hair, Black, Babin, Anderson & Tatham, 2007). The current study applied internal consistency method because multiple items were used for all constructs. The Cronbach alpha value of at least 0.70 is the basis of reliability (Cronbac, 1951) and thus the 0.70 alpha value demonstrates that all attributes are internally consistent (Fujun, Hutchinson, Li & Bai, 2007). The Cronbach alpha value for this study was 0.798 that meets the criteria of cut off point. Thus all the attributes of the study were found as reliable. Reliability for each dimension of service quality was also measured, which is presented in Table 1.

On the other hand, validity is defined as the degree which measure accurately represents what it is supposed to by Hair *et al.* (2007). There are three types of validity; content validity, predictive validity, and construct validity (Siddiqi, 2010). The current study emphasized on content validity. Content validity was defined as the assessment of the correspondence between the individual items and concept (Duggirala, Rajendran & Anantharaman, 2008). In social sciences, the content validity can be verified with the professional knowledge of the researchers. Appropriate and relevant measurements for a

study can be identified from literature review and the assistance of experts (Sharafi & Shahrokh, 2012). This study concentrated on content validity through the review of literature and adapts instruments which are used in previous research.

Statistical Tools for Data Analysis

The study was based on the data collected to measure the service quality of the electricity service providers. For this purpose 5-point 'Likert scale' was used that is a numerical and more specifically, interval-scaled data. The corresponding probability distribution of this numerical data point will be a continuous distribution but as the data is informing about the opinion of the consumers through ranking, it is very likely that the parent distribution will not follow a normal pattern. This pre-assumption was further confirmed by illustration of the Probability-Probability plot (P-P plot) of items. The central view and the diversity among the views of the respondents have been observed in case of each item individually. The distribution pattern of all the components as a whole expressing all the basic features was observed along with Box-plot diagram. As mentioned earlier, reliability analysis was conducted for all the dimensions. Inter correlation was analyzed among the study variables. Then at the end, regression analysis was conducted to identify the comparative significance of the service quality dimensions.

Results

Exploratory factor analysis was conducted to explore whether the model used in the study in appropriate or not. The value of Kaiser-Meyer-Olkin (KMO) that is a measure of sampling adequacy was found as 0.808 that is acceptable. According to Kaiser and Rice (1974), KMO value greater than 0.6 is adequate. Bartlett's test was also significant ($\chi2$ = 183.498, df = 28, ρ = 0.000). By using Principal Component Analysis (PCA) with varimax rotation and Kaiser Normalization, it was found that all the attributes had factor loading of greater than 0.5, which is appropriate for conducting further data analysis (Hair et al., 2005). The communalities derived from the factor analysis were also reviewed to assess the appropriateness of the data for factor analysis. These were all were greater than 0.5 and thus suggesting the suitability of data (Stewart, 1981).

Table 1 shows that Cronbach's alpha measures for all dimensions exceed the threshold point of 0.70 suggested by Nunnally (1978). This indicates that all dimensions of the construct significantly contribute to the reliability and therefore should be retained. It is also apparent from the table that all seven dimensions of service quality scale have significant positive correlations with overall service quality. Mean values along with standard deviation for each dimension were also represented in Table 1. The mean values for all the service quality dimensions were quite close to each other. The highest mean value was found in terms of reliability and the lowest mean value was found for empathy dimension.

Table 1: Descriptive statistics for the study variables along with correlation and reliability measures

	Mean	Std. Deviation	Correlation	Cronbach's Alpha
Overall service quality	2.460	1.147		0.783
Reliability	2.820	0.644	0.289**	0.786
Responsiveness	2.515	0.849	0.317**	0.774
Assurance	2.693	0.723	0.409**	0.749
Empathy	2.397	0.776	0.374**	0.752
Convenience	2.740	0.660	0.368**	0.774
Electricity supply quality	2.572	0.775	0.412**	0.789
Pricing	2.506	0.736	0.263*	0.797

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

*Correlation is significant at 0.05 level (2- tailed)

Comparative significance of the seven service quality dimensions used in the study was identified through multiple regression analysis that was proposed by Parasuraman et al., (1988). This model considered respondent's over all judgment of service quality as dependent variable and the seven service quality dimensions as independent variables. The results of multiple regression analysis are summarized in Table 2.

In multiple regression model, the standardized coefficients (known as ß coefficients) indicate the relative importance of the dimensions. These are used to compare the contribution of each dimension to the explanation of variance of the dependent variable within the model. In this study, the dimension with the largest ß coefficient represents the most significant dimension in terms of its influence on overall service quality perceptions. All seven dimensions were found to be significant. Thus, the results of exploratory factor analyses clearly pointed to a seven dimensional structure to measure service quality as perceived by the customers.

It is evident from Table 2 that the highest coefficient value was found for the assurance dimension. The second highest coefficient value was found in terms of convenience, and thus all

the seven dimensions of service quality were organized based on their coefficient values of the dimensions. These results indicated the relative importance of the service quality dimensions according to the electricity service consumers. It can be observed that the original dimensions of SERVQUAL model were not much important for the consumers except the assurance dimensions. Rather the newly adapted dimensions for this study; convenience and electricity supply quality were considered as significantly imperative dimensions for measuring service quality of the electricity service providers. Thus the current study proved that reliability of Sharma's (2012) model of service quality measurement in electricity service industry. One exception was found in this regard in terms of pricing dimension. Though Sharma (2012) included this dimension as one of the service quality determinant, it was considered as the least important factor in the current study.

According to the present study results, assurance was found as the most important service quality determinants in terms of electricity service providers. Assurance indicates the attitude and behavior of employees and more importantly their abilities to inculcate trust and confidence among customers. Thus the customers may not

be satisfied if they do not feel assured about the competence of the service provider (Siddiqi, 2010). That's why Kumar, Kee and Manshor (2009) pointed out that assurance is one of determining factors for customer satisfaction. The second important dimension was convenience adapted for service quality measurement by Sharma (2012). According to Sharma (2012), ability of suppliers to provide comfortable and flexible facilities to match varying needs of customer. If the customers do not feel convenient in terms of billing, complaints, office timings, and other facilities then they will be dissatisfied about the offered service. Thus convenience can be a major determinant of service quality in the electricity service industry. The third most important service quality determinant was the technical dimension of quality. The quality of electricity supply in terms of frequency, voltage fluctuations, supply cuts or load shadings, timings of cuts, duration of supply and physical condition of supply transformers and supply lines were included for identifying the quality of electricity supplied for the various types of consumers. Technical quality was considered as particularly vital for measuring service quality by the past researchers (Mangold & Babakus, 1991; Richard & Allaway, 1993).

Table 2: Multiple regression analysis results between service quality and its dimensions

Dimensions	Unstandardized coefficients		Standardized coefficients	t	Sig.	Relative importance
	ß	Std. Error	Beta			
(Constant)	1.012	0.558		1.812	0.074	
Reliability	0.515**	0.193	0.289	2.666	0.009	V
Responsiveness	0.428**	0.145	0.317	2.954	0.004	VI
Assurance	0.649**	0.164	0.409	3.962	0.000	I
Empathy	0.552**	0.155	0.374	3.559	0.001	IV
Convenience	0.640**	0.183	0.368	3.497	0.001	II
Electricity supply quality	0.610**	0.153	0.412	3.998	0.000	III
Pricing	0.409*	0.170	0.263	2.403	0.019	VII

Note: Depended Variable: Overall Service Quality; **Significant at 0.01 level; *Significant at 0.05 level (2- tailed)

Managerial Implications

The study explored the electricity service quality in Bangladesh. The study also suggests that Sharma's (2012) model is a suitable instrument for measuring the service quality in the power industry of Bangladesh. Therefore, the electricity service providers can use this instrument for measuring service quality of electricity in terms of Bangladesh. Corrective actions also can be taken based on the current study results, as this will help the service providers to improve their service quality in future.

Limitations and Future Research Directions

Although there are notable contributions from this study especially for customer satisfaction and retention strategies, the results of this study need to be viewed and acknowledged in lights of its limitations. First, the sample size was considerably low. In future the sampling frame can be expanded to get the appropriate insight of service quality in terms of electricity service providers. Moreover, the study considers only the electricity consumers of Dhaka city. Therefore, future research should be conducted on a larger

scale by considering a large sample size from all over the country to authenticate and generalize the current study results. In future, other variables i.e. customer satisfaction, customer loyalty, customer retention should be included and related with service quality to validate the importance of service quality in the energy sector of Bangladesh.

Concluding Remarks

The study is an attempt to examine the service quality for electricity supply in Bangladesh. The persisting deficiency of research studies pertaining to customer perceived service quality for electricity supply encouraged the researchers to carry out this research work which provides significant contribution by devising a reliable and valid service quality measurement instrument. The findings were confirmed and validated through extensive analysis procedures. The results highlighted the priority areas of service improvement and revealed that not all the dimensions contribute equally to the customer's perceptions of service quality. The study reveals that assurance is the best predictor, followed by convenience, electricity supply quality, empathy, reliability, responsiveness and pricing. It indicates that the customers of electricity are not satisfied regarding the behavior of employees, handling of the complaints, clarification and attention of the consumers' issues. So, the policy makers of this industry may monitor and evaluate the perceived level of service quality by the customers as well.

Overall, this study provides a greater understanding of the variables that appear to be the most influential in structuring customer perceptions concerning service quality of electricity supply in Bangladesh. The electricity service providers can improve customer's perceptions of service quality by managing above dimensions in order of their significance. This will not only enhance the satisfaction but also give it a competitive edge in the longer run relative to competitors. Thus, the growth and development of electricity industry in Bangladesh is dependent on the satisfied and loyal customers.

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