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Significant Difference in Brands

Highlights

Equity Risk Premiums

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Discovering Thoughts, Inventing Future

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Resources and Capabilities Development of Musicians: The Case of the School of Higher Sacred Music of the Archdioceses of Guadalajara

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Abstract - The aim of this paper is to analyze the labor market of the musicians in the Archdiocese of Guadalajara, from the resource-based view. It begins with question of what it means to be a musician in Mexican society. The research method used is to review literature in the cultural and labor field. The main conclusion is that the Archdiocese of Guadalajara as a company invests in training human resources for the performance of sacred music and where the labor market for musicians has the behavior of an internal labor market.

Keywords : tangible and intangible resources, labor market, sacred music, archdiocese of guadalajara.

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Resources and Capabilities Development of Musicians: The Case of the School of Higher Sacred Music of the Archdioceses of Guadalajara

José G. Vargas-Hernández

Abstract - The aim of this paper is to analyze the labor market of the musicians in the Archdiocese of Guadalajara, from the resource-based view. It begins with question of what it means to be a musician in Mexican society. The research method used is to review literature in the cultural and labor field. The main conclusion is that the Archdiocese of Guadalajara as a company invests in training human resources for the performance of sacred music and where the labor market for musicians has the behavior of an internal labor market.

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I. Introduction

The study of music in Mexican society, predisposes to a lack of aspirations intended to whom pretends to carry it out by the people around them and society in general, unless he or she is descended from a family dedicated to music or art in any form. In most cases it is seen as strange, and he or she is being told to studying something serious, something that he or she get something left, etc. What ignorance of these people do is create some kind of trauma, i.e. it discouraged to the extent that sometimes he or she decides to leave the study of music.

However, the study of this art is not easy. It takes many hours of study to the instrument, music theory and harmony etc., etc. And these are not all the subjects tostudy, however these tools will allow him or her to get to provide it all others. There is little or no work related to economics and in this case the vision of strategic management and music, but yes there who are interested in works that mix economics with culture, which can help to make a rapprochement.

A leading exponent of this line of research is Ernesto Piedras (ITAM-LSE economist) who in a paper published in 2004 sponsored by the National Council for Culture and the Arts (Consejo Nacional Para la Cultura y las Artes, CONACULTA), and by the Center for Economic Research and Teaching (Centro de Investigación y Docencia Económica, CIDE) entitled "How much is the culture? economic contribution of industries protected by copyright in Mexico "an analysis of the importance of cultural industries in the country's economic activity, leading to interesting conclusions.

Although this work is not intended to make claims of such significance as does Piedras (2004), it pretends to be a grain of sand in the field of strategic management knowledge and music. Attali (1995) states with a historical view and rightly that music consumers belong equally to all walks of life: farmers on the occasion of cyclical festivals and weddings, artisans and brothers in the celebrations of the patron saint and the annual banquet, bourgeois and nobles.

That is why the aim of this study is to determine the labor market of the musicians of the Diocesan School of Sacred Music From Guadalajara (Escuela Superior Diocesana De Música Sagrada De Guadalajara, ESDMSG), i.e., in what area (s) they operate, how they get their income, variables that determine it and make a theoretical analysis that follows the lives of the musicians.The theory based on the resources and capabilities of the company, as the Archdiocese of Guadalajara provides, as it is discussed below, training and development of musicians capabilities, and for that reason can make a decision as the unit of analysis, a business.

II. The Music Industry

According to Piedra (2004) the music industry is, within the cultural industries, the largest economic impact. It is present in many of the industries protected by copyright (IPDA), for which it becomes necessary and even indispensable to develop.

Stone estimates (2004) of 6.7% contribution to GDP of cultural industries in the country, the music provides 2.6 percentage points. Because the musical element is essential for other IPDA, such as film, opera, theater, entertainment centers and even to museums. And finally the total contribution of the music, both directly accounted for in the same sector as one that contributes by way of other sectors IPDA, reaching 3.5% of GDP. As seen 3.5% of GDP is not a number that can

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be ignored because it represents a very large part, and which can have input in order to create conditions for greater prosperity for those involved in this industry.

Same Piedra (2004) mentions that there are other daily activities, but not least important from the whole of society, which is also surrounded by execution or public communication of the music, as the one is permanently in consumption centers such as super-markets, shopping centers, department stores, etc., and certainly the most varied social activities where music is central or peripheral, e.g. parties, weddings, religious activities, sports, musical shows at halftime, etc.

III. Music and Employment

Awidely used indicator for calculating the economic contribution of a particular industry is that related to the number of people working for it, i.e. employment. Piedras (2004) says that this indicatoris of great importance, not only economic but social. He mentions that employment it self is a prerequisite for growth and for development. However, the employment must be formal, as it generates a series of contributions such as paying taxes, social security generating a formal legal frame work and although the informal economy also generates jobs, definitely lacks these multipliers mechanisms of the activity economic activity and welfare distribution.

IV. Shadow Economy

The "shadow economy" is understood as the production of goods and services both legal and illegal that escape from detection tax estimates. It is important to understand the difference between these two concepts, as:

> "The casual sub sector can be described as a set of units engaged in the production of goods and services with the primary objective of generating employment and income for the people involved. These units are characterized to operate by a low level of organization, with little or no division between labor and capital as factors of production and small scale. Labor relations, if they exist, are usually based on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees" (Piedras, 2004:164).

While the second covers the activities punishable by law as: "... domestic production, processing and distribution of narcotics and drugs, production of pirate software, music and videos, usury, ticket resale, surgical interventions unauthorized, trade and transportation of contraband goods among others "(Stone, 2004:164).

As you can see, cultural activities are not at all an isolated case of economic contribution. Cultural activities are as Piedras (2004) demonstrated a 6.7% of GDP. It is for that reason that must be taken into account and of course have a greater monitoring because they can create jobs.Now as it can be seen how the music industry has the greatest impact within the IPDA this is a first indication that music as a profession can generate an income to live on.

Now, the next part of this research aims to show how the activity of musicians ESDMSG is a source of employment which can live in dignity. And note that there is a labor market that operates within the "shadow economy" which mentions Piedras.

V. The Scope of The Musicians

The Catholic Church is constituted and organized in the world by dioceses and these in turn by parishes and temples. The dioceses are entrusted to the bishops, parishes are entrusted to the pastors who are cooperators of the bishops, and the priests are responsible of temples. In the case of the state of Jalisco, Mexico, the Archdiocese of Guadalajara consists of 1360 places of worship that are tangible resources. In these constructions consecrated masses that are celebrated fueling the faith of believers and is where are performed the various pastoral activities. In celebration of masses are involved clerical and secular ministers. Masses are presided over by bishops or priests supported by altar servers, monitors, ministers of communion and singing.

Among the reasons for the celebration of masses are to celebrate the Lord's Day, which is binding on all the faithful and is held every Sunday of the year. Other masses also very important are celebrated for reasons to celebrate baptisms, confirmations, priesthood consecrations and marriage. Other reasons for the celebration of masses are commemorating the fifteenth year of the youth and obtaining academic degrees, among others. According to Fr. Estrella (1985) the ESDMSG was born with a purpose: to train, through a careful musical education, performance elements of singing in the liturgy.

Having said this, it can be concluded that musicians at ESDMSG are ipso facto linked to the Church, to whom they serve then, beginning from here it is possible to start an analysis of the behavior of the labor market.

VI. Theoretical Labor Market of the Musicians, their Resources and Capabilities

According to Peng (2006), the resource-based viewis a leader on strategy perspective that suggests the differences in the performance of a company are caused primarily by the difference in the resources and capabilities of firms. The firm's resources are the property or tangible assets that a firm uses to choose

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and implement its strategies. Instead capabilities are tangible and intangible assets that a firm uses to choose and implement its strategies. In this case the strategy of the Archdiocese of Guadalajara is to evangelize faithful individuals, because from therefore has tangible and intangible resources to carry out its mission.

Peng (2006) mentions that the resources and capabilities are tangible assets that can be seen and easily quantified, and can be divided in to four categories:

- Financial resources and capacities
- Resources and physical abilities
- Resources and technological capabilities
- Resources and organizational skills

For purposes of this paper, we are interested in physical resources because the Churches are the companies that host as the musicians. Likewise, there are also intangible resources and capabilities, only the seas the name says are difficult to see and quantify. However, they are vital to the development of the musicians, especially in the human resources field.

To describe in detail the labor market of musicians, this analysis will be in two parts. The first corresponds to the assumptions of perfectly competitive labor market which will examine each case in relation to what happens in reality. The second is an analysis from the behavior of internal labor markets. It must be said that one of the authors of this paper, is part of this market.

A perfectly competitive labor market has the following characteristics that differentiate it from other labor markets:

- A large number of companies competing for the hiring of a certain type of work to cover identical jobs.
- Numerous qualified people have identical qualifications and offer their services work independently.
- Conduct wage taker, i.e. neither workers nor firms control the market wage.
- The information and labor mobility are perfect and have no cost.

Given the first assumption is that there are indeed a large number of temples that can compete for the recruitment of workers for identical jobs. These are all churches that exist in the Archdiocese of Guadalajara as there are around 1360 temples that act as companies hiring workers they need. However, there are distortions in this sense because most are not interested in training musicians trained for liturgical service, if so, the ESDMSG not have enough places to accommodate as many students.

There distortions because in most if not in all parishes and temples at the metropolitan area of Guadalajara (ZMG) existing choirs that are "quasi" musicians and are members of the community. "Quasi" because they are not musical trained choirs, i.e., they do not know music theory, do not play piano (much less the organ), do not know music the or y or harmony, and much less vocal technique and the worst is that they do not have training liturgical for liturgical jobs performance, i.e., although the service, also service because they do not charge for it, is with the best intentions. They lack professionalism and affect the rite as they discuss many abuses of the liturgy.

It is note worthy that for the Church, Gregorian chant is the liturgical chant par excellence. Since this was designed specifically to perform the job, later when music was evolving and after several councils, the pipe organ was adopted as the official instrument of the Church, as this is the most similar to the human voice. This means the formation of a musician in ESDMSG offers these features also provide positive externalities which will be discussed later.

In this sense, although there are a number of potential firms in the labor demand side that can engage the services of a professional musician, i.e. ESDMSG trained in, not carried out because some people cover the very good work only by very good will and without no charge. Another option is that some pastors send someone of these choirs to form in school and then transmit knowledge to other community choirs.

Departing from the second assumption it is found that there are few people that form properly, and because few people think they have a lot of work, but this is not so, since their work is based on:

- The ceremonies to sing in the week (weddings, fifteen years, anniversaries) from where The musicians get a share of income.
- Of the tastes and preferences of the people who hire them separately, i.e. to go to another parish to perform the proper liturgical service.

There is another distortion of the market, which is well formed musically but lacks knowledge of the liturgical act and how to work within the mass. Here it refers to the so-called professional choirs. These choirs certainly have a strong musical background, with extremely good-singers and instrumentalists, most of them are musicians trained at the University of Guadalajara. Speaking from experience, these musicians are good, the bad thing is they do not know the liturgy and commit abuses because they are hired to sing and play well, and not do the job.

Regarding the third assumption it can be argue that the salary of the musicians do not have this behavior at all "wage taker." Sometimes the wage paid for providing the liturgical service is appointed by the pastor and this can go down, as it sometimes does not pay $100.00 per mass. Although some other times the salary is determined by the musician, who comes without a yardstick because there are singers who charge at least $ 100.00 for both mass and other

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ceremonies and there are musicians who charges $ 400.00 per mass and ceremony.

What is a behavior between ESDMSG communities is to charge by level of study and experience the musician has to exercise his activity. And there is another variant with professional choirs, a musician formed either in school or not. And this results from the person who hires the service because they can pay one or more musicians to sing a mass and this amount is also established "by feel" depending on the number of musicians and place, if it must travel long distances. These prices are determined at least $ 250.00 per choirgirl and an extra amount for the passenger (s) and the choir director. And it can be from $ 1,500.00 to what you are willing to pay.

Finally in terms of the fourth assumption, it is argued starting from interviews with teachers and students of ESDSMDG, that neither the information nor mobility in the labor market is perfect. This is because the information to enter the market is low, not advertised and the advertised are usually professional choirs that were mentioned. However mobility is easier because the user can to go to a parish or church, meet with the priest in charge and depending on him it will be hiring.

Thereupon now proceed to the analysis from what is a domestic labor market, as this will reveal is how the resources and capabilities of the company, in this case the Archdiocese of Guadalajara, provide benefits for same, in this case the benefits are the increase in the faith of the faithful.

For this case the Archdiocese of Guadalajara takes the role of a company that has tangible resources: churches, seminaries where priests are trained and developed, and for this case the ESDMSG where the ministers are trained and developed for singing. This shows that the Church is interested in specific training and development for work, because it can only be used in the company that provides the priests, musicians and the true faithful, these are intangible resources.

Thus there are students who are forming, developing and training in the disciplines of sacred music, which in turn will become trainers of new applicants. This well represents human resource development in order to continue with the objective of the company itself. The concrete form as the employment relationship is established, is when using rules, habits or customs, the ministers are paid for their services and musicians in charge of singing, which may come from a priest or directly by the contractor requesting the sacred celebration of the mass.

Another way that could motivate students financially without leaving aside the ministerial commitment to the sacred chanting, would also beside be able to aspire to be choir director, is to take an interest in the academic training of the post of trainers. What dynamically presents is an internal employment relationship, which is one of the characteristics of internal labor markets that appear in many of the companies structured.

VII. Externalities Musicians as Intangible Resources

According to Pindyck and Rubinfeld (1998) externalities are the effects of production and consumption that are not reflected directly in the market.These can be negative, when the action of one party imposes costs on the other, or positive, when the action of one party to the other is beneficial and receives no compensation. Since they cannot be counted if they are received, however, represent an intangible resource which is perhaps the most important, in the sense of objective ESDMSG.

In this sense, the musicians' externalities are positive, due to the following:

- As part of their training in ESDMSG, teachers ask students as possible to dignify the liturgy, and it is important the way they dress. They are required to present themselves in the best possible way which has the effect of seriousness and formality of the work they do, as being an important part of the liturgy, helps to dignify that ask.
- In training, the students are asked to go through the songs a purge themselves to become the most suitable for the liturgy as this is a very important aspect of the Catholic Church, that not all communities are respected. And a musician ESDMSG is suitable, i.e. he has all the tools to make this selection that favors supporting the liturgy and this may be a factor influencing change in explaining the doctrine and of course help in life of a believer.
- Most ESDMSG musicians working in a parish or temple are consulted by other community choirs and this helps them in the training outlined in the previous section, but they receive no payment for help in this aspect. That's why we also consider a positive externality this point because without doubt the attention paid to the other choirs influences for the dignity of the liturgy that the Church seeks. This means that they also become trainers in either ESDMSG or elsewhere.
- From this it follows that the musician from ESDMSG is the only one with the proper training to perform in the mass. It is in this training that the musician to have very specific labor market: it's like church singer and although no is the only one, if the most qualified for the job.

VIII. Conclusions

From the discussion in the previous sections of this paper on the labor market of ESDMSG musicians,

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their resources and capabilities, it can be concluded the following.

As stated at the beginning, the economics begin to worry about view and investigate the contribution of economic sectors than before, although it was known that they have a stake in the economy as a whole, it was not well known what the amount of their participation was, and how it was given. Thanks to studies by economist Ernesto Piedras, who has pioneered in this sector, today we know that culture and all that it implies in terms of economic production, distribution, consumption, and employment have an impact strong on the national economy, which is why you should continue doing studies like this to identify sectors of the economy that can provide growth and development of society.

In this study we found a labor market with the resource-based view approach, that although it was unknown if it was ignored. The labor market of musicians from ESDMSG, a market where as piring musicians can find employment opportunities, and this in turn permits them to live a decent life, where there are opportunities for growth and development. As part of the training of human resources managed by the Archdiocese of Guadalajara, which in this case is a large company, it sees as an important strategy for increasing faith through music. However, it is not enough and it is needed to continue to promote the formation of more human resources.

It was noted that based on the assumptions of perfectly competitive labor market, there are distortions for ESDMSG musicians, and that from the perspective of the internal labor market offers a closer attachment to reality. Musicians also provide externalities which are highly valued in the labor market as they know and meet all the requirements to do the job in the most dignified as possible within the liturgical act.

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To Examine Whether there is any Significant Difference in Brands' Preference of Talcum Powder used by Different Communities in Four Major Cities of the State of Uttar Pradesh, India

By Dr. Abhimanyu Kumar
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Abstract - The present study aims at analyzing whether there is significant difference in brands preference among five main brands of talcum powder used by the customers of the four major cities of the state of Uttar Pradesh in India. In this study a set of its 240 sales samples each in every city under study was examined through the retailers and found to be allocated among four communities i.e. Hindus, Muslims, Sikhs and Christians. Brand preferences are usually studied by attempting to profile and understand loyal consumers. The five brands under study are as follows: - Ponds, Lakme, Fa, Wild stone, Cinthol.

Keywords : *talcum powder, brands, retailers, communities, allocated.*

GJMBR-E Classification : *FOR Code: M31*



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Abstract - The present study aims at analyzing whether there is significant difference in brands preference among five main brands of talcum powder used by the customers of the four major cities of the state of Uttar Pradesh in India. In this study a set of its 240 sales samples each in every city under study was examined through the retailers and found to be allocated among four communities i.e. Hindus, Muslims, Sikhs and Christians. Brand preferences are usually studied by attempting to profile and understand loyal consumers. The five brands under study are as follows: - Ponds, Lakme, Fa, Wild stone, Cinthol.

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I. Introduction

Branding is a major issue in product strategy. Marketers say that "branding is the art and corner stone of marketing". A brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors, (The American Marketing Association). In essence, a brand identifies the seller or maker. It can be a name, trademark, logo or other symbol. A brand is essentially a seller's promise to deliver a specific set of features, benefits and services consistently to the buyers. The best brands convey a warranty of quality. But a brand is an even more complex symbol and conveys up to six levels of meaning: - attributes, benefits, values, culture, personality, user (Patricia, 1998). The question of "why consumers change their brand preferences" has intrigued marketers and consumer researchers for decades. Early attempts to understand brand-switching behavior focused on the effect of past purchases on current purchase behavior (e.g., Morrison 1966). More recent studies have shown that brand-switching behavior is related to three types of factors (Morgan and Dev 1994): consumer characteristics (e.g., Vantrip, Hoyer, and Inman 1996), marketing mix factors (e.g., Deignton, Henderon, and Neslin 1994), and situational influences (e.g., Bucklin and Srinivasan 1991). Malathi (1998) in her study Consumer's Brand Choice Behavior for Television is Salem District emphasized the major findings that Consumer awareness about the brand is created through advertisement and dealer's contact. Further her study focused that durability, brand image price after sales service are the main reasons for preferring particular brand.

Recent studies have revealed that periods of life transitions are associated with significant changes in consumer behavior (e.g., Andreasen 1984; Mehta and Belk 1991; Price and Curasi 1996). Two different theoretical perspectives help us find explanations for these changes: role transition perspective and stress perspective. The first perspective holds that as people change roles, adopt new roles, or give up old roles their consumer behavior also changes. These changes in consumer behavior are either because of their need to redefine their self-concepts as a result of the assumption of a new role (e.g., Mehta and Belk 1991); or due to role relinquishment as people attempt to dispose of products relevant to the enactment of a previous role (e.g., McAlexander 1991). Previous research has shown that possessions are integral to the definition of self and the expression and performance of roles (Belk 1988); and their disposition is necessary in communicating important changes both to the consumer and to others (Young and Wallendorf 1989). The second perspective on behavioral changes is based on stress theory and research. Stress refers to environmental, social, or internal demands which require the individual to readjust his or her usual behavior patterns (Thoits 1995). These demands cause disruptions of previously more or less balanced states. Major life changes and transitions are often treated as "stressors" that create a generalized demand for readjustment by the individual. Thus, the assumption of a new role or its anticipation requires major adjustment of one's lifestyle which can be stressful. People attempt to restore balance and relieve frustrations and tensions accompanying disequilibrium by initiating or modifying behaviors, which are viewed as coping strategies (e.g., Lazarus and Folkman 1984; Pearlin 1982). *Coping* refers to actions and thoughts that enable the individual to handle difficult situations, solve problems, and reduce stress (Lazarus and

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Folkman 1984). Support for the stress perspective is found in previous consumer studies showing that initiation, intensification or changes in consumption habits reflect efforts to handle stressful life events (e.g., Andreasen 1984; O'Guinn and Faber 1989).

Chandra (1997) in her study Consumer preferences in washing powder. A study in Erode District, had analyzed the attributes of the product, reasons for brand selection, brand loyalty and factors influencing brand choice behavior. The main findings that the Advertisements are the largest source of information to the consumers are that because the major part of consumers maintains brand loyalty, product quality plays a vital role in brand preference, Consumer brand preference is influenced by demographic variables. Consumer's preference involves a complicated series of stimulus and response reactions to many factors or motives. These motives may be expressed or unexpressed and are based upon deep seated needs or more openly felt wants. The number of decisions involved in a particular buying project varies with the type of buying situation. The buying preference will have to determine:- Product specifications, Price limits, delivery terms and times, Service times, Payment terms, Order quantities, Acceptable supplier and the selected supplier. "Consumer behavior is of the outcome of both individual and environmental influences". To be specific, consumer's behavior refers to the act of consuming goods or service (Boonefkurzu, 2003). Both men and women have been using cosmetics for thousands of years. Cosmetics are those articles which are intended to be rubbed, poured, sprinkled, or sprayed or otherwise applied to the human body or any part for beautifying, promoting attractiveness, or altering the appearance. Cosmetics may cleanse the skin or change its color but they do not prevent or cure any dermal condition. Talcum powder is one of the popular cosmetics used both by men and women. It has been traditionally used for its fragrance and feeding of freshness. There are numerous companies marketing the talcum powder under different brand names the major ingredients are more or less the same. However, the brand name of the product plays an important role in determining the product success or failure. Human attitudes are complex in nature. In this complex world, consumer behavior changes from person to person. The preferences differ from one consumer to another. Hence an attempt is made to analyze the various reasons for preferring particular brand and the extent to which those factors affects the satisfaction level of consumer on talcum powder purchase decision .

II. Hypothesis Under Study

Let the null hypothesis be H_0: There is no significant difference in the brand preference of five main brands of talcum powder used by four different communities in four major cities.

The alternative hypothesis is H_1: The difference is significant in the brand preference of five main brands of talcum powder used by four different communities in four major cities.

The objectives under study:-

1. To study the extent of brand loyalty among consumers.
2. To study statistically consumers buying behavior for different talcum powders.
3. To study retailers sales of talcum powder.

III. Research Methodology

The present study is an empirical one based on survey method. Data were collected from both primary and secondary sources. The primary data were collected from customers as well as retailers by means of interview schedule. The primary data have been collected through the consumer survey and discussions were carried out with the consumer personally. The secondary data has been collected from various published literature (like text books, magazines, news papers) and internet. The information regarding the organization has been collected from report and record provided by the dealers of talcum powder.

IV. Sampling Design

The study aims at analyzing the customer's satisfaction level of talcum powder. The customer's of four cities of state of Uttar Pradesh i.e. Allahabad, Lucknow, Varanasi and Kanpur are large in number and hence a comprehensive list of customers could not be prepared. Therefore, the respondents inclusive of all type are selected from convenient random sampling method with the help of agencies and retailers. There are 240 consumers from each city that were selected randomly as sample respondents which were studied for this purpose.

V. Data Interpretation

In the following subsequent section, the data obtained from the respondent are analyzed statistically. A convenient sampling technique was made use for this survey and the number of respondents chosen was 240 from each city.

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Table 1 : Number of consumers preferring different brands of talcum powder belonging to different communities in Allahabad city

Brands of talcum powder	Communities				
	Hindus	Muslims	Sikhs	Christians	Total
Ponds	12	16	13	08	49
Lakme	13	08	05	14	40
Wild stone	15	11	13	18	57
Cinthol	10	12	08	12	42
Fa	11	19	12	10	52
Total	61	66	51	62	240

Analysis of variance table

Source of variation	SS	d.f	M.S	F(test statistics)
Between sample	49.5	4	12.37	
				F=12.37/8.725=1.52
Within sample	174.5	15	8.725	
Total	224.0	19		

The above table of at 5% level with 4df and 15 df is 3.06, and 1.52<3.06 i.e. calculated value of F< the table value. Hence significant. We accept the Null HypothesisH_0 at 5% level and conclude that there is no significant difference in the brand preference of main brands talcum powder used in four major cities of the state of Uttar Pradesh, India.

Table 2 : Number of consumers preferring different brands of talcum powder belonging to different communities in Varanasi city

Brands of talcum powder	Communities				
	Hindus	Muslims	Sikhs	Christians	Total
Ponds	19	16	15	10	60
Lakme	15	12	13	08	48
Wild stone	09	21	12	07	49
Cinthol	08	11	02	12	33
Fa	12	15	18	05	50
Total	63	75	60	42	240

Analysis of variance table

Source of variation	SS	d.f	M.S	F(test statistics)
Between sample	93.5	4	23.37	
				F=29.37/22.43=1.04
Within sample	336.5	15	22.43	
Total	430.0	19		

The above table of at 5% level with 4df and 15 df is 3.06, and 1.04<3.06 i.e. calculated value of F< the table value. Hence significant. We accept the Null HypothesisH_0 at 5% level and conclude that there is no significant difference in the brand preference of main brands talcum powder used in four major cities of the state of Uttar Pradesh, India.

Table 3 : Number of consumers preferring different brands of talcum powder belonging to different communities in Lucknow city

Brands of talcum powder	Communities				
	Hindus	Muslims	Sikhs	Christians	Total
Ponds	10	15	19	16	60
Lakme	12	11	08	09	40
Wild stone	14	04	15	11	44
Cinthol	17	13	09	06	45
Fa	06	16	21	08	51
Total	59	59	72	50	240

Analysis of variance table

Source of variation	SS	d.f	M.S	F(test statistics)
Between sample	60.5	4	15.1	
Within sample				F=21.9/15.1=1.45
	329.5	15	21.9	
Total	390.0	19		

The above table of at 5% level with 4df and 15 df is 3.06, and 1.45<3.06 i.e. calculated value of F< the table value. Hence significant. We accept the Null HypothesisH_0 at 5% level and conclude that there is no significant difference in the brand preference of main brands talcum powder used in four major cities of the state of Uttar Pradesh, India.

Table 4 : Number of consumers preferring different brands of talcum powder belonging to different communities in Kanpur city

Brands of talcum powder	Communities				
	Hindus	Muslims	Sikhs	Christians	Total
Ponds	16	12	08	11	47
Lakme	10	09	13	08	40
Wild stone	18	12	14	10	54
Cinthol	19	08	06	17	50
Fa	04	21	15	09	49
Total	67	62	56	55	240

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Analysis of variance table

Source of variation	SS	d.f	M.S	F(test statistics)
Between sample	26.5	4	6.625	
				F=24.6/6.625=3.71
Within sample	369.5	15	24.6	
Total	396.0	19		

The table value of at 5% level with 4df and 15 df is 3.06, and 3.71>3.06 i.e. calculated value of F> the table value .Hence we reject the null hypothesis.

VI. Result and Discussion

The results generally support the notion that changes in brand preferences may be viewed as outcomes of stress, mediated through consumption-related lifestyles, as individuals try to adapt to stressful life conditions or role transitions marked by life events. The result of at 5% level with 4df and 15 df is 3.06, and 1.52<3.06 i.e. calculated value of F< the table value. Hence significant. We accept the Null HypothesisH_0 at 5% level and conclude that there is no significant difference in the brand preference of main brands talcum powder used in four major cities of the state of Uttar Pradesh, India. The Kanpur city of at 5% level with 4df and 15 df is 3.06, and 1.45<3.06 i.e. calculated value of F< the table value. Hence significant. We accept the Null HypothesisH_0 at 5% level and conclude that there is no significant difference in the brand preference of main brands talcum powder used in four major cities of the state of Uttar Pradesh, India.

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Research Sequential Relationship of Appeal, Attitude, Ethical Judgement and Purchase Intention – A SEM Analysis

By P. Shanthi & S. Thiyagarajan
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Abstract - The use of sex appeal in advertisements is widely preferred by marketers around the globe as they believe 'sex sells'. Less Academic attention is devoted to explain how an appeal like sex works among Indian audience and what are the mediating variables aid in the process of persuasion. This study aims at empirically investigating the complex relationship as well as the sequential effect of 'Sex appeal → Attitudes toward the Ad → Ethical Judgment toward the Ad → Purchase intention'. The research was executed on a sample of 560 respondents from in and around Tamil Nadu and Pondicherry using non-probability Convenience sampling method. Structural Equation Modeling technique (SEM) was employed to examine the complex relationship between variables and Hypotheses. Results indicate Sex appeal advertisements lead to favourable attitude, which in turn influence Ethical Judgment and Purchase Intention.

Keywords : *sex appeal, attitude, ethical judgment, purchase intention, SEM.*

GJMBR-E Classification : *FOR Code: D47*



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I. Introduction

India is all set to emerge as one of the leading economies and now is in the limelight as a potential market for global marketers in terms of its population, disposable income and purchasing power. Television has become an indispensable medium of entertainment in Indian households and thus qualifies as a preferred medium for marketers to connect with the target audience. Advertisers started pushing the boundaries of advertising by incorporating sex appeal in their message strategy to achieve an edge in the cluttered media environment. Such an attempt might prove to be unduly a risky assumption in countries like India, as one could observe many commercials facing bans and controversies. Though overt sexuality, obscenity and growing number of complaint filed were being cited as reasons by the regulatory authorities for dropping down of commercials from air, it was described by the media as an attempt which is as futile as King Canute ordering the waves to turn back. Furthermore, it is worth noting that all over the social networking websites the opinion of the general public is found to be mixed. All these reinforce one thing that no country in the world will have a society with intact ethics and morals. As the society grows, what is appropriate and acceptable in Advertisement content also changes. All these attract scholarly attention and the present study probed into the sequential effect of 'Sex appeal - Attitudes toward the Ad - Ethical Judgment toward the Ad - Purchase intention'.

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II. Literature Review

Sexual themes in advertisements are attention grabbing, engaging, involving, interesting, entertaining, favourable and original than non sexual ads (Bello et al., 1983, Jude & Alexander, 1983, Belch & Belch, 1990, Reichert et al., 2001). Over a period, researchers have confirmed the positive effect of nudity on attention grabbing (De Pelsmacker & Geuens, 1998 & Manceau & Tissier, 2006). (Chestnut et al., 1977 & Reid & Soley, 1983) have reported that ads with sexual stimuli are more effective than the non sexual ones. Though, it was identified that sexy illustration in advertisements attracts initial attention (Reid & Soley ,1983) enhances recall (Steadman, 1969) evokes emotional responses (Courtney & Whipple.,1983, Hoyer & MacInnis, 2001) increases persuasion (LaTour et al., 1990, Saunders, 1996) as well as buying intention (Grazer & Keesling, 1995) but it was not free from serious limitations. Sex appeal might increase attention but not necessarily enhance recall or positive attitude towards a brand (Stewart, D. W., & Furse, 2000) moreover excessive and inappropriate sexual content might lead to negative association of the advertised brand (Bumler, 1999). Recently (Brown, 2002) warned that blatant applications of sex as an attention grabber can be counter-productive. Copy recall was lower for sexual ads than non sexual ads, containing high level of information (Belch & Belch 1990) and sexual ads sponsors are less likely to be remembered than the non sexual ad sponsors implying these ads are less effective (Alexander & Judd, 1978, 1983, Weller at al., 1979, Keesling, 1995 & Reichert and Alvaro 2001). Sex appeal is not only used in advertising to attract attention toward the advertisements but also to create positive emotions that might translate into positive brand attitudes and, hence, sales (Endres & Hug, 2004; Schroeder, 2000). Sex role portrayal evokes emotions and in turn shapes

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the attitude of the consumer (Batra and Ray 1986). According to (Bumler, 1999) sex appeal evokes emotions and arouses feelings which in turn can create a desire for the product.

In the arena of theory and research in social and behavioral sciences, the construct of attitude continues to be a focal point (Ajzen, 2001) and thus heightened the importance of understanding the consumer attitude within the domain of media. (Fishbein & Ajzen, 1975) define the attitude as "an individual's positive or negative feelings about performing the target behavior". It is an individual's evaluative judgments of an object (Crites, Fabrigar & Petty, 1994). In the words of (Eagly & Chaiken, 1998) Attitude towards an object is "a psychological tendency that an individual expresses by evaluating a particular entity with some degree of favor or disfavor". Advertisers and marketing researchers are of the opinion that "attitude toward the advertisement" (Aad) is an affective construct representing consumers' general feelings of liking an advertisement, has a favorable influence on brand attitudes and purchase intention (PI) (Lutz, MacKenzie & Belch, 1983; Mac-Kenzie, Lutz & Belch, 1986). Consumers could unconsciously develop positive or negative feelings towards the advertisement and consequently towards that advertised brand (Gardner, 1985). The experience of a positive attitude towards advertisement (Aad) may communicate expectations about the experience of using the advertised brand (Holbrook & Hirschman, 1982). Initially attitude towards Ad was identified as a mediator for consumers' brand choice (Shimp, 1981), and then, the linkage between Aad and Ab (Attitude towards brand) emerged and was empirically proved (Mitchell & Olson, 1981).This relationship gained research support over a period (Gardner, 1985, Park & Young, 1986, Homer, 1990). Researchers (Bagozzi & Burnkrant, 1979 and Bagozzi, 1981) went a head and explored the extension of the above mentioned relationship (i.e) the effect of Ab on Purchase intention. MacKenzie, Lutz & Belch (1989) conceived a direct causation from attitudes toward the ads to attitude toward brand, as well as a direct causal link between attitudes toward the ads and purchase intention in the dual mediation model proposed by them. Subsequent researchers (Brown & Stayman, 1992; MacKenzie, Lutz & Belch, 1986) have found a strong support for the "attitudes toward the ads → attitudes toward the brand → purchase intention" relationships. Few researchers took a different dimension and investigated the relationship between attitude and Purchase intention under conditions like low/high involvement, low/high Need for cognitions (Severn et al., 1990, Putrevu, S., 2008), low/high arousal (La Tour, Pitts & Snook-Luther, 1990). Though the use of a visual sexual appeal result in more favorable attitude towards the ad and greater purchase intentions in general (Severn, et al., 1990) the effect is not consistent in the studies when the degree of sexual stimuli was moderated. Despite the fact that men and women differed in their attitudinal responses in terms of Attitude towards Advertisement (Aad), Attitude towards brand (Ab) and Purchase Intention (PI) (Orth & Halancova, 2004). Strong overt sex appeal was not well received and would produce significantly more negative attitudes toward the Ad, Brand and Purchase intentions (Steadman, 1969, Alexander & Judd, 1978) as it was viewed as less ethically 'correct' than mild sexual version of the ad (LaTour & Henthorne, 1994). Similar to LaTour and Henthorne's findings, regardless of respondent's gender, the use of a strong overt sexual appeal was not well received by Chinese consumers and resulted in less favorable attitude toward the ad itself and the purchase intention than using mild sexual themes (Tai, H.C. Susan, 1999). Alexander & Judd (1983) contend that ad creators must be acutely aware of the reactions (both positive and negative) of their target audience to the use of potentially controversial sexual appeals as ad stimuli. Soley & Reid (1988) stated that general changes in a society's sexual attitudes are often mirrored in print advertising.

Consumers' ethical orientation has emerged as an important construct in mediating consumer behaviour (Vitell et al., 1991 & Pitts et al., 1991) which prompted (LaTour & Henthorne, 1994, Tansey, Hyman & Brown, 1992, Tinkham & Weaver-Lariscy, 1994 & Simpson et al., 1998) to investigate the ethical perce-ptions of consumers and its impact on consumer evaluations of ads and their results consistently supported it. Though few studies assumed ethical judgment of an Ad as a causal variable and explored its impact on attitude toward the Ad, attitude toward the brand, purchase intention, justification for such assumption lacks clarity in literature. Important observation should be made here as it was clearly stated that attitude is something situation bound emotional reaction (Lutz, 1985) which is automatic requiring minimal processing (Zajonc & Markus, 1982). On the light of the above points, one can safely conclude that it is the Attitude which will be formed or generated first by a person when exposed to an advertisement and it is subject to change. Furthermore, (Baker & Lutz, 1988) clarified the various components of the advertisement stimulus upon which Attitude towards the ad is formed. The content of the advertisement copy (information on brand attributes), the headline, the creative platform (appeals such as humor, fear and others used to support delivery of message), and pictures or images appearing in advertisements may be assumed to collectively form attitude towards the advertisement (ibid). Besides theory of 'reasoned action' a laboratory study (Fishbein & Ajzen, 1975) and many field studies dealing with diverse topics such as green energy (Bang, Ellinger, Hadjimarcou, & Traichal, 2000),

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ethically questionable behavior (Fukukawa, 2002), ethics on digital rights (Chiang & Lee ,2011) and software piracy (Trevor T. Moores & Vatcharaporn Esichaikul, 2011) extended support for the argument that attitude is the causal variable will have an impact on ethical judgment, ethical behaviour and purchase intention. Research as well as experimental Interest toward Aad has increased because advertisers believe that a "likable" advertisement could create a favorable impression on consumers which in turn could give that advertised brand a competitive edge in the long run (Gardner, 1985, Gresham & Shimp, 1985 & Mitchell, 1986). It is the individual's character ethical values, beliefs and attitudes shape a persons' ethical judgement not only towards AD but also towards other forms of dishonesty, i.e. dishonesty in the workplace (Lysonski & Gaidis, 1991).

In this context, the present study tries to fill the gap identified and attempts to make some incremental contribution in Sex Appeal Effectiveness Literature by exploring the effect of sex appeal advertisements on attitude and other key consumer response variables such as ethical judgment and purchase intention by incorporating the Full length TV commercials as stimuli in the following sequential manner "Sex appeal → Attitudes toward the Ad → Ethical Judgment toward the Ad → Purchase intention". Attitude towards the brand as variable was not considered because degree of sexual content used in advertising had no direct influence on it (Tai, H.C. Susan, 1999).

III. Methodology

The Paper aims at looking at the sequential effect of "Sex appeal → Attitudes toward the Ad → Ethical Judgment toward the Ad → Purchase intention" by applying Structural Equation Modeling (SEM). Attitude towards an advertisement is a situation bound emotional reaction in a favorable or unfavorable manner generated at the time of exposure to that particular advertisement (Lutz, 1985). Ethical Judgment is nothing but an expression of an individual about a given object after a careful evaluation based on one's Culture, (Values, beliefs, Attitude and Morals) Social Values and Individual Personality. Purchase intention is a plan or intention or willingness to purchase the brand promoted in an Ad in the future. SEM was used because the relationships were not one to one (Bivariate) and a few Hypotheses were to be tested based on the literature reviewed. The sample size for the study was 560 respondents from in and around Tamil Nadu and Pondicherry, non-probability Convenience sampling method was adopted because of representation and it was an experimental study. The respondents, in small number, were assembled at a common venue and were shown the Advertisement clippings of Sexual and Non Sexual Appeals. Latter they were administered a questionnaire, which had questions on Attitude, Ethical Judgment, Purchase Intention and Personal profiles. Attitude, Ethical Judgment, Purchase Intention were measured on a five Point Likert Scale, (LaTour et al., 1990, Henthrone, 1993 & Tai, H.C Susan, 1999 and Thiyagarajan, S. & Shanthi, P., 2011) these scales were revised for the current study and were tested for reliability from a pilot study on a sample of 30 respondents. Attitude with 10 questions/statements had a ratability of 0.783, Ethical Judgment with 12 questions/statements had 0.791 and Purchase Intention with 5 questions/statements had 0.729.

IV. Findings and Discussions

The first aspect of the results to be discussed is the Model fit for the data and the values to be considered are $\chi 2$ value and its significance. The $\chi 2$ value should be insignificant at 5% for absorbed variables of < 12 and sample size of > 250 (Barrett, 2007, Hair et al 2009). The significance value for the model tested is 0.963 for a df of 1 which is highly insignificant indication the model fits the data very well. The next Goodness of fit indices is Root mean square error of approximation (RMSEA), which should be less than .05 (MacCallum et al, 1996, Hu & Bentler, 1999, Steiger, 2007, Hair et al 2009) and the value for the model is 0.000 from this it can be concluded that the model exactly fits the data. The others Goodness of Fit indices are Goodness-of-fit statistic (GFI), adjusted goodness-of-fit statistic (AGFI) and Comparative fit index (CFI) values should be > 0.90 (Bentler, 1990, Fan et al, 1999 Hooper et al, 2008, Hair et al, 2009) and the values for the model are 1.000 from this it can be concluded that the model fits the data very well. Standardised Root mean square residual (SRMR) value should be < 0.05 (Byrne, 1998; Diamantopoulos and Siguaw, 2000) and the value for the model is 0.000 which also stats that the model tested fits the data very well. Akaike Information Criterion (AIC) and the Consistent Version of AIC (CAIC) should be least for the model tested (Akaike, 1974, Diamantopoulos and Siguaw, 2000) and it is so in the case.

From all the Goodness of fit indices, it can be clearly concluded that the model fits the data very well so one can proceed with interpretation of Hypotheses testing. All the hypotheses studied were tested for a significance of 5%.

HO1: Advertisement Appeal has no influence on Purchase Intention.

The first hypothesis was supported and there is no influence of Advertisement appeal on Purchase intention. The appeal studied was Sex appeal and it has no direct influence on purchase intention of the customers. Customers do not make their purchases based on the appeal factor alone used in a promotion. May be these appeals have a role to play on the

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effectiveness of such advertisements (Thiyagarajan, S., Shanthi, P. & Naresh, G., 2012) but they have no direct role to play towards the Purchase decision made by the customers.

HO2: Advertisement Appeal has no influence on Attitude.

The second hypothesis was not supported and there is an influence of Advertisement Appeal on Attitude towards Advertisement, meaning respondents have a favourable attitude towards advertisements using sexual appeal, the coefficient is positive and significant implying that as sexual appeal is brought in there is a shift in attitude and it is a favourable shift.

HO3: Attitude has no influence on Purchase intention.

The third hypothesis was also supported. Attitude has no influence on Purchase Intention. The purchase intention of the customers is not made only by the attitude towards the advertisements. Whatever may be the attitude Positive or Negative, it has very less to do with Purchase intention directly.

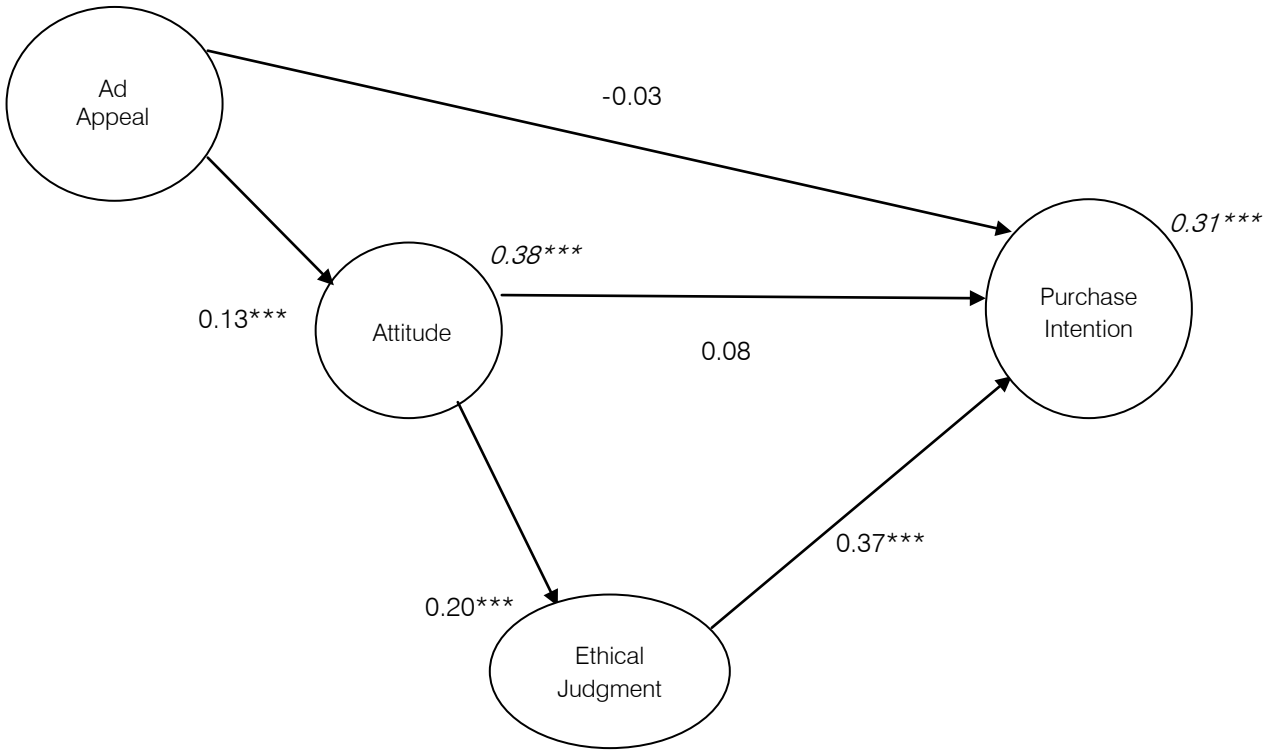

Figure 1 : D SEM Model Diagram

Table 1 : Model Fit

Chi	df	Sig	RMSEA	SRMR	GFI	AGFI	CFI	NFI	AIG	CAIC
0.002	1	0.963	0.000	0.000	1.000	1.000	1.000	1.000	18.002*	65.954*

** Default model and Lowest of the three models*

HO4: Attitude has no influence on Ethical Judgment.

Fourth hypothesis was not supported and it can be concluded that Attitude had an influence on Ethical Judgment. It is the Attitude towards Sexual Appeal advertisings that go about in making the Ethical Judgment towards those advertisements in terms of ones Culture, Social acceptance and Moral values surrounding it.

HO5: Ethical Judgment has no influence on Purchase Intention.

Fifth Hypothesis was also not supported from which it is clear that Ethical Judgment has a major influence on Purchase Intention. Therefore the intention to purchase a product or not is mainly influenced by the Ethical Judgment, which a customer has towards the appeal that is being used to promote a product, here it is the Sexual appeal and it acceptance in the Sociocultural Environment.

From the results discussed above it can be concluded that the whole structure is a snowballing effect, which starts from Advertisement appeal and moves towards Attitude with a standardized coefficient of 0.13, then towards Ethical Judgment with a standardized coefficient of 0.20 and finally end with Purchase Intention with a standardized coefficient of 0.37 and the magnitude of these effects are also increasing as they move from one variable to another.

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The values in italics are the intercepts for each endogenous variable and all the values are significant at 1% (***). The equation can be written as one SD unit change in Ethical Judgment will lead to a change in Purchase Intention by 0.37 SD of PI (PI = 0.37σPI). A Sexual appeal advertisement will lead to a favourable attitude that in turn will lead to a positive Ethical Judgment, which will finally lead to an increased Purchase Intention could be the penultimate towards the actual purchase.

V. Conclusion

The current study attempted to investigate the sequential effect of 'Sex appeal - Attitude towards the Ad - Ethical Judgment towards the Ad - Purchase intention'. This empirical study emerges as an important source of implications for marketers as well as academicians as its findings throw clarity over how an advertisement appeal like 'sex' will influence the audiences' purchase intention and what are all the mediating variables including the path via which the effect of those mediating variables pass through. Any judgment made on the basis of culture is prone to change over a period of time because culture is believed to be non static and it evolves over time/generation. This evolution can be attributed to a change in the outlook or perception or attitude towards an object or person or practice. Therefore, the focus of the marketers should be on targeting the attitude of the potential customers which will in turn pave the way for a favorable purchase decision towards the brand being promoted in an Advertisement.

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New Information and Communication Services Companies

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Abstract - This study identifies and analyzes the use of New Information and Communication services companies in Brazilian state of Santa Catarina. We have surveyed 14 companies of all sizes and segments. The study design was exploratory and descriptive and uses qualitative approach. A non-probability sampling has been adopted and the information was collected through structured non-disguised interviews with the leaders of the selected companies. The main conclusion of the study is that companies are not using the NICTs properly and, because of that, do not exploit all its possibilities. Lack of marketing culture in this area has been detected. The companies also need to clearly define their objectives and the criterion of evaluating the results regarding the NICTs.

Keywords : *new technologies of information and communication, business services, marketing services.*

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New Information and Communication Services Companies

Edson Pacheco Paladini [α] & Douglas Gimenez [σ]

Abstract - This study identifies and analyzes the use of New Information and Communication services companies in Brazilian state of Santa Catarina. We have surveyed 14 companies of all sizes and segments. The study design was exploratory and descriptive and uses qualitative approach. A non-probability sampling has been adopted and the information was collected through structured non-disguised interviews with the leaders of the selected companies. The main conclusion of the study is that companies are not using the NICTs properly and, because of that, do not exploit all its possibilities. Lack of marketing culture in this area has been detected. The companies also need to clearly define their objectives and the criterion of evaluating the results regarding the NICTs.

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I. Introduction

In contemporary world it is possible to observe a symbiosis of information flows and communication processes, making of them one of the most strategic components of corporate environments. Entrepreneurs are motivated to reflect about the key aspects of recent technological innovations that occurred in the communication field, including those aspects in the scenario of the business environment and in processes for integrated communication marketing.

The continuous and accelerated changes in social ambient; also in the psychological, cultural, demographic or political areas, as well in the legal, competitive, governmental and technological sectors characterize the current macro environment of marketing firms. Those aspects, combined with the changes in human resources areas of domestic companies (loss of skills, for instance) or the changes in strategies and planning policies (availability of any type of resources, for instance), become the task of management extremely complex and risky, especially to the marketing management, which is geared primarily to the complex and changing external environment.

We are living in a moment characterized by intense competition. Commodities management, globalization efforts and rapid technological obsolescence are elements that require new bases and new concept for marketing work - to plan and to execute marketing programs. A generic analysis of the marketing scenario suggests that traditional marketing is not working (Kotler and Keller, 2006). Senior management sees now waste of money in most of mass campaigns. They see the sales promotion campaigns as temporary sales, but without any result of profit. Attempt to make direct marketing campaigns to get the simple rate of return of 1%. "Their new products are failing the frightening rates", postulate those authors.

According to Iacobucci (2011), there are two answers to the challenges of marketing faced by businesses today. One is to know customers better and be closer to them. The other is differentiating their offer through branding work, so that it shows relevant and superior in value to a well defined target market. Irrespective of the way, companies increasingly need a critical factor: information.

One of the safest ways to reduce the risk of marketing management is obtaining the maximum knowledge and understanding of the behavior of numerous external and internal variables to the company, before make the decision. To have knowledge and understanding of these two important aspects it is necessary to understand the availability of quality information and the correct use of information.

Often, the company has large amount of irrelevant or low quality information. It causes fragileness to the whole process of marketing. In other occasions, the company has a good amount of relevant and good quality information, but marketers do not realize the importance of its use and they make decisions based only on intuition and experience.

Other companies have a good amount of relevant and good quality information, but they are used in a incorrectly way for making marketing decisions. Sometimes, the lack of knowledge about how select the appropriate information means difficulties in interpreting them correctly. It has resulted in a fail of all the process of marketing planning.

According to Hoffman (2009), services are actions and efforts with intangible performances. For this reason the services cannot be stored, resulting in greater difficulty to display and disseminate them and also difficult to other simple situations, like setting prices. It is easy to understand that without the proper use of New Information and Communication Technologies (ICTs) the marketing management is much harder.

In this context arise the two research questions that guide this work:

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- How services companies of different industries are using New Information and Communication Technologies (ICTs) to identify, win and keep customers?
- How do these companies use ICT in their relationship with key stakeholders - employees, suppliers and partners?

So, this paper has, as general purpose, to develop an analysis to evaluate the use of new Information and Communication Technologies (ICTs) by service companies. As specific purposes, we intend to describe the key strategies related to ICT in the identification, acquisition and retention of customers as well as the relationship of companies with key stakeholders; to identify the factor impacts in adopting of ICT in service firms; to study the results of these actions and to introduce the changes and tendencies related to the ICT in the companies surveyed.

II. Methodology

According to Gil (2002), from the point of view of the objectives, the research we are presenting here is classified into three categories: exploratory, which has the purpose to provide greater familiarity with the problem, in order to make it more explicit or building hypotheses; descriptive, which aims to describe the characteristics of a given population or phenomenon or the establishment of relationships between variables; and explanatory, which has as their central concern to identify the factors that determine or contribute to the occurrence of phenomena. This method go deeper into the knowledge of reality because explain the reason for things. Based on these definitions, the present study is characterized as exploratory and descriptive, with a qualitative approach. In fact:

a) It is an exploratory research because focuses on in the question of the use of ICTs on companies services for obtaining knowledge and understanding about it.
b) It is a descriptive by describing how companies use the ICTs and assess the outcome. In a certain way, the study describes the behavior of service firms in particular. To Malhotra (2011, p.59), "descriptive research is a type of conclusive research that has as main objective the description of something". According to this author, most of the marketing researches are descriptive.

In the point of view of the way to approach the problem, Lakatos and Marconi (2001) understand that the research can be classified as quantitative, where every element of the research can be measured. It means to translate in numbers reviews and information to classify them and analyze them; and qualitative, because there is a dynamic relationship between the real world and the subject, that is, an inseparable link between the objective world and subjectivity of the subject that cannot being translated into numbers. For Merriam (2008, p.5) "this kind of research considers a qualitative concept 'umbrella', which covers various forms of research that can help to understand the meaning of a social phenomenon". The interpretation of the phenomena and the assignment of meanings are essentials in the process of qualitative research.

In accordance with the listed definitions, this work features the characteristics of exploratory research and descriptive qualitative nature. According to Malhotra (2011, p. 34), "qualitative research is unstructured in the fact that the questions asked are formulated as the research progresses. It is exploratory in nature and based on small samples." He goes on to state that this type of research "involves popular qualitative techniques such as depth interviews, personal, confirming the thought of those interviewed in detail."

Regarding the sampling, it was decided to select a non-probability sampling, especially due to the knowledge of the authors in the area (where he served professionally more than fifteen years) and the resistance of companies to participate. A non-probability sampling is a technique that does not use the random selection. Instead, trust in the researcher's personal judgment." (Malhotra, 2001, p.305). According to Hair (2005), when using non-probability sampling, the researchers have no interest in generalizing the findings to the population, but rather to collect data quickly and with low cost.

It has been contacted 32 service organizations, visiting them or making contacts by phone or email. Taking knowledge of the objectives of the study, twenty-four leaders expressed interest in participating in the research but only 14 responded to interview. The others companies gave up their participation for various reasons; this fact constitutes a limitation of the study.

Precisely because of the limitations of acessing to businesses, we have chosen a non-random sample accessibility.

According to the book "Numbers of Santa Catarina", published by SEBRAE in 2012, the Brazilian state of Santa Catarina has today about 320,000 enterprises operating in the formal sector of trade and services. These companies, with reference to the month of December 2012 accounted for 930,000 formal jobs. The region of the city of Florianópolis, main city of the state, according to the publication, has about 50,000 companies in the trade and services.

Companies that participated in the survey are listed in the chapter in Table 1. Its is important to note that we have no interest in possible generalizations of this study, since it is a non-probability sample for trial.

Table 1 shows the companies we have surveyed and positions of the respondents os these companies.

As a qualitative research, this study was conducted in a single period of time (transversal), considering the opinion of at least one manager from

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each company. It is understood that these professionals are best qualified to answer the research instrument because they are performing functions within the organization, including the decision-making.

The primary data collection occurred through structured, non-disguised interviews, guided by a script prepared in advance. The interviews select the owners or the responsible persons for marketing or commercial area of the companies. According to Hair (2005), structured interviews are those in which a researcher uses a predetermined sequence of questions and applies the same sequence to avoid tendentiousness that might result in inconsistent practices. This alternative is one of the main methods of obtaining qualitative data.

Company/Activity	Position in the Company
Greylogix Brazil Industrial automation	CEO
Credifiese Credit cooperative	Manager
Clinicão Petshop	Owner
Blucargo Transportes Nacionais e Internacionais Carrier	Manager
Vida Ativa Consulting health	Owner
Contabilidade Andreatta Office accounting	Owner
Grupo Terra Media and digital communication	Senior communication analyst
Ativacred Ltda Bank	Manager
Audaces Automation and industrial informatics	Manager
Cinehouse Video rental	Owner
Check Check Credit data base	Manager
JC boutique de cabelo Beauty sallon	Owner and manager
Interativa Soluções Software development	Responsible for customer support
Instituto Mapa Market research	CEO

Source : Primary data, 2011.

Table 1 : Companies and positions of the respondents surveyed

The choice of the method of personal interview, with semi-structured interview, aided by the questionnaire, is justified by the overall objective of the study, which is the structure of the model of quality management. The semi-structured questionnaire combining open and closed questions where the respondent has the opportunity to discuss the proposed topic. The researcher must follow a predefined set of questions, but he does so in a context very similar to an informal conversation. According to Malhotra (2006), in this method of interview, it is drawn up a formal questionnaire and the questions are made in predetermined order, so the process is straightforward. This author adds that a direct approach is not disguised because the reason is revealed to the questionnaire or respondents and it is evident in the questions. Mattar (2009, p.174) confirms the idea, "in this instrument, commonly called the questionnaire, the questions are presented with the same words, in the same order and with the same option of response to all respondents".

To simplify the exhibition of the results, facilitating their analysis, the different issues addressed in the script were analyzed and coded in keywords. Therefore this brought in a selection of similar words, allowing calculating the percentage of keywords with the highest incidence.

The intention was to work with the categorization technique to find similarities between the responses. Therefore, the data were analyzed to characterize what is typical in the surveyed companies, which is common and what is innovative in every group to demonstrate relationships between data collected in business. This analysis allowed obtaining a conclusion to the work.

III. Theoretical Basis

a) *The Inexorable Advance of Technology on Service Organizations*

The new information and communication technologies (ICTs) are advancing in all types of company and business segments. We focus the service sector, whose importance in the economy of the countries is growing. It is worth to note that the supply of jobs in the sector increases. To Paladini (2011), in Brazil, "the service sector already accounts for about 70% of national formal employees".

In accordance with Hutt and Speh (2012) business services are growing even in regions where production is declining. The authors suggest four factors responsible for the growth of business services.

i. *E-Business*

In addition to creating new businesses, the Internet is creating new models and causing a manner fundamentally different of business. Customers in the industrial market have spent over $ 1 billion per day in information technology services to transform important processes, such as supply chain management, services and customer support and distribution.

ii. *Outsourcing*

Organizations of all types are buying more services today than in the past. The trend is to outsource departments and services that are not the main specialty of the company (such as processing of

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the data of the employees payment, storage of documents or even the entire Human Resources or communication department). An avalanche of new service providers has emerged to meet the needs of large and small customers.

iii. *Innovations*

New services that were not even considered ten years ago are driving the increasing demand for services. Security for networks computer services remotely, via computer systems, environmental control for commercial buildings and custom training for employees, are some types of services provided via the Internet.

iv. *Growth of Production*

The production continues to grow even with the reduction in the number of employees in the area. With this growth, demand for services such as logistics, advertising and information processing continues its upward trend.

b) The on Line Information Revolution

Organizations are linking information technology more directly to business strategy. The strategy experts argue that the way an organization manages information and knowledge will determine whether it will win or lose, it means, it will be a leader or follower. To align information technology with strategy, companies need advice (by consulting groups, for instance) on equipment to be acquired and continuous guidance with respect to the best way to use these devices in order to acquire competitive advantage (Nogueira, 2008).

Considered the "Father of Modern Management", the Austrian Peter Drucker has an explicit approach when the subject is transformative power of information in organizations.

"The truly revolutionary impact of the Information Revolution is just beginning to be felt. But it is not the information that fuels this impact. It is not 'artificial intelligence'. No effect of the computers and data processing on decision making, policy making or strategy. This is something that almost no one foresaw or, indeed, there was not even mentioned ten or fifteen years e-commerce - that is, the explosive emergence of the Internet as a important, perhaps more importantly, global distribution channel for goods, services, and surprisingly, managerial and professional jobs. "(Drucker, 2002,p15.)

When Drucker wrote this, the world had not succumbed yet to the collective buying sites, for example. Today, an increasing number of consumers buy products (goods and services) over the internet with speed, comfort and safety. More than that, people have access to an immense contingent of information that allows them, among other things, to compare offers from various companies around the world and choose the one that seems most advantageous. This tendency inserts all companies in an environment of global competition.

To Cunha (2010, p.14), the new Hypercompetitive environment creates a great challenge for organizations of any size and industry: "to understand this new environment and properly define future scenarios, taking advantage of the opportunities and avoiding (or anticipating) threats of marketing becomes vital for any organization, anywhere in the world".

The "Information Age" is revolutionizing the management of enterprises, enabling greater synergy of information in the industrial and commercial applications, generating unprecedented results. With greater control of information and more closeness and understanding of the clients, companies have more opportunity to thrive and advance into new markets. The technology thus becomes part of all human activities and people, that, in turn, become increasingly dependent on it.

c) New Information and Communication Technologies

With the revolution of information comes the New Technologies of Information and Communication (NICTs) characterized mainly by a process to make communication faster and making its content less palpable, either by scanning and or communication networks. The NICTs enabled the emergence of "information society", the information becomes the most important raw material and valuable processes.

NICTs include personal computers, the electronic tracking for digital imaging (scanners), printing for home printers, recording domestic CDs and DVDs, mobile phones, electronic mail (email), discussion lists (mailing lists), the Internet as a whole, the world wide web (the main graphical interface of the Internet), websites and home pages, digital technologies for capture and processing, movies and sounds digital photography, digital video, digital sound, the remote access technologies(wireless or wireless), Wi-Fi, Bluetooth, among others.

Grönroos (2009) argues that the NICTs are progressing at an impressive speed and recruiting more people and creating an overall interconnection, a virtual communities and a collective intelligence. Collective intelligence is an aspect of a universal contact, a universal action that is growing in the same way as the population does.

Considering all the NICTs, one can say that the Internet is the technology that has more potential in human relations, interpersonal communication, organizational and communication at work. The network enables men to a situation in which people need not be present in the same space. It also allows individuals and organizations on opposite sides of the globe to have a perfectly communication. The Internet has literally allowed people and companies crossing their physical limits, changing forever the borderlines of the markets.

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Currently, NICTs became part of the organization, becoming essential tools in the management. These new technologies have the ability to create environments that provide many functions and allow for greater interaction with all stakeholders of the organization. The systems developed have large capacity storage of information, promote flexibility and can perfectly fit the profile of the company.

The Information Technology (IT) passed from a simple support tool administration to an element incorporated into the final activities of the companies, being part of the services and products of these, sometimes even turning up in the business itself (online shops).

Some of the information systems used by most organizations are the ERP - Enterprise Resource Planning, SCM - Supply Chain Management and CRM - Customer Relationship Management, as well as the systems developed for the analysis and decision making the DW - Data Warehouses and systems BI - Business Intelligence.

Correa and Caon (2010) say that the main reason for firms to use information systems is the search for competitive advantage. This advantage is obtained by the reduction of the costs due to increased automation and process efficiency, and improve the quality of information available to all members of the organization, so that they can better manage and implement the processes.

The current context characterized by many authors as it was the "Society information". We can state that what characterizes a society as a Information Society is basically the fact that the economy is grounded in information management, information communication, telecommunication and information technologies. So, as many authors have pointed out, the information can been as the raw material, it means, the basic input of the process. The authors of the area of Society Information usually understand communication as a set of means or vehicles to the process of information dissemination or the act of information distribution. An information technology device can be understood as a structure for information storage, information processing and easy access for all kind of information.

A communication "network" has allowed greater interaction between business and the various suppliers around the world. The available information is increasing and, therefore, became important to know that companies collect, organize and securely store all content that is available (Esteves, 2011).

From all points of views, the advancement and importance of NICTs for the corporate world (and people) are evident. In accordance with to the Brazilian Institute of georgraphy ans Statistics (IBGE, 2012), in 2012 there were 70.000 Brazilian organizations in segment of the Information and Communication Technology(ICT), had net revenue of US$ 100 billion, which represents 8.3% of the total value produced by industry in 2012, including commerce and services. The ICT sector in Brazil employed 750,000 people. Between 2006 and 2012, the sector increased 18.3% in the number of companies and 40.7% in employed peopole. In relation to persons employed in ICT sector, there was also a concentration in the service sector, which in 2012 gathered 75% of employed persons, while in industry this share was 30% and the trade has continued representing lower relative importance (3.3%).

Also according to the IBGE survey, the activities of the ICT sector were concentrated in Southeast of the country in respect to the personnel employed (65.6%) and the generated value (64.4%). Secondly, it appeared the South region of Brazil, with 13.2% of employed persons.

To have an idea of the economic and social importance of the segment, in state of Santa Catarina (south of Brazil) 3,000 companies in the industry have directly employed about 30,000 workers in professional and technical posts, graduated from universities, technical schools and vocational courses. The industry produces more than one billion of US dollars a year in goods and services, with 80% exported to other states and countries.

Although the apparent growth of NICTs in Brazil, a comparison with other countries shows that, such as occur in various industries, the country still has a long way to go. It is clearly emerges from the Global Report of Information Technology 2010-2011, World Economic Forum. Brazil occupies the 56th place among 138 economies, in the world ranking that analyzes the adoption rate of IT, such as management software, to support growth and development of the economy. In ranking the five best scores were: Sweden, Singapore, Finland, Switzerland and the United States. According to the Corporate MPL software:

"The ranking is formed by applying an assessment called the Index of Information Technology (ITI), which analyzes the level of preparedness of countries to adopt technology in three respects: the regulatory environment, business and infrastructure; preparation of individuals, businesses and governments to use technology and implementation of available technologies. There were 138 countries that were part of the report, which is the most reliable international assessment of the impact of technology in the development process and competitiveness of nations (world Economic Forum, 2011). "

In the last decade, many organizations have invested in practices, solutions and methodologies of knowledge management, driven by market movement, or concerned with the widely held view that organizational knowledge is the only source of lasting competitive advantage in a changing environment and high global competitiveness.

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The placement and use of new technologies is determined by the logic of competition, where the important thing is to ensure and increase its market share. Therefore, companies seek through new technologies, increase the competitiveness of their products to market by reducing costs, increasing productivity and reducing production time (Since 1993, Mañas has pointed out this fact).

A company that does not go to the technological innovations cannot compete in a technologically advanced market, where prices are lower and product quality are superior to it in practice. By addressing how NTICs impact on the organization of modern enterprises, Coutinho (2010) states.

"The development of new technologies has also changed in a significantly way the system of business organization. The Internet, the largest global network of interconnected computers, was created in the spirit of free access to information. With the transition of the platform, used primarily for research by government and educational institutions, to commercial entity, well established companies and entrepreneurs began to build web sites and use the Internet to put their mark on the digital frontier."

To Granered (1996), since 1996 Internet marketing and Web Marketing differs from traditional marketing, because it is the costumer that directs his attention to the company web site. So how the marketing activities would be analyzed in this new environment? The famous 4Ps (Product, Price, Place and Promotion), advocated in the 1960s by the North American Jerome McCarthy, remain as valid and viable structure for the development of new marketing strategies. In this new environment, the products (goods and services) can be created and produced in different places, leaving to the firms the mission to search the expansion of the product concept, by internet, through the support services consumer and post-sales.

The price, which is a result of customer perception, is replaced by its focus on the means of payment and the legal issues and security in transactions, reflecting the costs of production and distribution network. The places or distribution channel expands into the virtual space of the network itself, in search of the distribution of products online, at any time and place (Stil and Zimmerman, 2011).

Nascimento and Lopes Umann (2011), in his article "Marketing and New Technologies: the main tools of web marketing", postulate.

"The promotion or communication is carried out on the web, incorporated as new media, interactive in character. Although the marketing activities have been well accepted in the network, advertising is still being accepted, with the new media the World Wide Web. Its interactive features begin to be an efficient virtual channel advertising, marketing and distribution of goods and information services. This new model of interactive communication can be represented by four basic forms: the site of company, email marketing, communication actions aimed at generating visitors to the site (banners, rich media and sponsored links) and viral marketing. These four formats and represents the new model of marketing - or web marketing - are in themselves, the strategies to gain and retain new customers for businesses".

About this new form of marketing, we cannot forget the concept of viral marketing. Viral marketing equivalent of: "I'll tell two people, and they will tell two people, and so on." But the Internet has led to organic form of marketing to new heights, enhancing communication and strengthening the communities of people - thus making the viral marketing even more effective. When you use viral marketing as a tool, is testing the network in a creative way, the way it should be used (Fiore, 2011).

It is easy to understand how services companies are taking advantage of the enormous opportunities offered by NICTs. Because of these advantages, the companies have redefined objectives and strategies of communication with the market and they have become the tool for the success of these organizations.

IV. Analysis of Results

In this section, we proceed to the research analysis. Initially, Table 2 summarizes, by company, new information and communication technologies adopted, the main factors that determined the use of these technologies and achievements.

The survey was conducted with different companies of various sizes and lines of business. This allows obtaining a broader analysis, due to the heterogeneous sample, providing a broader discussion of the results.

Research demonstrates that all companies, regardless of size and sector, are aware of the profound changes in business environment and the importance of new communication technologies and information. The conventional strategies of communication are sharing space with new media, such as that comes from the Internet - websites, blogs, Skype, among others.

The adoption of NICTs arises not only because they are available to any organization, but because they are generally cheaper, agile, comfortable and efficient. In addition, some of them allow to measure easily and instantly, as is the case of using page view sites.

The increase in the prices at the conventional media - like TV, Newspaper, Magazine, Film and Radio - are another factor that, according to Cunha (2010), contributes to the migration of advertisers for interactive digital media.

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Company/ Activity	Nicts	Determinants Factors	Results
Greylogix Brazil Industrial automation	Websites VoIP Skype e-mail Intranet	Agility in the processes. Cost reduction.Efficient communication	Cost reduction. 24-hour contact with customers and partners
Credifiese Credit cooperative	Internet banking Webmail Talk free Intranet Management software	Competition Convenience to the costumer Safety Speed.	Agility in the processes. Stand by decrease. Quality increase.
Clinicão Petshop	Database Websites Blog E-mail Telephone Mailing list	Approach with the client Company's positive image	Directed marketing. Approach with the client
Blucargo Carrier	Merchandising in magazines and TV. Font-light Software SSW Intranet	Competitive advantage Approach with the client.	Unable to inform
Vida Ativa Consulting health	Websites Skype Blogs Mailing list Newspapers Social networks.	Cost. Market information	Cost reduction. Update the database. Brand visibility.
Contabilidade Andreatta Office accounting	Websites Mailing list Telephone and software e-Doc.	Agility in the processes Reduction of space and time.	Convenience Safety Speed.
Grupo Terra/ Media and digital communication	Contact center E-mail Marketing Intranet Websites events Newspaper, Journal and Tv.	Use of multiple channels Media platform to reach the market.	Increase of marketing share.
Ativacred Ltda Bank	Websites Contact center	Improving the quality of service.	Unable to inform
Audaces Automation and industrial informatics	Websites Software VoIP Long distance education platform.	Improving the quality of service	Agility in the processes Cost reduction.

Company/ Activity	Nicts	Determinants Factors	Results
Cinehouse Video rental	Software Vexxa Web sites Telephone and newsletters	Competition. Better services to customers.	Unable to inform
Check Check Credit data base	24-hour contact with customers Telephone E-mail SMS and Skype.	Improve the quality of service. Streamline communication	Increased customer satisfaction.

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JC Hair Salon Beauty salon	Internet TV Mailing list Folders and Skype	Customer loyalty Attracting new customers Improve communication with partners.	Positive outcome
Interativa Soluções Software development	Newsletters Websites Telephone Skype Google talk.	Identify, attract and retain customers	Unable to inform
Instituto Mapa Market research	Website Blog Twitter Linkedin Telephone and e-mail	Strengthen the brand in the market,	Positive outcome

Source : primary data.

Table 2 : NICTs, determinants and outcome

The Map Office, one of the companies surveyed, holds an annual study entitled "advertising marketing in Santa Catarina." In its last version (2013, partially available at www.mapa.com.br), the research shows data of 2006: The dominance of broadcast TV, which grabs 56.8% of the amount of advertising (R$ 1 billion), followed by the Journal (17 9%) and radio (16.9%); the Internet represented only 0.4% in that year.

Today, internet represents almost 40% of the total…

The item 3.3 of this research presents data and information demonstrating the inexorable growth of the web and NICTs caused by the world wide web.

Another important aspect of this study is that 28.5% of firms (four) didn't know to dimension the result of NICTs. Considering that in three other companies managers do not need to know the results, giving only vague information, we can infer that half of the companies cannot point their results, although they use and affirm the importance of NICTs,.

None of the companies surveyed had a formal communication plan to show.

Without planning communication efforts, says Kerin (2007), the company has difficulty in defining goals, objectives, and the most appropriate strategies to achieve them, that why they rarely can measure the results. Research indicates that most companies place their marketing efforts and communication empirically on the basis of "trial and error."

This can be corroborated when analyzing the factors that determined the adoption of NICTs of some companies. Reasons like "approach to the customer", "improve communication with partners", "better serve customers" sound vague and relative. It can be noted insufficient concrete reasons for defining the goals and strategies for the use of new technologies. Without gols and strategies, the measurement of concrete results is practically impossible.

Among all the considered situations, business owners using Internet is the hegemonic tool. Virtually all of them provide information and maintain a communication channel customer online. In some cases, there are severel communication channels also to providers. This proves the effectiveness of the web as information technology and communication. Besides the Web site, the main NTICs used by businesses are Skype, Intranet, web mail, Database, and blogs.

The phone is still important as a tool for contact center (the old telemarketing).

But in 2006, 60% of the contacts were made by phone. In 2012, this number decreases to 15%. According to the research, in 2006, 20% of the contacts were made by e-mails. In 2012, this number increases to 65%.

Besides telephone and e-mail contacts, other conventional media were cited in the survey: TV, direct mail, magazine, front light, Newspapers, Public Relations (events), brochures and newsletters.

Amazingly, social networks, like Facebook or Twitter, were also mentioned. Since 1996 Granered asserts that these networks represent the future of business communication with customers after the advent of media convergence. We can see today that he was correct.

On the search result, it can be seen that the use of NICTs by companies is still incipient. There is, as already stated, even a plan that allows the systematic and strategic use of these new technologies. Paradoxically, all companies said that the use of NICTs is vital for the survival and growth of any company in the new competitive environment

This paradox may result from:

a) The way how some employers still view the process of communication in their companies with the market elements. For them, communication is a cost, not an investment.

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b) Misunderstanding (or ignorance) about how a communication process works. This process, according to Hoffmann (2009), needs to be interactive, from the company to the customer and from the customer to the company. The Internet, for example, is perfect today as a tool for interactive communication.

c) Failure to invest in the areas of corporate marketing. 75% of entrepreneurs surveyed said they have no marketing department in their companies. In these cases, the marketing function - that involves communication - is performed by a manager or in some cases by the owner of the company.

d) Absence of complete knowledge of the local culture. Without knowing how people think, there is no way to know if the business investments in communication have a result or not.

e) No strategic management. According to Carvalho (2010, p.49), "strategic management is the management of a greater capacity to impact on the organization. It directs, looks at the long term, takes a broad view of the organization and adopts a more global perspective in a long term, so as to decide the best way to achieve their goals within the context of an uncertain future".

The interviews demonstrate that three out of four entrepreneurs are more concerned with the operational management than with the strategic view. Strategic view is used, for instance, to turn the information into knowledge and so we can take real advantage from information. Otherwise, it is not possible.

In general, the surveyed companies still manage their business based on the culture of the sale, and not in the culture of marketing.

V. Conclusions

In a highly dynamic and competitive world, information has to have a strategic role in organizations. It is not enough merely to collect market data. It must transmute them into this information and, from information, to knowledge. In this sense, the adoption of new technologies, including communication, is becoming increasingly important in generating competitive advantage.

The present study has examined the use of new Information and Communication Technologies (ICTs) for service companies to answer two questions:

- How service companies from different industries are using the New Information and Communication Technologies (ICTs) to identify, attract and keep customers?
- How the surveyed companies have used NICTs in their relationship with the main stakeholders, like employees, suppliers and partners?

Results from the field research, based on the theoretical framework, allow us to define some conclusions.

The segment size of the service area where the company is actuating determines whether or not the use of NICTs. It means: the impact of the concurrence in the business decisions.

If it not necessary to evaluate the impact of the concurrence, there are no defined objective goals. It has been observed in this survey. In fact, none of the 14 companies surveyed had specific goals or measurable objectives. Elements like time or costs are not clearly known. So the use of technology in the identification, acquisition and retention of customers is not effective. The answers, as already stated, were vague and imprecise.

Without the correct definition of the objectives, therefore, the measurement of results arising from the use of NICTs is virtually impossible. For example, when a manager states that use webmail to get closer to your customers, he does not define indicators to accomplish and evaluate this "approach." Without this (numerical) evaluation, there is no way of knowing if the expected results were positive or negative.

The same principle that governs the relationship of companies with their customer applies to other stakeholders - employees, suppliers and partners in general. For these stakeholders, the relationship is maintained in traditional way of business.

It is worthy to mention the subject published in Veja Magazine (2012), which points to the excessive optimism by 60% of Brazilian consumers as one of five factors that make Brazil one of the most expensive countries in the world.

The Internet (as we should expect) emerges as a tool (or media) that companies use to open its doors to the world. However, its use is still restricted to the organizations Web Page, to send and to receive web mails and some very specific uses of cheaper resources that the network offers. Reducing costs, incidentally, is one of the main aspects pointed to the use of NICTs.

There is no doubt that controlling costs is essential to have products with competitive prices. But it is not enough. One must also consider the benefits that NICTs bring (or not) for companies. These benefits that go far beyond the sale of products, and that means answering questions such as:

- What is the impact of NICTs in the image of the company and its products?
- What the best information and communication technologies for my business?
- What strategies best suited for my company in relation to use of NICTs?

The correct answers to these questions may be obtained, possibly with other studies. This concludes that the service in companies of the Brazilian state of

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Santa Catarina have a long way to go toward excellence in communication. This involves a cultural change for entrepreneurs who need to replace the vision for the strategic and operational tactics in your business. In a world of global competition, this can mean the difference between success and business failure.

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Estimation of Equity Risk Premiums (ERP) in an Emerging Stock Market: The Nigerian Case

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Estimation of Equity Risk Premiums (ERP) in an Emerging Stock Market: The Nigerian Case

E. Chuke Nwude

Abstract - Obviously the equity risk premium (ERP) is an important parameter in finance, more especially in fixing the cost of equity capital and giving values to assets. However, its estimation has challenged academics, analysts and other practitioners in the field of finance as to which of the estimation approaches presents the best result for practical application. It was also observed that most of the studies on this important aspect of finance have been mostly conducted in the developed stock markets with very little or none done on some of the emerging markets. With this in mind, the researcher was moved to place an emerging stock market on the map of researches on the ERP. At the end of the study it was discovered that as it is in the literature, arithmetic average yields higher risk premiums than the geometric average as can be seen in tables 4.5 and 4.6. For the period 2000-2011, an arithmetic average risk premium, for stocks over T-bills of 1.41% and a geometric average risk premium of -5.01% were reported. Based on the computations and analysis carried out in this study, it is hereby recommended that the Cumulative Arithmetic Mean type of averaging the returns should be engaged in the determination of market risk premium, especially in the emerging stock markets as it yields the best result.

Keywords : *equity premium, equity risk premium, market risk premium, market premium, risk premium, survey risk premium, historical risk premium, implied risk premium.*

I. Introduction

In corporate financial analysis, valuation and portfolio management, the notion that riskier investments should have higher expected returns than safer investments is a key in investment decisions and the expected return on any investment is taken as the sum of the risk-free rate and a risk premium to compensate for the risk. According to Damodaran (2011), "the disagreement, in both theoretical and practical terms, remains on how to measure the risk in an investment, and how to convert the risk measure into an expected return that compensates for risk. A central number in this debate is the premium that investors demand for investing in the average risk equity investment, i.e., the equity risk premium". In finance, equity risk premium is a key input into the estimation of costs of equity capital and valuation. Given its importance, it is surprising to observe that most of the works done in this area were carried out mostly on developed stock markets with minimal attention, if at all, paid to the emerging stock markets like Nigeria. Drawing heavily from the works of Damodaran(2008, 2009, 2010, 2011), attempt was made in this paper to look at the economic determinants of equity risk premium and estimate the values of the equity risk premium applicable to Nigeria using historical data drawn from the respective sectors of the Nigerian stock market. Damodaran(2011) claims that in the standard approach to estimating equity risk premium, historical returns are used, with the difference in annual returns on stocks versus default-free securities over a long time period comprising the expected risk premium. He states that this approach can be used in markets which have long periods of historical data available. Other approaches he suggested are the survey approach, where investors and managers are asked to assess the risk premium and the implied approach, where a forward- looking estimate of the premium is estimated using either current equity prices or risk premium in non-equity markets.

The equity risk premium reflects fundamental judgments we make about how much risk we see in an economy/market and what price we attach to that risk. This price attached to risk then affects the expected return on every risky investment and the value that we estimate for that investment. ERP is a key input not only in investing but also in corporate finance. The hurdle rates used by companies, that is, cost of equity and capital are affected by the ERP that they use and have significant consequences for investment, financing and dividend decisions. The rest of this paper is organized as follows. Section 2 addressed the concepts of the study and the review of related literatures. Section 3 shows the methodology of the research while section 4 presents estimated values of ERP and the analysis. Section 5 concludes the paper.

II. Review of Related Literature

Risk, as we know, is the variance in actual returns around an expected return and its index of measurement is the standard deviation, which is represented thus, $SD = [\sum(x - xe)^2/n\text{-}1]^{1/2}$. An investment is riskless when its actual returns are always equal to the expected return. Equity risk premium (ERP) is the premium that investors demand for the average risk investment, and by extension, the discount that they apply to expected cash flows with average risk. When

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equity risk premium (ERP) rises, investors are charging a higher price for risk and will therefore pay lower prices for the same set of risky expected cash flows. Equity risk premium (ERP) is a market-wide number as it is not company or asset specific but affects expected returns on all risky investments in the entire market. Using a larger ERP will increase the expected returns for all risky investments and by extension, reduce their value. It shows its importance in the determination of cost of equity capital and valuation. Its determinants involve investor risk aversion, information uncertainty and perceptions of macroeconomic risk prevailing in an economy. Its bases of determination include survey of subsets of investors and managers, historical returns (i.e. difference in annual returns on stocks and default-free securities or assets) and the implied approach. As we are aware, expected return on any investment is the sum of the rate of return on default-free or riskless investment and the risk premium (i.e. the rate of return that compensates for the risk involved in a risky investment. Mathematically, this is stated as $Re = Rf + \beta(Rm - Rf)$.

In the Capital Asset Pricing Model (CAPM), market risk of a risky asset or stock is measured by beta (β) which when multiplied by the ERP yields the total risk premium for a risky asset. That is, total equity risk premium for a risky asset (Rp) is equals to its beta multiplied by the equity risk premium (ERP) for the entire equity stock market portfolio (i.e. $Rp = \beta(Rm - Rf)$. Hence, from our definition of expected return, that for a risky asset at any point in time is represented by $Re = Rf + \beta(Rm - Rf)$. That is, ERP for the entire equity market is $Rm - Rf$ while that of a specific equity stock is $\beta i(Rm - Rf)$. Therefore, **expected return on any risky investment = Risk-free Rate +Beta of the risky asset (ERP).** In Arbitrage Pricing Model (APM) and multi-factor model, beta is estimated against individual market risk factors, and each factor has its own price (risk premium). In APM, expected return on any risky investment = Risk-free Rate +sum of the products of the risk premium and the respective beta of various factors. The risk premium used here is the risk premiums for individual (unspecified or specified) market risk factors. In proxy models, expected return on any risky investment = a + b(proxy 1) + c(proxy 2). The proxies are firm characteristics such as market capitalization, price to book ratios or return momentum. In proxy models, no explicit risk premium computation, but coefficients on proxies reflect risk preferences. In a world where investors are risk neutral, asset value is obtained from the present value of expected cash flows at risk-free rate. In another clime where investors are risk averse, asset value is generated from the present value of expected cash flows at risky discount rate. With risk-loving or risk-taking investors, asset value is provided from the present value of expected cash flows at risky discount rate.

On the determinants of ERP are the risk aversions of investors, economic risk, information uncertainty, liquidity, and catastrophic risk. High risk aversion investors beget higher ERP. That is, the more the risk aversion the higher the ERP. As the risk aversion declines, ERP will fall. Investors risk aversion depends on age(Bakshi and Chen, 1994) and preferences (Damodaran, 2011) for future or current consumption. The older the investors the more risk averse and the higher the ERP. The younger the investors the less risk averse and the lower the ERP. Investors' preference for current consumption over future consumption increases ERP. Conversely, Investors' preference for future consumption over current consumption decreases ERP. That is, ERP increases as savings rate decreases and decreases as savings rate increases.

On the impact of economic risk on ERP, the economy with predictable inflation, interest rates and economic growth should have lower ERP than one that is volatile in these variables. Lettau, Ludwigson and Wachter (2007) link the changing ERP in US to shifting volatility in the real economic variables which include employment, consumption and GDP growth. Individuals will choose a lower and more stable level of wealth and consumption that they can sustain over the long term over a higher level of wealth and consumption that varies widely from period to period. Constantinides (1990) notes that individuals become used to maintaining past consumption levels and that even small changes in consumption can cause big changes in marginal utility. Hence the stock returns are correlated with consumption, decreasing in periods when people have fewer goods to consume and the additional risk explains the higher observed ERP. Using dividend yield as proxy for risk premium they establish the close relationship between the volatility in GDP growth rate and the Dividend yield over a very long time period (1885-2005). Though studies that looked at the relationship between the level of inflation and ERP find little or no correlation, Brandt and Wang (2003), Modigliani and Cohn (1979) present evidence that ERP tend to increase if inflation is higher than anticipated or expected and decrease when it is lower than expected. Campbell and Voulteenaho (2004) related changes in dividend yield to changes in the inflation rate over time and find strong support for the findings of Brandt and Wang (2003), Modigliani and Cohn (1979). In the words of Damodaran (2011:9), reconciling the findings, it seems reasonable to conclude that it is not so much the level of inflation that determines ERP but uncertainty about that level.

On information uncertainty, the higher the confidence reposed on the level of volatility in earnings and cash flows reported by individual firms in the economy the lower the ERP and vice versa. More precise information should lead to lower ERP while more complex information should lead to higher ERP.

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Information here relates to future earnings and cash flows. Yee (2006) says that earnings quality depicts the level of volatility of future earnings and that ERP should increase (decrease) as earnings quality decreases (increases). Investors demand large ERP to compensate them for the added uncertainty if earnings volatility is high.

In considering additional risk created by illiquidity of in equity market, investors need to demand large discounts on estimated value as they need to pay transaction costs in liquidating their equity positions. This means they would pay less for equities today which warrant demand for a large ERP. Therefore, a situation where it is envisaged that there will be high transaction costs as a result of illiquidity, when investors want to liquidate their equity positions demand high ERP. Gibson and Mougeot (2002) conclude from study of US stock returns (1973-1997) that liquidity accounts for a significant component of the overall ERP, and that its effect varies over time. Baekart, Harvey and Lundblad (2006) show evidence that the differences in equity returns (and risk premiums) across emerging markets can be partially explained by differences in liquidity across the markets.

Catastrophic risk is caused by events that occur infrequently but can cause dramatic drops in wealth. For example, the great depression from 1929-1930 in US, collapse of Japanese equities in the 1980s. When there is possibility of catastrophic risk occurring the higher the ERP. Rietz (1988), Barro (2006), Gabaix (2009), Barro, Nakamura, Steinsson and Ursua (2009) studied the possibility of catastrophic events on ERP and find that the average length of a disaster is six years and that half of the short run impact is reversed in the long term. On the appropriateness or compatibility of ERP observed in practice with what obtains in theory, it all depends on the level of risk aversion coefficient assumed in the analysis.

From Damodaran (2011:15), there are three broad approaches used to estimate ERP. One is to survey subsets of investors and Managers to get a sense of their expectations about equity returns in the future. The second is to assess the returns earned in the past on equities relative to riskless investments and use this historical premium as the expected. The third is to attempt to estimate a forward-looking premium based on the market rates or prices on traded assets today and this is termed implied premium. In survey premium the challenge is finding the right subset of investors that best reflects the aggregate market. The Securities Industry Association (SIA) surveyed investors from 1999 to 2004 on the expected return on stocks and yields numbers that can be used to extract ERP. In the 2004 survey of 1500 US investors, the median expected return was 12.8% which yields a risk premium of about 8.3% over the Treasury bond rate at that time. The survey yielded expected return of 10% in 2003, 13% in 2002, 19% in 2001, 33% in 2000, and 30% in 1999 (Damodaran, 2011:16). Merrill Lynch, in its monthly survey of institutional investors globally reports average ERP of 3.5% in February 2007, 4.1% in March 2007 after a market downturn, 3.76% in January 2010, range of 3.85-3.90% for the rest of 2010, and 3.86% in January 2011. Graham and Harvey (2010; 2009) survey of Chief Financial Officers (CFOs) of companies from 2000-2010, report a mean and median ERP of 4.74% and 4.3% in February 2009 and 3% and 2.7% in June 2010 respectively. They observed peak ERP in September 2000 at 4.65%, lowest of 2.47% in September 2006, and an average of 3.38% across all 10 years of survey on about 9000 responses. Welch (2000) survey of 226 financial economists reports an arithmetic mean annual ERP of about 7% for a ten-year time horizon and 6-7% for one to five-year time horizons.

Fernandez (2010a) examined widely used textbooks in corporate finance and valuation and noted that ERP varied widely across the books and that the moving average premium has declined from 8.4% in 1990 to 5.7% in 2008 and 2009. His survey of academics in 2010 Fernandez (2010b) concludes that Professors in the US used an average ERP of 6%, compared to 5.3% being used by European Professors. Fernandez et al (2011a), survey with 5,731 answers on which US Market Risk Premium (MRP) used in 2011 by Professors, analysts and companies, report that Professors used 5.7%, analysts used 5%, companies used 5.6%. Fernandez et al (2011b), survey with 6,014 answers shows the Market Risk Premium (MRP) used in 56 countries in 2011. Studies that have looked at the efficacy of survey premiums indicate that if they have any predictive power, it is in the wrong direction. Fisher and Statman (2000) document the negative relationship between investor sentiment both individual and institutional, and stock returns. That is, investors becoming more optimistic and demanding a larger premium, is more likely to be a precursor to poor rather than good market returns.

According to Damodaran (2011:20), the most widely used approach to estimating ERP is the historical approach, where the actual returns earned on stocks over a long time period is estimated, and compared to the actual returns earned on a default-free (usually government security). The difference on an annual basis between the two returns is computed and represents the historical ERP. This approach is good given that we are almost looking at the same historical data. However, differences may occur between the Historical ERP and actual ERP being used in practice because of three reasons viz, different time periods for estimation, differences in index of measuring Risk-free rates and market return indices, differences in the way in which returns are averaged overtime. For the time period, the longer and more current the time period covered the lower the standard error of estimating ERP and the

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estimation one can use either short term government securities (Treasury bills) or long term government securities (Treasury bonds). Larger ERP is obtained when using Treasury bills than the Treasury bonds. Some practitioners and academics use Treasury bills rate as the risk-free rate with the alluring logic that there is no price risk in a Treasury bills whereas the price of a Treasury bond can be affected by changes in interest rates over time. This argument makes sense only if we are interested in a single period ERP, say for next year. If our time horizon is longer, say 5 or 10 years, it is Treasury bond that provides the more predictable returns. The third choice is to use Treasury bills rate plus term structure spread to get a normalized long term rate. In estimating market return, using the broadest market-weighted index of stocks with a long history is good. On averaging to project the future ERP, the argument in corporate finance and valuation that using the GM presents a better picture than the AM is strong. This is because returns on stocks are negatively correlated, that is, good years are more likely to be followed by poor years and vice versa, and the AM is more likely to overstate the ERP. This is also why AM yields higher values than the GM. The GM is better for much longer period than a year (Fama and French, 1992).

Fernandez (2007:3) states that the historical equity premium (HEP) is the historical average differential return of the market portfolio over the risk-free debt and this average differential return may be arithmetic or geometric mean. Different stock market indexes are used as the market portfolio and government bonds or bills of different maturities are used as risk-free debt. According to Fernandez (2007:4), Ibbotson Associates (2006) used the income return (the portion of the total return that results from a periodic bond coupon payment) of the government bonds (5.2%) and average return on the S&P 500 (12.3%) to produce HEP of 7.1% for 1926-2005. In the same time period using Treasury bills rate of 3.8% they produced HEP of 8.5% under the arithmetic mean and 6.7% (i.e. 10.4-3.7) under the geometric mean. Ibbotson and Chen (2003) using the New York Stock Exchange (NYSE) database for 1926-2000 on historical equity returns conclude that the expected long term equity premium (relative to the long term government bond yield) is 5.9% arithmetically and 3.97% geometrically. Goetzmann, Ibbotson and Peng (2001) employed a new NYSE database for 1815-1925 to estimate the US equity returns and the HEP since 1792 (without dividend data in pre-1825 and incomplete in 1825-1871) and produced HEP relative to bonds of 3.76% arithmetically and 2.83% geometrically for 1792-1925, 6.57% arithmetically and 4.99% geometrically for 1926-2004. With Treasury bills rate they produced HEP of 8.63% arithmetically and 6.71% geometrically for 1926-2004. Dimson and Marsh (2001) calculated the geometric HEP for 1955-1999 of US, UK, Germany and Japan and obtained 6.2%, 6.2%, 6.3% and 7% respectively.

While historical ERP approach is backward-looking, the implied ERP approach is forward-looking. The implied ERP can be obtained using the intuition from the rate of return approach. Rate of return = cash flows/purchase cost. We can argue that ERP = rate of return = cash flows/current market price for equity. According to the Gordon (1962) model, the current price per share is the present value of expected dividends discounted at the required rate of return. Using Gordon (1962) model with perpetual sustainable constant stable growth rate in dividends and earnings, Value of equity = expected dividend next period/(required return on equity-expected growth rate) = D1/(k-g) = D(1 + g)/(k-g). From this model the implied required return on equity = [D(1+g)/value of equity]+g. Then subtracting the risk-free rate from the implied required return on equity yields an implied risk premium.

If we use the stable growth discounted dividend model (DDM) as the base model for valuing equities and assume that the growth rate (g) = risk-free rate (Rf), then dividend yield (i.e. dividend/market price) on equities becomes the measure of the ERP. That is, Value of equity = D(1 + g)/(k-g). **From this, k-g = D(1+g)/Current market value of equity = Dividend yield = k-Rf = ERP.** This view is supported by Rozeff (1984), Fama and French (1988) and Damodaran (2002 and 2011). This model will not hold if companies do not payout dividend and if earnings are expected to grow at extraordinary rates for the short term (Damodaran, 2011:57). Fama and French (2002) using the DDM, estimated the implied equity premium (IEP) for the period 1951-2000 between 2.55% and 4.32%, far below the HEP (7.43%). For the period 1872-1950, they estimated an IEP (4.17%) similar to HEP (4.4%).

Using earnings approach and focusing on earnings instead of dividends, we state the expected growth rate (g) as a function of the payout ratio and return on equity, thus g = [1 – (dividends/earnings)](return on equity) = [1 – payout ratio](return on equity). Substituting g back into the stable growth model, we have Value of equity = D(1 + g)/(k-g) = expected earnings next period(payout ratio)/ (required return on equity-expected growth rate) = expected earnings next period(payout ratio)/(required return on equity- [(1 – payout ratio)(return on equity)]. Assume that required return on equity = return on equity, which means no excess return, the equation simplifies to Value of equity = expected earnings next period (payout ratio)/-[(required return on equity- required return on equity + (payout ratio)(return on equity)] = expected earnings next period(payout ratio)/[(payout ratio)(return on equity)] = expected earnings next period/return on equity. Hence, return on equity = expected earnings next period/ Value of equity = E(1+g)/MV = Earnings yields = 1/PE ratio. Therefore, required return on equity

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= expected earnings next period/Current market Value of equity = E (1+g)/MV = Earnings yields = 1/PE ratio and when risk-free rate is subtracted from its value, implied ERP suffices. **That is, with earnings approach, implied ERP = Earnings yields on NSE All-Share Index minus risk-free rate = (Aggregate earnings on NSE All-Share Index for each year divide by Current market value of the index) minus risk-free rate.**

Brennan (2004) admits that different classes of investors may have different expectations about the prospective returns on equities which imply different assessments of the risk premium. Bostock (2004) says that understanding the equity premium is largely a matter of using clear terms. These statements, I believe, propelled Fernandez (2007) to designated equity premium (also called market risk premium, equity risk premium, market premium, and risk premium) in four different concepts: Historical Equity Premium (HEP); Expected Equity Premium (EEP); Required Equity Premium (REP); Implied Equity Premium (IEP). Fernandez (2007) posits that provided that analysts use the same time frame, the same market index, the same risk-free instrument and the same averaging method (arithmetic or geometric), HEP is equal for all investors. The REP, the EEP and the IEP differ for different investors.

III. Methodology

Being an empirical study, analytical research design is adopted. The data used are secondary data, which were collected from Nigerian Stock Exchange (NSE) publications, and Central Banks of Nigeria(CBN) publications. In this study we need the following data: Quarterly rates of return on Federal Government of Nigeria (FGN) Treasury Bills issued from 2000-2011, obtained from CBN Statistical Bulletin; Daily NSE All-Share Index (ASI) from 2000-2011, obtained from The Nigerian Stock Exchange Daily Official List. From these data, the actual returns from the stock market and the risk-free rates for years 2000-2011 are computed. The population for this study is defined as all equity stocks quoted on the Nigerian Stock Exchange for the period January 2000 to December 2011.

We used Treasury Bills rate as risk-free rate because especially in Nigerian emerging capital market there is no price risk in Treasury Bills whereas the price of a Treasury bond can be affected by changes in interest rates over time. Secondly, we are only interested in a single period ERP which is annually. Therefore, the ERP is the premium the equity market earned over the Treasury Bills rate. The Treasury bond rates are ignored because the usage in Nigeria is still at its embryonic stage.

All-Share Index (ASI) of the Nigerian Stock Exchange (NSE) was used to compute the equity market stocks returns. This is chosen because it has a long history. It is the broadest index of stocks that is market-weighted which reflects the overall returns on equities. On the issue of finding the average returns on stocks, Treasury Bills (or even Treasury Bond), it is argued that when returns on stocks are negatively correlated over time, Arithmetic Mean (AM) is likely to over state the premium hence not ideal for period longer than a year. The AM return measures the simple mean of the series of annual returns whereas the Geometric Mean (GM) looks at the compounded return. It is stated in Damodaran (2011:23) that if annual returns are uncorrelated over time and the objective is to estimate the ERP for the next year, AM is the best and most unbiased estimate of the ERP. In this study, we used GM to find the yearly compounded stock return from the monthly (January-December) stock returns for each stock for each year. We used AM to find the monthly average NSE-ASI and each stock monthly market price per share, from which monthly returns were computed in terms of capital gains. For each stock, dividend yield was computed based on the amount of dividend paid and the AM of the stock market price for each year. The sum of the dividend yield and the capital gain yield provides the total actual return of each stock for each year. Then AM and GM are applied respectively to the yearly ERPs to get the mean ERP for the years involved.

IV. Data Presentation and Analysis

Table 4.1 : ERP Using Arithmetic Annualized Monthly Returns

n	Year	Arithmetic Mean of Rm	Arithmetic Mean of Rf	ERP
1	2000	39.71	12.00	27.71
2	2001	39.74	12.95	26.79
3	2002	7.95	18.88	-10.93
4	2003	53.48	15.02	38.46
5	2004	20.33	14.21	6.12
6	2005	5.15	7.00	-1.85
7	2006	32.88	8.80	24.08
8	2007	54.28	6.91	47.37
9	2008	-54.68	8.58	-63.26
10	2009	-30.07	6.05	-36.12
11	2010	18.74	4.72	14.02
12	2011	-18.88	10.68	-29.56

Table 4.1 contains the arithmetic mean annual returns computed from each year's respective January to December monthly returns.

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Table 4.2 : ERP Using Cumulative Arithmetic Average of Annual Returns

n	Year	Rm	Rf	Cum Arithmetic Mean of Rm	Cum Arithmetic Mean of Rf	ERP
1	2000	39.71	12.00	37.91	12.00	25.91
2	2001	39.74	12.95	38.10	12.48	25.62
3	2002	7.95	18.88	27.75	14.61	13.14
4	2003	53.48	15.02	33.77	14.71	19.06
5	2004	20.33	14.21	30.44	14.61	15.83
6	2005	5.15	7.00	26.05	13.34	12.71
7	2006	32.88	8.80	26.81	12.69	14.12
8	2007	54.28	6.91	30.09	11.97	18.12
9	2008	-54.68	8.58	20.25	11.59	8.66
10	2009	-30.07	6.05	14.56	11.04	3.52
11	2010	18.74	4.72	14.80	10.47	4.33
12	2011	-18.88	10.68	11.89	10.48	1.41

Table 4.2 contains the cumulative arithmetic mean of the annual returns computed from each year's respective January to December monthly returns.

Table 4.3 : ERP Using Geometric Annualized Monthly Returns

n	Year	Geometric Mean of Rm	Geometric Mean of Rf	ERP
1	2000	37.91	12.00	25.91
2	2001	38.28	12.95	25.33
3	2002	7.07	18.88	-11.81
4	2003	51.82	15.02	36.80
5	2004	17.13	14.21	2.92
6	2005	4.06	7.00	-2.94
7	2006	31.43	8.80	22.63
8	2007	53.05	6.91	46.14
9	2008	-58.54	8.58	-67.12
10	2009	-36.64	6.05	-42.69
11	2010	17.18	4.72	12.46
12	2011	-20.03	10.68	-30.71

Table 4.3 contains the geometric mean annual returns computed from each year's respective January to December monthly returns.

Table 4.4 : ERP Using Cumulative Geometric Average of Annual Returns

n	Year	Rm	Rf	Geometric Mean of Rm	Geometic Mean of Rf	ERP
1	2000	37.91	12.00	37.91	12.00	25.91
2	2001	38.28	12.95	38.09	12.47	25.62
3	2002	7.07	18.88	26.86	14.57	12.29
4	2003	51.82	15.02	32.69	14.68	18.01
5	2004	17.13	14.21	29.42	14.59	14.83
6	2005	4.06	7.00	24.91	13.29	11.62
7	2006	31.43	8.80	25.82	12.63	13.19
8	2007	53.05	6.91	28.94	11.90	17.04
9	2008	-58.54	8.58	13.67	11.53	2.14
10	2009	-36.64	6.05	7.21	10.97	-3.76
11	2010	17.18	4.72	8.08	10.39	-2.31
12	2011	-20.03	10.68	5.40	10.41	-5.01

Table 4.4 contains the cumulative geometric mean of the annual returns computed from each year's respective January to December monthly returns.

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Table 4.5 : Estimated ERP Using Arithmetic Average

n	Year	Annualized Arithmetic Mean	Cum Arithmetic Mean	Consensus ERP
1	2000	27.71	25.91	25.91
2	2001	26.79	25.62	25.62
3	2002	-10.93	13.14	13.14
4	2003	38.46	19.06	19.06
5	2004	6.12	15.83	15.83
6	2005	-1.85	12.71	12.71
7	2006	24.08	14.12	14.12
8	2007	47.37	18.12	18.12
9	2008	-63.26	8.66	8.66
10	2009	-36.12	3.52	3.52
11	2010	14.02	4.33	4.33
12	2011	-29.56	1.41	1.41

Table 4.6 : Estimated ERP Using Geometric Average

n	Year	Annualized Geometric Mean	Cum Geometric Mean	Consensus ERP
1	2000	25.91	25.91	25.91
2	2001	25.33	25.62	25.62
3	2002	-11.81	12.29	12.29
4	2003	36.80	18.01	18.01
5	2004	2.92	14.83	14.83
6	2005	-2.94	11.62	11.62
7	2006	22.63	13.19	13.19
8	2007	46.14	17.04	17.04
9	2008	-67.12	2.14	2.14
10	2009	-42.69	-3.76	-3.76
11	2010	12.46	-2.31	-2.31
12	2011	-30.71	-5.01	-5.01

From tables 4.5 and 4.6 any critical observer will notice the erratic profile of ERP estimation under the annualized monthly returns approach. The moving average approach produced better estimation hence the choice of its values as the consensus ERP. According to Fernandez (2011a), the average market risk premium used for the USA in 2011 by professors, analysts and companies were 5.7%, 5.0% and 5.6% respectively. Professors, analysts and companies that cite Ibbotson as their reference use market risk premium for USA between 2% and 14.5%, and the ones that cite Damodaran as their reference use market risk premium between 2% and 10.8%. Fernandez (2011b) exhibition of the market risk premium used by 56 countries in 2011 shows that it ranges from 22.9% for Iran to 4.5% for Malaysia. Damodaran (2002) used ERP of 5.5% in 1997. Copeland and Weston (1992) used ERP of 5%, Van Horne (1983) used 6%, and Penman (2003) used 6%. Weston and Brigham (1982) recommend 5-6% for practical application; Weston, Chung and Siu (1997) recommend 7.5% while Bodie and Merton (2000) used 8% for USA. From all these values, Nigerian case is exceptional may be because it is an emerging capital market with numerous challenges that warrant higher ERP. It is obvious here that the country risk profile casts a very big weight on the market risk premium as shown in the above tables. The factors that might have caused high market risk premium include the low purchasing power of potential investors in Nigeria, little or no savings culture among the residents, unpredictable volatile economy and inequality in information delivery among others. As a result of the financial incapacity of majority of potential investors, which warrant preference for current consumption over future consumption, savings culture/rate is very low. Consequently, ERP increases as scarcity of investment funds prevails in the economy. The unpredictable volatile nature of the Nigerian economy is another factor to reckon with. Inflationary pressure maintains upward movement and this has been keeping the monetary regulators on their toes making serious efforts to ameliorate the situation. The lack of sincerity and transparency of leaders at helm of affairs necessitated quite often policy somersaults, low confidence in the stock market. Furthermore, the high ERP can be linked to uncertainty in information quality and delivery, where firms provide little (and often flawed) information about operations and corporate governance, unlike other markets especially in developed economies where information on firms is not only reliable but also much more easily accessible to investors.

V. Conclusions and Recommendations

Attempt has been made in this study to include Nigeria in the map of researches on market risk premium with particular interest on historical equity market risk premium. In averaging, both the arithmetic and geometric means were explored. It was discovered that as it is in the literature, arithmetic average yields higher risk premiums than the geometric average as can be seen in tables 4.5 and 4.6. For the period 2000-2011, an arithmetic average risk premium, for stocks over T-bills of 1.41% and a geometric average risk premium of -5.01% were reported. The values for other years can be seen in tables 4.5 and 4.6. Based on the computations and analysis carried out in this study, it is hereby recommended that the Cumulative Arithmetic Mean type of averaging the returns should be engaged in the determination of market risk premium, especially in the emerging stock markets as it yields the best result.

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References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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