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## CHILDREN AS TARGET MARKET

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**Abstract:**

*The purpose of this paper is to highlight the reasons that lead marketers to give greater importance to children, how to explain this increased potential that children have on the existing market and strategies that marketers and companies use in order to reach this market. To this end we analyzed a series of articles, studies and research conducted on the subject, with implications in psychology, sociology, but especially in marketing. The results obtained show very interesting issues regarding children as consumers, prescribers and future consumers, which motivate marketers to give children greater importance and to build various targeting strategies. This paper can create a clearer picture for parents, marketers and other stakeholders of the present and future of our children as consumers.*

**Keywords:** children, target market, pester power, purchase decision

### 1. Introduction

The child is born innocent, but quickly becomes prescriber and consumer. This is what the masters of marketing and communication understood and that is why, our kids, as angelic as they are, quickly become full participants, often at the expenses of their parents. Consumption is seen as a "link between generations" (Minot, F, 2002). The same author argues that marketers have to consider children not only as existing clients, as well as future clients, because prior to extend its family, the child is already customer. The higher he is, the more he uses. To expect him to be adult in order to address him, it is an error, because he is guided more by ideas that have marked him over youth, than by those that expected him to be mature to conquer him.

Indeed, a large number of brands consumed during childhood are still used when the child becomes an adult (Guest, 1964; Moore et al., 2002 cited in Hémar-Nicolas, V, 2012). Thus, they are often the target of campaigns aimed at forging brand loyalties at an early age (Moore et all., 2002 cited in Moore, E, 2004). This dominant

position that has been given to the child is not born without artifice, as marketers have developed the necessary elements and focus on the most promising in order to create this new generation of children *KINGS* (Provenzano, C, 2004) who harvest sometimes what it sowed, since this dynamic pushed to the extreme, sometimes leads to inconveniences difficult to control.

If during the 18th century there was no concept or reality of what we now call "childhood", like many others, proved to be invented. Modernity has created this concept as a new social and cultural category (Schor, J, 2004, p 200-202). Sociologist Viviana Zelizer (cited in Schor, 2004) believes that children have come to be considered sacred, priceless and irreplaceable. In time, they were considered more a resource than an expense (Maurice, M, 2008).

Children were first identified as a target market in the 1960s (Moreau, M, 2008) and the concept has continued to increase in popularity. Kids represent an important demographic to marketers because they have their own purchasing power, they influence their parents' buying decisions (Götze, E et al., 2007) and they are the adult consumers of the future. Parents today are willing to buy more for their kids because trends such as smaller family size, dual incomes and postponing children until later in life mean that families have more disposable income. As well, guilt can play a role in spending decisions as time-stressed parents substitute material goods for time spent with their kids. Furthermore, children lead lives that are more solitary, the attitudes to childhood have changed, new products have been developed and commercial pressures on children have increased (Piachaud, D, 2008).

For these reasons, children are a very important audience and big companies spend huge sums to attract them. Today, regardless of the position of each, we can testify that child is synonymous with "challenges", "new opportunities", "marketing target" and "advertisers' center of interest", terms that do not exist until recently (Provenzano, C, 2006). Indeed, kids are playing today a place increasingly important, since in the consumer society that we all feed, children are the players of tomorrow. Summing up, children constitute three different markets: the primary, the influencer and the future market (Bhattacharyya, R, 2007, McNeal, 1998 cited in Hémar-Nicolas, V, 2012).

This paper intends to show the reasons why marketers are interested on children, why children's potential has constantly increased and strategies used by marketers to target children.

## **2. Why marketers are interested on children?**

"What do you call a consumer who wants to buy everything you have, doesn't care what it costs and is less than five feet tall? A marketer's dream? Nope. You call them kids" (AdRelevance Intelligence Report, 2000 cited in Bhattacharyya, R, 2007). Children are defined by the Romanian Advertising Council in the "Ethical Code for Advertising to children on food 2009", as any boy or girl in the period between 3 years and under 12 years. The concept of "consumer child" is defined by

the protectionists as a being in development, fragile, which has not all the knowledge to understand that brands can take advantage of his credulity, while practitioners describe it as autonomous and able to make choices (Moreau, M, 2008).

Cook (2005, cited in Ironico, S, 2012) suggests the notion of the "dichotomous child": on the one hand, children can be considered as passive subjects, vulnerable and in need of protection; on the other hand, they can be depicted as a sort of heroic figures, provided with the power of making unique and original meanings out of every piece of culture. Like adults, children can be at once active and passive.

Children are a prime target for marketers. Besides the fact that they have disposable income at an early age, they have a significant influence on purchases made by the family (Violettes, M, 2007). Children, like family members, take part in lately, more than ever, to decision-making in its bosom, especially purchasing decisions. They also have the role of prescribers and are considered as vectors of innovation at home. Many products such as computers, game consoles or cereals were introduced in many families by the children.

There is a regular increase in "pocket money" that children receive in the last years. In addition, they also receive money for Christmas, for their birthday, or when they are rewarded for educational achievements or small services made for parents. This money provides children with some purchasing power as well.

In addition, anthropologists describe child development as moving from a little awkward animal, to a god to be worshiped. Thus, today's child is listened to and spoiled. We note the increasing number of children who decide instead of parents. Many of them choose their toys, clothes, even if they do not yet know to read. Often, it is asked opinions on matters which do not concern them directly.

Children's ability to be vectors of innovation is also speculated by marketers (Maureau, M, 2008). Kids can transform the consumer habits of the family. In fact, even if the child learns from his parents and consumption is largely influenced by them, he can teach parents things. The child may be considered as a pioneer, they being attracted by all the new technology. Thus, it was found that more than 50% of the products so-called "new" are integrated into the family due to the children. The child wants and knows he is buying or buy the desired object, then to convey the idea to parents. For a better illustration of this idea, we give the example of the euro. In France, children had no difficulty in assimilating the changeover and have quickly adapted to the novelty, which has helped parents and grandparents to do so (Guichard, N, 2006).

The same thing for computer where children had no doubt influenced family to enter computers. With regard to France, it was found that if 30% of households have a computer, for families with children move to 50% and over one third for families with adolescents (11 to 14 years). Computers attract small children too, more than 60% of those aged 2-4 years say they play computer (Moreau M, 2008).

The revolution of electronics in the last years proved to be fascinating and attracting for children and they have adapted to it far faster than older people. Nowadays, children are equipped with gadgets like mobile phones, iPods, MP3

players, Play stations and others. These new opportunities and delights for children are, without any doubt, very beneficial to marketers.

The importance of spending on children is another asset for marketers. Products for children are over 50% of families expenses and are distributed in several categories: Toys (over 2 billion euros per year), food (more than 4.5 billion euros per year) and clothing (about 4 billion per year) – in France (Moreau, M, 2008). In addition, there are costs during holidays, Christmas and Easter, when parents spend large sums on gifts to children. In addition, grandparents should not be neglected, which spends as much or more for their grandchildren.

Consequently, the child influences his family differently, depending on age. From 0-6 years the child has something to say regarding the current consumer products. Up to 9 years its influence extends to the purchase of equipment. And since 12 years he is unbeatable in the acquisition of technical products. Marketers call it "pester power" (Rigby, N, 2004, Bhattacharyya, R, 2007) or "annoying factor" - the ability of children to nag their parents to buy a product. Finally, if the child asks you many times a day to buy him a toy, chances are great to give in and buy it.

All these justify the broad interest that companies have regarding children. In fact, they know that touching children, they will reach their parents.

### **3. What explains this increasing potential of children?**

Fertility control is the first factor that determines this. After 1960 in the West Europe, and after 1990 in Romania, with the development of contraceptives, births began to decline. Women could decide if they want one or more children. In addition, parents postponed the arrival of children, being interested first in their career and financial situation (Bhattacharyya R, 2007). Thus, children, less numerous, are more expected. As with any resource, the more rare, more precious. Thus, there is a marginal increase in the importance of each child. We have great care of them and spend more.

The structure of households changed over time (Provenzano, C, 2006). If families, for centuries, lived several generations in the same place, now we are witnessing a development of family structures, which change considerably the consumption. Overall, consumption has multiplied in proportion to the multiplication of households. Family being divided, the distance drives the increase in spending for children. Thus, grandparents tend to be more lenient and generous with their grandchildren that they rarely see. In addition, consideration should be given to another phenomenon, the increasing number of divorces. This leads to the multiplication of new households. The child will have two houses and more often 2 or more toys, games, phones etc. In short, to not upset him most, each parent will want to be equipped the same. When we say divorce, we say remarriage and therefore say recomposed family. Thus, it is common for children to

receive gifts from parents, stepparents and from each pair of grandparents. Reconstituted families also involve an increase in consumption. The child will be entitled to gifts from all sides. Another win for those who target children.

Purchasing power has changed over time and family incomes have increased (Piachaud, D, 2008). It began to grow after World War II and especially after 1990 in Romania. This has led to the emergence of the middle class, and more resources allocated to children and their pleasures. It seems that not the wealthier classes spend more for their children, but middle class. Where an increase in spending on children.

Children lead more solitary lives. In the past they had an important domestic role, they used to help their family at the table, in the garden, also earning money and supplementing low family incomes. But legislation and education have changed all this and "childhood is now an experience of consuming food, clothes and entertainments manufactured outside the home and bought with parents' hard earned cash, rather than a matter of learning about and contributing to a busy centre of production. The average dual-career family's home is often distinctly dull and lonely for children. Our response has been to supply them with ever more fantastical and hygienic plastic toys, and create special child-orientated environments" (Piachaud, D, 2008).

Accordingly, the place of the child within the family has changed over time. So find a redefinition of the role of children in the family. They are now full members in the household. They have a desire, they are heard and take part in dialogue. Children consume and determine consumption, being also the drivers of innovation within the family. Pocket money and all gifts received, grow with them. Furthermore, many studies have shown that half of the brands used in childhood, are also used during the adulthood (Moreau M, 2008).

All these made today to have a whole segment in marketing industry to think about how to sell things to children, because they are an undeniable target.

**Strategies marketers employ to target children** (Media Awareness Network, 2010):

### **3.1 Pester Power**

"We're relying on the kid to pester the mom to buy the product, rather than going straight to the mom" (Barbara A.Martino, Advertising Executive cited in Media Awareness Network, 2010).

"Pester power refers to children's ability to nag their parents into purchasing items they may not otherwise buy. Marketing to children is all about creating pester power, because advertisers know what a powerful force it can be" (Bhattacharyya, R, 2007).

According to the 2001 marketing industry book *Kidfluence* (cited in Media Awareness Network, 2010), pestering or nagging can be divided into two categories—"persistence" and "importance." Persistence nagging (a plea, that is repeated over and over again) is not as effective as the more sophisticated "importance nagging." This

latter method appeals to parents' desire to provide the best for their children, and plays on any guilt they may have about not having enough time for their kids.

In the UK, for example, the attention paid to children as consumers is not surprising given that the value of the pester power market is estimated at £31bn (Hardcastle, 1997, cited in Ross, J, 2004). It would appear, however, that this is not an isolated phenomenon and there is evidence to suggest that this situation is replicated in most developed markets globally: "Children have never had it so good. In industrialised countries, their spending power is soaring – one US estimate puts the annual income of children up to 12 at \$27.5 bn" (Tomkins, 1999, cited in Ross, J, 2004). This supports the findings of The Marketing Store Worldwide's report on Pester Power, which argues that: "...children are aware of the existence of brands from two and a half and while they don't discriminate initially, they soon become tuned into the accepted brand hierarchy" (Matthews, 1999, cited in Ross, J, 2004).

Once children enter school they are increasingly influenced by peers, because of the desire of friendship, for acceptance and belonging. Thus, parents are subject to their children's excessive demands for the same type of products, which may result in conflict. In this case, parents either can be influenced and surrender to their children's requests for food they prefer or can try to resolve the conflict by exercising the power they have over their children (Solomon, 1996, cited in Isin, B, 2011). Role structures appear to be used to justify the use of power, for example, another may use her established role to point out that she is the one who deals with the provision of product therefore she will dominate such a decision (Lee and Collins, 2000, cited in Isin, B, 2011). In terms of advertising, children are very susceptible to advertising, for example McDonalds child menu comes with one of several cartoon films characters which children are encouraged to collect (Turner et al., 2006, cited in Isin, B, 2011). Children are targeted directly with messages of what products to buy, which will influence them to pester their parents when shopping (Solomon, 1996, cited in Isin, B, 2011).

New developed products, commercial pressures (as mentioned above) are put on children to buy them and as new products are sold, that leads to new pursuits (e.g. more time on computer games), leading to the development of yet more products. More family income leads to more child-related expenditure, leading to advertisers putting more pressure on children and on parents (either directly or indirectly via the 'pester power' of children) (Piachaud, D, 2008).

### **3.2 The marriage of psychology and marketing**

Marketing targeted at children, including infants, often based on highly sophisticated and manipulative psychology, is a growth area in the advertising industry (Piachaud, D, 2008).

To effectively market to children, advertisers need to know what makes kids tick. With the help of well-paid researchers and psychologists, advertisers now have access to in-depth knowledge about children's developmental, emotional and social needs at different ages. Using research that analyzes children's behavior, fantasy lives,

art work, even their dreams, companies are able to craft sophisticated marketing strategies to reach young people.

Cognitive psychology is a particularly sympathetic approach for advertisers keen to justify their activities, because it represents the most ethically-respectable version of how advertising works. According to the cognitive model, we think about our decisions before we make them. Thus advertising offers us ideas and information, which we process and evaluate in order to make rational choices. Brown (2004, cited in O'Sullivan, T, 2005) defends advertising to children on just such cognitive grounds: "Children are young consumers, interested in making choices and needing information about them". The rival psychological school of behaviourism is less flattering to our intelligence. It holds that we react to stimuli rather than evaluating information or arguments. The resulting model of advertising is manipulation. By offering the appropriate cue, the advertiser can elicit the required reaction. Such a model has clear regulatory implications (O'Sullivan, T, 2005).

The issue of using child psychologists to help marketers target kids gained widespread public attention in 1999, when a group of U.S. mental health professionals issued a public letter to the American Psychological Association (APA) urging them to declare the practice unethical. The APA is currently studying the issue (Media Awareness Network, 2010).

### **3.3 Building brand name loyalty**

"Brand marketing must begin with children. Even if a child does not buy the product and will not for many years...the marketing must begin in childhood (James McNeal, *The Kids Market*, 1999, cited in Media Awareness Network, 2010)".

The task for the marketer is to understand the role of children as consumers, in order to develop a long-term, profitable relationship in the future. The relationship between branding and customer loyalty has generated increased attention by marketers over recent years. Jobber (1998), Brassington and Pettitt (2000) and De Chernatony and McDonald (1998) cited in Ross, J, (2004) clearly identify the benefits of successful brand building in relation to achieving sustainable profits through customer loyalty. It is in the organisation's best interests to maximise these high sales and profits through attempting to generate brand loyalty in the very young consumer. The longer-term benefits are well documented with Brassington and Pettitt (2000) and Edgecliffe-Johnson (1999) cited in Ross, J, (2004) noting that children are an important target group for the marketer, largely because of the marketer's desire to create loyalty as early as possible in consumers lives. Furthermore, Gregan-Paxton and Roedder (1995) cited in Ross, J, (2004) argue that children are playing an increasingly important role in purchasing clothing and footwear.

Canadian author Naomi Klein tracks the birth of "brand" marketing in her 2000 book "No Logo" (cited in Media Awareness Network, 2010). According to Klein, the mid-1980s saw the birth of a new kind of corporation—Nike, Calvin Klein, Tommy Hilfiger, to name a few—which changed their primary corporate focus from producing

products to creating an image for their brand name. By moving their manufacturing operations to countries with cheap labour, they freed up money to create their powerful marketing messages. It has been a tremendously profitable formula, and has led to the creation of some of the wealthiest and powerful multi-national corporations the world has seen.

Marketers plant the seeds of brand recognition in very young children, in the hopes that the seeds will grow into lifetime relationships. According to the Center for a New American Dream, babies as young as six months of age can form mental images of corporate logos and mascots. Brand loyalties can be established as early as age two, and by the time children head off to school, most can recognize hundreds of brand logos.

While fast food, toy and clothing companies have been cultivating brand recognition in children for years, adult-oriented businesses such as banks and automakers are now getting in on the act.

### **3.4 Buzz or street marketing**

The challenge for marketers is to cut through the intense advertising clutter in young people's lives. Many companies are using "buzz marketing"—a new twist on the tried-and-true "word of mouth" method. The idea is to find the coolest kids in a community and have them use or wear your product in order to create a buzz around it. Buzz, or "street marketing" as it's also called, can help a company to successfully connect with the savvy and elusive teen market by using trendsetters to give their products "cool" status. Buzz marketing is particularly well-suited to the Internet, where young "Net promoters" use newsgroups, chat rooms and blogs to spread the word about music, clothes and other products among unsuspecting users (Media Awareness Network, 2010).

Furthermore, academicians have long been aware of the power of "word of mouth" on consumers' preferences and actual purchase behaviors: "...Word of mouth is probably the most powerful form of communication in the business world. It can either hurt a company's reputation...or give it a boost in the market. Word-of-mouth messages stand out in a person's mind....Quite simply, we find messages more believable and compelling when we hear them directly from other people, particularly people we know and respect." – Regis McKenna (cited in Mohr, I, 2007).

Among its many attractive qualities, buzz marketing is a low-cost, far-reaching mode of promotion (Mohr, I, 2007).

### **3.5 Commercialization in education**

School used to be a place where children were protected from the advertising and consumer messages that permeated their world—but not any more. Budget shortfalls are forcing school boards to allow corporations' access to students in exchange for badly needed cash, computers and educational materials. Corporations

realize the power of the school environment for promoting their name and products. A school setting delivers a captive youth audience and implies the endorsement of teachers and the educational system. Marketers are eagerly exploiting this medium in a number of ways, including:

- Sponsored educational materials.
- Supplying schools with technology in exchange for high company visibility.
- Exclusive deals with fast food or soft drink companies to offer their products in a school or district.
- Advertising posted in classrooms, school buses, on computers, etc. in exchange for funds.
- Contests and incentive programs.
- Sponsoring school events (Media Awareness Network, 2010).

### **3.6 The Internet**

The Internet is an extremely desirable medium for marketers wanting to target children:

- It is part of youth culture. This generation of young people is growing up with the Internet as a daily and routine part of their lives.
- Parents generally do not understand the extent to which kids are being marketed to online.
- Kids are often online alone, without parental supervision.
- Unlike broadcasting media, which have codes regarding advertising to kids, the Internet is unregulated.
- Sophisticated technologies make it easy to collect information from young people for marketing research, and to target individual children with personalized advertising.
- By creating engaging, interactive environments based on products and brand names, companies can build brand loyalties from an early age (Media Awareness Network, 2010).

### **3.7 Marketing adult entertainment to kids**

Children are often aware of and want to see entertainment meant for older audiences because it is actively marketed to them. It is so called “the attraction of banned thing” – an insidious approach of marketers. In a report released in 2000 (cited in Media Awareness Network, 2010), the U.S. Federal Trade Commission (FTC) revealed how the movie, music and video games industries routinely market violent entertainment to young children. The FTC studied 44 films rated "Restricted," and discovered that 80% were targeted to children under 17. Marketing plans included TV commercials run during hours when young viewers were most likely to be watching. One studio's plan for a violent film stated, "Our goal was to find the elusive teen target audience, and make sure that everyone between the ages of 12 and 18 was exposed

to the film". The FTC report also highlighted the fact that toys based on characters from mature entertainment are often marketed to young children.

### **3.8 Television**

It is considered by experts the most effective means of advertising to children, as a kid perceives itself as a show, often more attractive than the usual schedule. Humor, cartoons, songs, cute animals or the presence of favorite heroes fascinate child from the very young. Logos, sound signals, lines characteristic of a small brand fits into his personality, preparing loyalty. Sociologist Elisabeth Baton-Herve was the first to draw a warning on using cartoons in advertisements (ziuaveche.ro, 2010).

"TV is the national hearth. In some homes it's a steady backdrop, morning till night" (Sama, 1993, p.1, cited in Byrd-Bredbenner, C, 2002, with reference to the USA). Many families arrange their schedules, their meals, their conversation, and even their furniture around the television set. Parents frequently capitalize on television's mesmerizing property and use it as an electronic babysitter when they need to free themselves to engage in other activities (Wilson & Christopher, 1992, cited in Byrd-Bredbenner, C, 2002). Children quickly learn to use television to pass the time—they learn so well that the only thing children, in the United States, do more than watch television is sleep (Byrd-Bredbenner, C, 2002).

Sweden was the first country to ban television advertising in 2001 (to toys, clothes, food, etc.) for children under 12. Moreover, she prohibited the presence of heroes or characters from children's programs in the commercials. It was prohibited the presence of children actors too. They also banned thematic elements related to childhood: laughter and voices of children etc. Swedish initiative was taken by Greece, Portugal, United Kingdom, the Netherlands and Denmark. They promoted an initiative to ban, at the level of European Union, television advertising to children under 12. The request was blocked by a furious lobbying of the companies concerned. They went so far as to claim child's right to publicity (ziuaveche.ro, 2010). In Romania, for instance, 4/5 of children are daily watching television, 42,5% do it all alone, and almost 100% of Romanian households own TV (Advertising impact on parents and children, 2007).

## **4. Conclusion**

If in the pre-industrial, rural economy and through much of the industrial revolution, children were from a very early age primarily producers (Piachaud, D, 2008), nowadays, acting as children "kings", they are a main target for marketers in terms of the three roles they play: consumers, prescribers and future consumers.

Moreover, children are a huge market today for the reasons we have discussed previously. There is also an even greater potential if marketers will be able to keep them faithful actors. The goal for companies is for children (future adolescents,

adults and parents) to have sympathy for brands and to retain them for future purchases.

This paper related to aspects that mainly concerns the west european and american area, and less the romanian. The reason is that this subject proved to be rather new for our country. But everywhere we are, a child is a child and every child is, to a substantial degree, a child of their times (Piachaud, D, 2008). Furthermore, all the influences and trends from the western countries have come sooner or later in Romania too. The research made for the National Council of Audiovisual in Romania is a first step, but there is a need of fresh research in this area, that may involve all those concerned, respectively researches, marketers, companies, parents, educational and last but not least, children.

According to a World Federation of Advertisers report, most academic reviews recognize that by the age of 12 children develop their behaviour as consumers, effectively recognize advertising and are able to adopt critical attitudes towards it (World Federation of Advertisers, 2007). But what happens to children under 12? What regulations protect children from the potentially harmful effects of all campaigns that target them? In this regard, there is a gap to fill, a starting point for further studies in Romania, considering the extent and consequences on short, medium and long term.

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# **A DECOMPOSITION OF STOCK INDEX FUTURES MISPRICING AND THE PRICE EFFECT OF INDEX ARBITRAGE**

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**Abstract:**

*The importance of the arbitrage theories and the notion of efficient evaluation for the usual market index give a strong motivation for an empirical analysis of the relationship between the current prices and lost future prices. This article developed an empirical system that attempts to characterize the dynamic interactions between these variables. The analysis in this article is motivated from the existence of interrelated markets that trade inter-convertible goods and the common future index. The importance of the mispricing prospective is a whole comprehension of future market efficiency. Mispricing series should be decomposed respectively in equivalency's relative contribution and future markets. This article attempts to get such decomposition and to bring to light on what was done in the past with the usual future index sources, the mispricing and the market efficiency.*

**Keywords:** stock index futures mispricing, index arbitrage, market efficiency

## **1. A decomposition of stock index futures mispricing**

The theory of the future standard price index setting is based on the concept of arbitrage and market efficiency. It is accepted generally that the future prices may fluctuate around any approximated values which are determined by the implementation costs of the future pricing patterns. If the future pricing is biased from some given values (or mispricing) then it will give arbitrageurs signals to enter the market and at the same time they buy or sell the future actives and contracts until the depreciation of these contracts is in levels within arbitrage barriers. The sustained and frequent breaking of arbitrage limits is interpreted as symptoms of inefficient evaluations of future markets and it may incorporate an inadequate supply for arbitrary services.