

Externalities of Local Partnerships in Subsistence Marketplaces

Externalidades das Parcerias Locais em Mercados de Subsistência

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Abstract

Examining the consequences of local partnerships within subsistence marketplaces is timely, considering the various resource deficits presented by these markets. This study analyzes the concept of externalities in a subsistence context involving local partnerships. We conducted ethnographic-inspired research using a bottom-up approach on raffler trips—contemporary peddler activity—in two states in different regions of Brazil to observe the exchange relationships between rafflers and their local partners. We found that transactional flexibility and sociality are important factors for the success of these relationships. As a result, there is a stimulus for consumption within remote communities, the generation of employment, income, and opportunities for occupation. However, local partnerships in subsistence markets also create barriers for local businesses and lead to conflicting business relationships and financial risks. In this sense, analyzing the consequences of local partnerships in subsistence marketplaces helps connect the externalities construct to a subsistence perspective.

Keywords: externalities; subsistence marketplaces; local partnerships.

Resumo

Discernir as consequências das parcerias locais em contextos de subsistência é algo oportuno, levando-se em conta as limitações de recursos que estes mercados apresentam. O presente estudo analisa o conceito de externalidades em um contexto de subsistência abarcando parcerias locais. Realizamos uma pesquisa de inspiração etnográfica em viagens de rifa - atividade mascate contemporânea - em dois estados de diferentes regiões brasileiras, para observar as relações de troca entre o rifeiro e seus parceiros locais. Constatamos que a flexibilidade transacional e a sociabilidade são mecanismos importantes para o sucesso desses relacionamentos. Com isso, há um estímulo ao consumo para comunidades remotas e à geração de emprego, renda e ocupação. No entanto, as parcerias locais em mercados de subsistência também causam barreiras aos negócios locais, e apresentam relações comerciais conflitantes e riscos financeiros. Examinar as consequências relacionadas às parcerias locais em contextos de subsistência contribui à literatura ao conectar o construto de externalidades a uma perspectiva de subsistência.

Palavras-chave: externalidades; mercados de subsistência; parcerias locais.

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1 Introduction

The actions of market players are increasingly relevant, as the consequences of these actions can extend beyond their initial motivations, culminating in aggregated effects felt by both individuals and markets (Layton, 2015; Wilkie & Moore, 2012). Since marketplaces are embedded in social, political, and economic networks (Viswanathan *et al.*, 2008), positive or negative outcomes can affect both involved and non-involved parties in transactions. Such consequences are classified as externalities (Mundt, 1993).

Externalities are a construct traditionally examined in the economic field, where the emphasis favors a quantifiable and objective approach to the burden or benefit generated for another economic agent by an action or activity (Chava, 2014). Discussions in marketing have also addressed externalities (Meiseberg, 2013), particularly in the field of macromarketing. Researchers in this field define externalities as broad, often unintended impacts of marketing actions on society (Layton & Grossbart, 2006). These impacts can be either negative or positive and arise from complex exchanges that extend beyond direct business-to-consumer relationships (Fry & Polansky, 2004). Although works by Nason (1989), Mundt (1993), and Mundt and Houston (2010) have advanced the theoretical intersection between externalities and the consequences of marketing on society, a view of the influence of externalities within a subsistence marketplace is lacking.

Subsistence marketplaces are essentially informal markets that combine economic and social relationships among players (Viswanathan *et al.*, 2012b; Azmat *et al.*, 2021). These markets face various resource deficits in financial, informational, infrastructural, and educational aspects (Abdelnour & Branzei, 2010; Venugopal & Viswanathan, 2017). In these specific economic and socio-cultural circumstances, buyer-seller exchanges are interdependent and deeply relational (Viswanathan *et al.*, 2010), necessitating a micro-level, bottom-up approach to properly explore subsistence externalities (Mwiti & Onyas, 2018). When externalities are viewed as the broader impacts of marketing practices on society, extending beyond direct commercial exchanges, these impacts can result in both benefits and harm (Fry & Polansky, 2004).

Brazil is the largest country in both South America and Latin America and has one of the greatest varieties of subsistence marketplaces in the world (Salgado *et al.*, 2019). Despite being the world's 7th largest economy (Bernal-Meza, 2019), the Brazilian market is vast, heterogeneous, and shows a striking symbiosis between the formal and informal economies. Studies have estimated that 38 million Brazilians (41.4% of the employed population) work in informal jobs (IBGE, 2019). Although Brazil is one of the most unequal countries in the world (Assouad *et al.*, 2018) and faces historic economic and social challenges, studies addressing the Brazilian reality from a subsistence perspective remain limited.

In this regard, the present study analyzes Raffle, a contemporary peddler activity that spans several subsistence marketplaces in Brazil. Raffle involves street vendors and freelancers, also known as rafflers, who leave their cities and travel to other Brazilian states. Through informal local partnerships, they sell a wide variety of products in subsistence contexts, ranging from bed linen and stuffed animals to perfumery.

Raffle, along with agribusiness, is one of the main economic activities in the region from which the rafflers come: the western region of the state of Minas Gerais. This region comprises about 150,000 inhabitants and six cities: Lagoa da Prata, Moema, Japaraíba, Luz, Santo Antônio do Monte, and Arcos (IBGE, 2021). This activity mainly attracts individuals without a college degree, who face difficulties in getting formal jobs, which usually require qualifications in Brazil, and find a way to support themselves as rafflers. By establishing trade relations across



subsistence marketplaces in several regions, rafflers operate in a number of different subsistence marketplaces that exist in Brazil.

Although it is known that the local perspective can improve community knowledge (Beninger & Francis, 2016) and enhance product access for subsistence consumers (Reficco & Márquez, 2012), little is known about the externalities of local partnerships in subsistence marketplaces.

In this article, therefore, we investigate the concept of externalities in a subsistence context involving local partnerships. Consequently, we raise the following research question: What are the externalities of establishing local partnerships in subsistence marketplaces? To answer this question, we conducted ethnographic-inspired research using a bottom-up approach on two different raffler trips in two states from different regions of Brazil to observe the exchange relationships between the central actors in that exchange system: the raffler and their local partners

This research makes two main contributions to the literature. First, it connects the externalities construct to a subsistence perspective by taking a bottom-up approach. Second, it analyzes an activity supported by a business partnership that operates in multiple subsistence marketplaces across a large, diverse country such as Brazil. Forging local partnerships in subsistence marketplaces carries strong potential to stimulate consumption in these communities and can foster durable social and commercial relations, as well as fruitful cultural interaction. However, these partnerships can also create obstacles for local businesses, precarious working conditions, conflicting business relationships, and financial risks. Examining the externalities related to the Raffle activity provides insights into the Brazilian institutional context, contributing to the understanding of how peddling persists today in different subsistence marketplaces. It also provides resources to devise specific policies for the subsistence marketplace context.

2. Literature Review

This section presents theoretical discussions on externalities. Initially, externalities are introduced in the economic domain. Next, the focus shifts to externalities in marketing. Finally, externalities are discussed in the context of subsistence marketplaces.

2.1 Externalities in Economics

Primarily rooted in the economic field, the study of what is conventionally termed externalities—defined as the direct effect of one agent's actions on another (Cadeaux, 2000)—can be traced back to the concept of unintended consequences, explored by various economic theorists. The idea of unintended consequences has expanded in economic studies and been incorporated into the concept of externalities, which, however, has received greater attention from the neoclassical economic school, known for its emphasis on quantification and objectivity.

In this context, externalities can be viewed as a cost (a negative externality) or a benefit (a positive externality) affecting a party that did not choose to incur that cost or benefit (Buchanan & Stubblebine, 1962), or as the economic impact, whether positive or negative, of consuming or producing a good on a third party not connected to the good, service, or transaction (Herzog, 2000). In his seminal work "The Problem of Social Cost" (1960), Ronald Coase challenges the premise that externalities require government intervention. Coase (1960) suggests that private negotiations, facilitated by clearly defining and reallocating property



rights, can be a more efficient solution for resolving externalities, particularly when transaction costs are low. This perspective emphasizes the importance of considering specific economic conditions when addressing externalities, challenging the view that government regulation is always the appropriate response (Coase, 1960).

An externality occurs when a producer or consumer affects other producers or consumers without directly experiencing the consequences (Schnoor, 2003), or when the actions of a specific group of economic agents significantly impact agents outside that group (Starrett, 1972). In other words, externalities occur when a third party receives benefits or incurs costs from an economic transaction in which they are not directly involved (Dwyer *et al.*, 2010).

Based on this economic perspective, when the behavior of an economic agent positively or negatively affects the well-being of another, it imposes a positive or negative externality on the affected party (Eaton & Kortum, 1999). When understood this way, as unaccounted costs or benefits, externalities can lead to social costs since these costs or benefits are not included in the production process (Pindyck & Rubinfeld, 2002; Gerent, 2006). For instance, some manufacturing processes cause air pollution, imposing health and cleaning costs on society (Lehman, 2012).

Considered as market deficiencies (Kahn, 1998; Schubert, 2010) or 'missing prices' (Fletcher, 2011), externalities are typically examined to understand how these 'failures' affect third parties. In economics, externalities are studied in various research areas, such as the impact of urban revitalization on land prices (Rossi-Hansberg, Sartre & Owens Iii, 2010), the effect of a company's environmental profile on its cost of equity and debt capital (Chava, 2014), sustainability (Bithas, 2011; Libecap, 2014; Rezai, Foley & Taylor, 2011), macroeconomic effects of credit extension (BIANCHI, 2010), and the consequences of tourism (Biagi & Detotto, 2014; Sheng, Li & Wang, 2017).

The concept of externalities is also emphasized in economic studies focusing on networks (Katz & Shapiro, 1985). This perspective investigates the effect that one user of a good or service has on the product's value for other users. For instance, a large network of customers increases the individual utility of consumers, as seen with electronic payment systems (Au & Kaufmann, 2001), social networks (Chiu *et al.*, 2013), and mobile phones (Wang, Lo & Fang, 2008). However, this perspective does not treat externalities as market failures (Arli & Cadeaux, 2017).

In summary, there are many approaches, perspectives, and uses for what economics has historically defined as externalities. Additionally, the diverse applications of this concept in academia have influenced another field of study, marketing, which recognizes that even well-performing businesses can produce unexpected results for both market participants and third parties (Mittelstaedt, Killbourne & Mittelstaedt, 2006).

2.2 Marketing Externalities

In the economic domain, the emphasis on externalities favors quantifiable and objective measures. In marketing, much of the literature considers them within a broader context, conceptualizing them as consequences of marketing activities (Costa, 2015), which can be positive or negative.

Academic focus on externalities in marketing increased significantly in the 1980s, following seminal studies that established marketing as a crucial social institution and highlighted its social value beyond economic aspects. Early works by Cox (1965) and Kotler (1972) emphasized the intrinsic social value in exchanges between two parties. Nason (1986) and Mundt (1993) then integrated externalities into marketing, arguing that uncalculated costs



and benefits are inherently tied to exchanges, making them the genuine sources of externalities. Nason (1986) defined externalities as costs and benefits external to the exchange equation, rather than the price system. Mundt (1993) applied the concept to marketing by examining word-of-mouth effects, demonstrating how an exchange between two parties can yield positive and negative results beyond the transaction's utility functions, impacting other indirectly involved parties.

This exchange paradigm supports the inclusion of primary effects in studies of marketing externalities, diverging from the traditional economic perspective (Nason, 1986; Mundt, 1993). Since then, the application of externalities in marketing has proliferated, reflecting the discipline's growing emphasis on analyzing the unintended consequences of its activities.

A broader approach to investigating the expanded effects of marketing practices resonates with current marketing practices and their significant impacts on people's lives (Wilkie & Moore, 2012; Layton & Grossbart, 2006). This shift aligns with the American Marketing Association's 2007 revised definition of marketing, which states that 'marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for consumers, clients, partners, and society at large.'

Marketing must, therefore, consider the social determinants and effects of its activities and the various externalities, both positive and negative, arising from exchanges. These impacts can affect multiple areas, including the environment, social institutions, social life and well-being, politics and power, and religious or other values (Costa, 2015).

2.3 Externalities in Subsistence Marketplaces

Cox (1965) argued that externalities possess significant social importance, not only economic, and are intrinsic to value exchanges between two parties. According to this explanation, the uncalculated costs and benefits that define externalities must be fundamentally associated to exchanges—the genuine sources of externalities—and not to prices (Nason, 1989; Mundt, 1993).

Even though market exchanges typically favor value creation, transactions carry the potential to create other effects, which can affect different groups or individuals and influence various areas of human life (Fitzgerald *et al.*, 2016). In this sense, market players may produce results far beyond their intentions, with effects that reach a societal level (Mittelstaedt *et al.*, 2006).

The consequences of market exchanges encompass a range of stakeholders, resulting in complex and heterogeneous outcomes (Fry & Polonsky, 2004). For instance, the production activities of a large industry can cause harmful side effects on the environment, resulting in damage to the well-being of the general population. However, actors within exchange systems often disregard the social impacts of their activities (Mundt & Houston, 2010). In this context, the inactivity of American housing market regulators in the face of the entry of new market actors resulted in the negative consequence of the 2009 global economic crisis (Redmond, 2013).

In macromarketing, understanding a marketing exchange system and its externalities requires a macro perspective to identify the individuals, groups, and entities involved, along with the economic, cultural, and social circumstances, the infrastructures, institutions, and artifacts that make up this environment (Layton, 2009). However, in a subsistence marketplace, informal transactions and challenging life circumstances demand a bottom-up perspective to properly understand the embedded and culture-specific relationship transactions that usually



occur (Deberry-Spence & Elliot, 2012).

Despite the difficulties involving access to resources (Azmat *et al.*, 2021), subsistence marketplaces present several business opportunities for companies that can establish themselves in these communities through local partnerships (Mwiti & Onyas, 2018). However, an understanding of local partnership externalities in subsistence marketplaces is lacking. By researching how local partnerships can affect subsistence marketplaces, the agenda of this research helps link the concept of externalities from a bottom-up perspective.

3 Methodology

3.1 Research Context

The study involved two separate trips by rafflers to subsistence marketplaces in the country. The first, to the state of Maranhão in northeastern Brazil, lasted thirty days and took place in January 2020. The second, to the north of the state of Minas Gerais, lasted twenty days and was conducted in October 2020. These time scales were necessary to achieve theoretical saturation (Glaser & Strauss, 1967).

To choose the trips, it was necessary to contact several rafflers. The defined regions proved to be appropriate for studying local partnership externalities in subsistence marketplaces. These regions were chosen not only to increase the geographic scope and robustness of the study but also because they have different socioeconomic and cultural conditions. The route taken on the first trip to the state of Maranhão, for example, passed through the city of Sambaíba, which has an HDI of 0.565. The route in the north of the state of Minas Gerais included cities such as Pescador and Nova Módica, which have HDIs of 0.656 and 0.630, respectively.

3.2 Approach and Data Collection

This study adopts an ethnography-inspired strategy to collect multi-methodological data in order to better capture the externalities phenomenon (Denzin & Lincoln, 2005). The ethnographic strategy helped to understand the subsistence marketplaces from within, allowing the field researcher to gain a firsthand understanding of the subsistence marketplaces visited (Mwiti & Onyas, 2018; Viswanathan *et al.*, 2012).

The two trips offered the possibility to witness 78 rafflers' visits to local partners—40 on the first trip and 38 on the second. Witnessing interactions, conflict relations, and the different roles, practices, and perceptions in the relationship between actors was invaluable to achieve deep insights into the dynamics of Raffle.

Besides data collection during the ethnography stage, semi-structured interviews were conducted to achieve data triangulation criteria (Denzin, 2015) and to enable probing into the subjectivities necessary to understand the phenomenon. In-person interviews at the end of the rafflers' visits were conducted in order to investigate local partners. The local partner's initial involvement in non-participant observation helped build the necessary trust for the interview (Stacy & Paige, 2012).

On the first trip, 20 people, including 16 local partners and 4 rafflers, were interviewed. On the second trip, 15 individuals, representing 12 local partners and 3 rafflers, were questioned. The number of interviews was determined by the criterion of theoretical saturation (Glaser & Strauss, 1967). The interviews lasted 20 to 40 minutes. They were recorded and later transcribed or annotated in special sections of the field journal.

The profile of the rafflers was exclusively male, with an educational level of high school



or lower, and experienced in informal sales work. Only 1 in 6 was below the age of 40. Among the local partners, the typical profile was female, head of household, and over 40 years of age (Table 1).

Table 1 – Participant Information

	Rafflers	Local partners
Maranhão (MA) route	4 men	16 women
Rio Doce (MG) route	3 men	12 women
Total	7 men	28 women
Average Age	Above 40 years of age	
Interview duration	20 to 40 minutes	

Source: Research data.

Interviews with local partners were conducted in person after the rafflers' visits ended. As the field researcher was present during the interaction with local partners, a feeling of trust was developed that would not have been possible if the field researcher had introduced himself initially. Per research procedures, the objective of the interview was explained to each subject before they decided whether to be interviewed or not (Yin, 2013).

The same interview script was used for both rafflers and local partners to investigate the same research questions, but from different points of view, allowing an in-depth exploration of the studied phenomenon. The script was designed to focus on the local partnership externalities in the subsistence marketplaces.

The ethnographic experience was recorded in a field book totaling about 50,000 words, with 30,000 collected on the first trip and 20,000 collected on the second. The main objective of the study—local partnership externalities in the visited subsistence marketplaces—guided the development of the observation script.

Photos were also taken as a way to relive the experience and visually record the distinct particularities of the social environment of Raffle and the meetings involving the rafflers and local partners. A total of 160 photographs were taken—90 from the first trip and 70 from the second. The photos collected aided in achieving a deeper understanding of the investigated subsistence marketplace.

Data collection techniques were performed based on the principle of triangulation (Yin, 2013). Detailed information about the sources of data collected can be found in Table 2.

Table 2 – Field data collected

Date		Days in the Field	Raffler-Local Partners visits	Field Note Words	Photos	Semi-structured interview		
						Rafflers	Local Partners	Interviews words
Maranhão (MA) route	jan/20	20	40	16,000	90	4	16	24,000
Rio Doce (MG) route	oct/2020	10	38	12,000	70	3	12	18,400
Total		30	78	28,000	160	7	28	42,400

Source: Research data.



3.3 Data Analysis

Content analysis was the technique chosen to analyze the collected data (Denzin & Lincoln, 2005). Given the inductive nature of the analytic approach, the codification was made with no prior theme specification, meaning that categories and codes emerged from the data.

The first part of the analysis was conducted based on data collected during the first trip of the study. Initially, a first reading of the data was done to obtain a clear view of the collected content. Subsequently, the collected data were scanned, comprising approximately 24,000 words recorded in interviews and 16,000 words written in the field journal. The data were holistically coded and searched for dominant and emergent themes related to externalities. After identifying these, the main categories and themes were determined by cross-referencing the triangulated data sources and contrasting the data collected from rafflers and local partners, as well as the different data collection methods (field journals and interviews).

In the second part of the analysis, the same procedures were adopted with the data collected on the second trip (about 18,400 words recorded in interviews and 12,000 words in the field journal), resulting in similar findings with a few new categories and themes. Subsequently, the collected data were gathered, and the preliminary categories from each analysis were reviewed, which allowed the emergence of the final categories and themes.

As Denzin (2015) states, triangulation is an alternative to data validation, enabling an in-depth understanding of the studied phenomenon. In this study, data triangulation included visual data (photos), handwritten data (field journal), and recorded data (interviews). After this step, the collected data were interpreted and compared with the literature review.

Successive triangulations supported the interpretation of ambiguities in the study, strengthening the reliability of the findings (Denzin & Lincoln, 2005; Yin, 2013). Subsequently, the interpretative process was compared with the theoretical framework. As the objective was to uncover the social consequences of the investigated phenomena, the presence of the researcher in the field was paramount to gather and interpret the context and analyze the collected data (Arnould & Wallendorf, 1994). Conversely, to prevent bias, the field researcher adopted self-analysis and introspection to maintain the necessary distance to observe the phenomena while experiencing them (Wallendorf & Belk, 1989). The interpreted data were also evaluated by the other authors of the study, who were not involved in the field research and, therefore, devoid of bias from personal involvement (Lincoln & Guba, 1985). Additionally, meetings were held to discuss the identified themes and their meaning.

4 Externalities of Local Partnerships in Subsistence Marketplaces

4.1 Inside the Raffle Activity

In this study, Raffle refers to a commercial activity in which an entrepreneur resells a variety of merchandise in multiple subsistence marketplaces across all regions of Brazil. The 'raffler,' the name given to entrepreneurs who organize the raffles, acquires merchandise from wholesalers or small and medium industries. They then proceed to load the acquired products onto adapted buses or small trucks that serve as informal stores. These vehicles function not only as transportation but also as showrooms where the merchandise is commercialized.

The raffler forms a local partnership with sellers who are paid through a commission on sales rather than a salary, as this is an informal arrangement. These local partners sell the



merchandise directly to customers or resell it to other informal sellers. The merchandise is delivered under an informal agreement, which stipulates payment after a specified period.

The travel schedule begins with the purchase of merchandise from local suppliers in the city of Lagoa da Prata in the state of Minas Gerais, Brazil (where trips usually start). Suppliers, who act as wholesalers, offer a wide range of products to rafflers, such as bedding, bath towels, kitchen utensils, children's products, among others. The payment deadline given by suppliers is 90 days. Once the rafflers purchase the products, they load them into the truck's storage compartment.

Arranged according to their specific characteristics, the merchandise needs to be carefully adjusted in the available space to allow for the maximum possible amount of merchandise to be loaded for travel. Additionally, the truck's storage area carries mattresses in the corridors for overnight sleeping (Figure 1).

Figure 1: overnight stay on the Maranhão route: inside the truck's trunk



Source: research data (2020).

At the first destination, rafflers begin the process of visiting each local partner with pending arrangements. Figure 2 demonstrates customer service, where the raffler parks the truck at the local partner's door, inviting her to view the new merchandise available. The truck is parked at the residence's door, making it possible to view, feel, and even try a range of products. This approach provides great convenience to the local partner.

Figure 2: local partner and her customers looking at the products inside the truck's trunk, parked by their door



Source: research data (2020).

Rafflers offer a wide assortment of products. This diversification became a stratagem adopted by rafflers over the years as a response to competition, such as traditional businesses and e-commerce.

The raffle sales mechanism is as follows: 30% of the total amount bought by local partners is converted into gifts that can be chosen from all the products available on the truck. In this way, rafflers stimulate partners to both buy more and sell more products to third parties. Potential raffler partners can buy products for their own use or resell them to third parties. After the partner chooses the merchandise, the raffler adjusts the receipt from the previous trip, applies the discount for the gifts, and prepares the new sales receipt.

4.2 Transactional Flexibility

The partner pays in cash after the 90 days granted for the settlement—the same grace period given by suppliers to rafflers. Thus, checks, debit cards, and credit cards are not accepted. The raffler will visit local partners again after about 3 months, following the same route for a new sales cycle (Figure 3).

Figure 3: local partner (on cellphone) and her clients checking some products



Source: research data.

The payment flexibility within the raffle system is relevant to the community, since, in the words of Local Partner 17, 'it is one thing to buy in cash, it is another thing to pay within 3 months.' This flexibility allows for unusual negotiation situations, according to Raffer 1:

Raffer 1: There is a farmer who pays the local partner with chicken, for example. In the end, it works out well, because the local partner already knows who to sell the chicken to.

That is, the local partner can adjust the payment conditions to fit the reality of a close customer, knowing that they will settle the payment for these products only on the raffler's next visit.

4.3 Sociality

Rafflers' lasting commercial relationships with their local partners can also develop connections that go beyond the economic link. Citing an analogous case, Raffer 2, when visiting his partner, commonly asks, 'How was your New Year's Eve? [...] How are your daughters doing?'—gestures that foster a good relationship between the parties. Explaining this perceived appreciation, the same raffler claims, 'You have to give them a little gift, to show appreciation. By doing this, people create esteem; they are eager when we arrive and tell others to always buy from us.' Local partners usually treat rafflers cordially, often offering water, juice, or coffee during their visit. The field note below exemplifies the courteous treatment sometimes offered to rafflers:

Field note: As the visit coincided with lunchtime, a long-time partner invited us to join her and her daughters for lunch, but another partner was already waiting for us at a different residence, which led us to respectfully decline the invitation.

The search for a friendly relationship creates scenarios that converge to a lasting and affectionate relationship, as the statements below illustrate:

Raffer 5: When you arrive at someone's house, it is the same as arriving at a relative's house; they are very welcoming.

Local Partner 12: 15 years I've been working with him. He's like family. He eats with us, and if he needs to sleep here, it's a pleasure to have him.

The consideration of rafflers as 'family,' as highlighted by Local Partner 12 (Figure 4), reveals a unique aspect of the raffle activity. Despite the economic obligations established within the commercial relationships, relational elements also begin to coexist, strengthening the longevity and legacy of the activity through the formation of social and emotional ties. Trust plays a central role in the raffle activity, given that there are no legal guarantees on the payment of local partners to rafflers, only the signature of a promissory note, which has no legal value.

Figure 4: A raffler talking to a local partner during a visit



Source: research data.

Regarding the agreement between local partners and their respective customers, it does not even involve the signing of promissory notes. The entire commitment is based on the trust between the parties involved. Trust plays a key role in the negotiations, underpinning the arrangements made both between rafflers and local partners and between local partners and their customers.

By integrating actors from different states, the rafflers also promote intense cultural interaction in the marketplaces where they operate. During the visits, rafflers usually adapt their language to suit the region. Different climates, cuisines, customs, and tastes are intertwined in the same activity.

4.4 Conflicting Business Relationships and Financial Risks

However, conflicting business relationships can also arise in the dealings between rafflers and local partners, as well as between resellers and their respective clients. These conflicts are exacerbated by the lack of regulation inherent in the activity.

For example, the products displayed on the truck are not eligible for return. 'If it doesn't sell, it's over, it's lost merchandise; we have to keep fighting, we have to keep fighting until we sell.' The risks also involve the local partner not paying the bill, which rafflers try to mitigate through information, as revealed by Raffler 2 in the following statement:

Raffler 2: If you are going to start a new partnership, here's what you have to do: you have to ask a neighbor or another partner about their reputation. For example, if there is a girl down there who wants to sell, you might hear, 'Wow, she doesn't sell, she doesn't pay,' or 'No, you can trust her, she's a great payer.' Then you get two or three references from that person to see whether they are reliable or not. You can't open a new note out of the blue.

The risk of theft of goods is also considerable. 'Last month, a raffler slept at a hotel, and someone broke into his truck's cargo area and stole his belongings,' says Raffler 04. This is one of the reasons why they all prefer to spend the night in their trucks.

4.5 Generation of Employment, Income and Occupation

Rafflers plays a relevant role in generating jobs and income in the marketplaces they cover. In the interior of Minas Gerais—the region where the rafflers come from—this work has become so important that it revolutionized the local economy. Numerous wholesale companies supply the Raffle activity, demonstrating the centrality of this activity in the processes of production, distribution, circulation, exchanges, and consumption.

In the region where the raffles originated, the activity also led to the emergence of small industries, mainly bedding and clothing, which supply both wholesalers and rafflers who own a larger number of trucks. Thus, the cities where rafflers originated directly or indirectly benefit from the activity, generating employment, income, and better living conditions for the population.

For Raffler 4, the activity is a 'chance to earn more for the family,' creating economic opportunities for vulnerable individuals. However, for rafflers, the activity is the sole source of income for their entire family, and for those who are successful, it provides earnings well above those of formally educated workers. According to the field note below, we found that rafflers did not have a college degree or, in some cases, not even a high school diploma, which suggests that such individuals would hardly be able to earn the same income if they opted for formal employment.

Field note: In an informal conversation, Raffler 4 said he did not go to college and that some of his friends who graduated today do not earn as much as he does. He said that what attracted him to raffle was the possibility of higher gains in the local market.

The statement demonstrates the value that the raffle activity provides to the involved cities, as well as the relevance of the practice for those who participate in it, especially considering the socio-economic difficulties of these cities:

Raffler 2: In Lagoa da Prata, everything revolves around raffle. It moves and sustains the city. Whoever is unemployed finds work in Raffle.

In the locations where rafflers sell their merchandise, the activity also contributes to income generation, as local partners consider Raffle 'a means of survival' (Local Partner 2).

Local Partner 14: It is important because I earn my money, right? I have no salary. I get the merchandise to sell and earn my commission. And I have a young daughter. This way, I can stay at home, take care of my children, and still have an income.

Also, the rafflers' local partners are commonly housewives, mothers over 40. During visits to local partners, most of the houses in question were simple, confirming their socioeconomic condition and highlighting the importance of any extra income that raffles could provide for the family (Figure 5).

Bearing in mind that the rafflers sell their products in subsistence marketplaces where there are few formal job opportunities, being a local partner for raffle products can guarantee an important income for the family. When they become resellers, many of these women end up



becoming a type of retailer without a physical store, without the need for investment to start the business. Thus, the activity also contributes to empowering these women, who would otherwise have few opportunities in these locations.

Figure 5: Local partner daughter in front of her residence



Source: Research data.

In addition to financial gain, involvement in the activity also provides benefits in other areas of life. When asked why she participates in raffle, Local Partner 12 stated, 'I take products to sell because I don't have much to do, so it's good for me to occupy my time and my mind' (Figure 6).

Following this logic, Raffle 1 mentioned that the husband of a certain local partner always encouraged her to take on goods to sell. Given that she has depression, the commitment to the activity could help her occupy her time. Thus, raffle provide local partners with income, occupation, distraction, professional training, and social recognition, as community members come to recognize the relevance of such a practice.

Figure 6: An older local partner viewing the truck's products in the company of her daughter



Source: Research data.

4.6 Consumption Stimulus for Marginal Populations

While remote locations and unfavorable roads may represent logistical difficulties for most businesses, for rafflers, this situation presents an opportunity for the expansion of sales. The activity serves the countryside and remote communities (Figure 7).

Figure 7: Truck in a rural area of São José do Divino-MG



Source: Research data.

This mechanism provides accessibility to the clients served by rafflers, stimulating consumption by peripheral populations. Brazil is a country of continental dimensions, with regions that are nearly inhospitable, such as the Pantanal and the Amazon, where, even today, many families and communities live far from large cities, without access to the internet or traditional retailers. Thus, raffle plays a crucial role in making products available to many

subsistence marketplaces. The following statement by Local Partner 5 highlights this aspect:

Local Partner 5: People live in the countryside and have a lot of transportation expenses. With rafflers, products arrive at your door, which already saves us money. They are the only ones who bring these novelties, these things that arouse people's curiosity. We are 33 km away from the main city of our municipality.

The merchandise reaches distant locations, and the fact that the truck parks by the customer's home is crucial, similar to the experience of 'bringing a store to someone's house,' in the words of Raffer 3 (Figures 8 and 9).

Figure 8: Truck in a rural area of the interior of Maranhão



Source: research data.

Figure 9: Truck parked in a remote community



Source: research data.

Besides providing conventional products to distant populations, rafflers also seek to diversify their product mix by selling items that are not normally found in traditional retailers of these remote communities (Figure 9). According to Local Partner 9, 'Every time the raffler comes, he brings new things to us'.

In most of the homes where the raffle truck stops, customers, family members, and

neighbors like to check out the products that have arrived (Figure 10). For example, some try on shoes, others try on clothes, and one person even tested a cover for the washing machine.

Figure 10: Local partner viewing merchandise at her doorstep



Source: research data.

4.7 Barrier to Local Commerce

Although the Raffle marketing system provides benefits for different actors, it is important to consider the negative aspects of this activity. In the locations where rafflers operate, there are competitive obstacles for local merchants. For example, upon arriving in one of the cities, one of the rafflers tried to find out the price of a backpack at the local stationery store and then added a markup when selling to resellers. This creates a clear obstacle to the development of establishments that sell or plan to sell the same products as the rafflers, according to the following statements:

Raffler 4: There are places where stores don't sell a lot because of us. We offer products with better payment terms, and many of their products are more expensive.

Local Partner 8: Stores think Raffle is bad, don't they? They complain, but what can we do? They aren't good merchants.

The following note addresses this issue:

Field note: There are no signs of thriving stores in the cities visited. The arrival of the various products brought by Raffle trucks may represent something unique for some communities (Figure 11).

Figure 11: City of Nova Módica, route to the North of Minas.



Source: research data.

The cities visited during the data collection process were quiet, with little movement on the streets and few commercial stores, indicating that there are no well-structured establishments to compete with the products offered by rafflers.

5 Discussion

The findings support the idea that, despite lacking resources (Azmat *et al.*, 2021; Viswanathan & Rosa, 2007) and being located outside the formal economy (Viswanathan *et al.*, 2012b; Azmat *et al.*, 2021), subsistence marketplaces present a vivid mix of interactions, relationships, and economic exchanges (Mwiti & Onyas, 2018; Viswanathan & Sridharan, 2009, 2012). By targeting subsistence marketplace consumers, the opportunity explored by rafflers helps in understanding why subsistence markets contribute so significantly to gross domestic products in developing countries by generating employment, income, and occupation (Viswanathan & Venugopal, 2015; Mwiti & Onyas, 2018).

This study demonstrates that the relevance of externalities in subsistence marketplaces cannot be properly understood outside the particularities of the cultural and social environment (Viswanathan *et al.*, 2010; Viswanathan *et al.*, 2008), and without considering the embedded relationships that accompany economic exchanges (Viswanathan & Rosa, 2007; Abdelnour & Branzei, 2010). While the initial impacts of these practices are significant, it is crucial to deepen our understanding of the externalities generated by such practices to fully assess their social and economic implications (Costa, 2015). The depth and variety of marketing practices' impacts in subsistence markets illustrate the complex nature of externalities (Viswanathan & Rosa, 2007). These practices not only facilitate access to essential goods but can also inadvertently marginalize local traders, creating a negative externality that extends beyond the immediate buying and selling interaction (Fitzgerald, Lamberton, & Walsh, 2016). This duality reflects the breadth of externalities, where beneficial actions in one dimension can simultaneously impose social costs in another (Mundt, 1993).

By engaging with different realities and everyday challenges (Deberry-Spence & Elliot, 2012), an ethnographic approach provides a broader and deeper understanding of the analyzed phenomenon (Chakravarti, 2006; Weidner *et al.*, 2010) and contributes to understanding the benefits and harms that a partnership with subsistence actors can bring to subsistence marketplaces. Externalities in marketing systems can vary depending on the structure and dynamics of exchanges within these systems. This study also observes this in subsistence markets, where rafflers' practices both facilitate access to resources and can reinforce local inequalities (Mundt & Houston, 1996). Low literacy and difficult physical and personal accessibility of subsistence actors (Viswanathan *et al.*, 2009a; Azmat *et al.*, 2021; Weidner *et al.*, 2010; Sridharan & Viswanathan, 2008; Viswanathan, *et al.*, 2008c) call for immersive and flexible methods to investigate externalities in subsistence contexts.

As raffle demonstrates, despite the physical infrastructure bottlenecks in subsistence contexts (Viswanathan & Sridharan, 2012; Viswanathan & Rosa, 2007), unmet needs of subsistence consumers can present business opportunities (Venugopal & Viswanathan, 2017; Azmat *et al.*, 2021), if viable prices and conditions are applied with transactional flexibility. In addition, crucial time and place utilities make a notable difference in the attractiveness of products to this audience (Weidner *et al.*, 2010; Viswanathan & Sridharan, 2012), stimulating consumption among marginal populations, as evidenced by the enthusiasm of local partners and their clients upon the arrival of rafflers' trucks at these locations.

The importance of forging local partnerships and networks to thrive in subsistence markets is also highlighted (Beninger; Francis, 2016; Viswanathan; Venugopal, 2015). The tradition and scope achieved by raffle in various subsistence marketplaces cannot be fully understood without considering the coevolution of sociability between rafflers and local partners. Both geographic and social proximity (Weidner *et al.*, 2010; Mason & Chakrabarti, 2017) play an important role in building long-term relationships with local partners in subsistence contexts (Viswanathan & Sridharan, 2012). Despite the economic obligations established within the commercial relationships between the actors, relational elements also begin to coexist (Ingenbleek *et al.*, 2013). In this sense, forging relationships with local partners in subsistence marketplaces introduces aspects beyond pure economic exchange, reinforcing that hybrid exchange systems prevail in subsistence contexts (Mwiti & Onyas, 2018).

As with raffle, commercial relationships with subsistence actors presuppose fidelity and pleasant, interdependent social interactions (Viswanathan & Sridharan, 2009). Relationships and their quality can guide choices (Viswanathan *et al.*, 2014a). Consequently, subsistence partnerships can form relational networks that rely on a commercial order and trust for their success (Viswanathan *et al.*, 2008; Viswanathan & Sridharan, 2012b). As the fundamental characteristic of any community order, especially in subsistence contexts (Abdelnour & Branzei, 2010), trust permeates relationships and future intentions with local partners. Trust becomes a determining factor in conditions of uncertainty and interdependence, such as those found in informal contexts (Viswanathan *et al.*, 2010), and supports negotiations between market agents and local partners as well as between local partners and subsistence consumers.

The results show that the partnership with subsistence actors contributes to understanding the circumstances and demands of consumers and assists in the distribution and promotion of products through a face-to-face approach (Weidner *et al.*, 2010). The predominance of women as local partners in subsistence markets is also highlighted (Viswanathan & Rosa, 2007). The fact that the majority of local partners are housewives provides the necessary flexibility to reconcile the partnership with market agents alongside family care responsibilities.



Though subsistence markets are valued for their economic contributions, marketing practices in these contexts can exacerbate inequalities and reinforce market failures (Mwiti & Onyas, 2018). This contrast illustrates the need for careful analysis of marketing effects, reflecting the complex coexistence of economic benefits and negative externalities (Redmond, 2018). Following this analysis, examining raffle externalities also highlights some disadvantages to subsistence markets arising from partnerships with local partners. Raffle activity acts as a barrier to local commerce, similar to the effects the Walmart chain often provokes in the localities where it operates. It often forces small businesses to close due to unequal competition, as observed by Bonanno and Goetz (2012). There is, therefore, potential harm to the community economy caused by market agents in subsistence contexts (Beninger & Francis, 2016).

Furthermore, the instabilities and sensitive points that permeate the operation of rafflers and their local partners in subsistence markets are traits of an activity where formal and informal practices coexist extensively. Flexible terms of exchange create opportunities for financial risks and conflicting business relations between market agents and local partners, while also encouraging attempts to adapt individuals to the margins of the mainstream market (Barrios & Blocker, 2015). However, despite these adversities, informality is highlighted as convenient (Viswanathan & Sridharan, 2012b), serving as the foundation for the entire collaboration mechanism between rafflers and local partners in subsistence markets.

6 Final Considerations

This study analyzed the composition of externalities in Raffle, a contemporary peddler activity that encompasses several subsistence marketplaces in Brazil. Externalities are complex in nature, requiring different perspectives for full understanding. We believe that subsistence researchers are uniquely positioned to explore the complexity surrounding marketing externalities in subsistence marketplaces, which operate in intense and unpredictable ways and are embedded in their regional specificities.

Discerning subsistence opportunities and deficiencies in a developing country like Brazil is timely and relevant, given the many social and economic challenges the country faces. This study presented an immersive view to demonstrate the externalities of an activity that crosses borders and combines different economic, social, and cultural scenarios across various Brazilian marketing systems.

Building on studies that examine externalities within subsistence contexts and employing an ethnographically inspired method, this study offers an overview of the social consequences arising from the exchange processes between market agents and local partners in subsistence contexts, specifically in Latin America

By investigating the externalities of local partnerships in subsistence markets, we found that transactional flexibility and sociality are important mechanisms for the success of these relationships. As a result, there is a stimulus to consumption in remote communities, along with the generation of employment, income, and occupation. However, local partnerships in subsistence markets also cause barriers to local businesses and present conflicting business relationships and financial risks.

Examining the social effects related to raffle revealed peculiar Brazilian subsistence realities, contributing to the understanding of how street retailing—a phenomenon with such a long-standing tradition — persists in an era dominated by technology. The study also provided insights and resources to manage or enhance positive externalities and minimize the negative ones that may arise from the interaction between market agents and local partners.



The study provides policymakers and marketing professionals with information about the dynamics that permeate informal relationships within different subsistence realities in a Brazilian context specifically, though some of these dynamics may apply in different countries within subsistence market systems, generating interesting follow-up research questions for researchers. We recommend that public policymakers, before intervening, carefully observe the consequences of each activity in its given context to understand the factors that drive positive and negative effects within subsistence market systems. We also suggest that marketing professionals pay attention to the unique characteristics inherent in each subsistence region and context, as the Brazilian case is so diverse and non-conforming in its configuration.

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