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## **The Industrial Internet of Things from a Management Perspective: A Systematic Review of Current Literature**

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### **Abstract**

The Industrial Internet of Things (IIoT) refers to a novel manufacturing paradigm. In its core, it enables real-time, smart, horizontal, and vertical connection of machines, objects, and people resulting in a smart factory. To date, the IIoT has primarily been researched from a technical perspective, while economic research is still in its infancy. In order to promote scientific discussion from a management perspective, this paper aims at systematically analyzing and displaying the current state of economic IIoT research. Thus, research gaps can be identified and targeted future management research can be supported. A systematic literature review is chosen as research method since it is appropriate for the identification, evaluation, synthesis and discussion of existing academic works. A structured selection process with regard to high quality and subject relevance revealed 52 publications published between 2011 and 2016 to be further analyzed in detail. This examination identified four topics discussed in current management literature. Most of the identified articles address IIoT Ecosystem aspects. This includes IIoT-related strategic implications in terms of business partners and other stakeholders, e.g., non-governmental organizations. The topic IIoT Business Models deals with IIoT-triggered effects on established business models to ensure future viability as well as with novel, innovative business concepts. Literature focusing on IIoT Technology Adoption addresses strategic recommendations in terms of both manufacturing transition and adoption requirements. Lastly, IIoT Qualification articles dwell on implications of increasingly digitized work environments for appropriate job designs and qualification requirements. By providing a comprehensive and clearly displayed current state of research as well as showing respective research gaps, the findings are highly relevant for future economic IIoT research. Moreover, this article supports managerial practitioners in understanding the IIoT and its inevitable effects on industrial companies by presenting insights into strategic management in the era of digitized and connected industrial value creation and capture.

**Keywords:** Industrial Internet of Things, Industry 4.0, Industrial Value Creation, Industrial Manufacturing, Literature Review.

**JEL classification:** L00, L60, M15, O32

### **1. Introduction**

The Industrial Internet of Things (IIoT) represents a novel paradigm of industrial value creation. At its core, the IIoT, which refers to ‘Industry 4.0’ in the German-speaking world, enables the real-time capable, intelligent, horizontal, and vertical connection of people, machines, and objects by employing cyber-physical systems (CPS) and the internet (Bauer et al., 2014). The equipment of machines and products with embedded systems like actuators, sensors, and microcomputers provides them with intelligence, resulting in a so-called smart factory. This autonomous factory enables a flexible and efficient execution of production and results in increased resource efficiency (Rehage et al., 2013), higher degrees of customization (Kagermann et al., 2013), highly profitable business models (Bauernhansl, 2014), and job designs suitable for future employee requirements (Hirsch-Kreinsen and Weyer, 2014; Spath et al., 2013). This new production approach aims at addressing arising challenges that manufacturing enterprises have to deal with. Among others, those companies have to face shortened technology and innovation cycles, the necessity of bringing highly customized products in accordance with the cost of a large-scale production, and intensified competition originating in Asia, in particular (Bauer et al., 2014; Bauernhansl, 2014; Dais, 2014).

The full exploitation of these IIoT-inherent benefits requires not only a targeted adjustment of associated operative processes with regard to economic optimization. To a greater degree, strategic implications related to the implementation of the IIoT have to be considered to ensure a reasonable and targeted IIoT application (da Rosa Cardoso et al., 2012). Due to its technical core, current scientific literature primarily concentrates on technological bases, challenges, and opportunities. Contrary, management research, particular with regard to strategic implications, is still in its infancy and has a lot of catching-up to do (Brettel et al., 2014; Emmrich et al., 2015; Krückhans and Meier, 2013). Hence, the present article aims at fostering scientific discussion regarding IIoT from a strategic management perspective by revealing the current state of research as well as identifying areas to be addressed by future research efforts. By doing so, the following research questions are pursued:

RQ1: Which research areas have been addressed by strategic management literature regarding the IIoT so far?

RQ2: Which research areas can be proposed for future management research in the context of the IIoT?

To answer these questions, a systematic review of relevant literature is applied. The next section presents the theoretical foundations of the IIoT before the proceeding of the systematic literature review is explained. The subsequent section elaborates on identified research areas in the context of the IIoT from a strategic perspective. Next, the current body of literature is discussed before, finally, future research areas to be approached are revealed.

## **2. Theoretical foundations: Industrial Internet of Things**

Since the official introduction of the German equivalent of the term IIoT, i.e., ‘Industry 4.0’, in 2011, an increasing amount of research has been published in the recent years. Nevertheless, academic discussion still did not agree on one definition of the term ‘Industrial Internet of Things’ (Hermann et al., 2015). This indeterminacy is reasoned by the fact that the IIoT comprises various technical development steps, which are well-known. However, in combination and connected via networks like the internet, allowing for interactions, they have the potential to create significant innovations (Bienzeisler et al., 2014; Hermann et al., 2015). This results in different definitions of IIoT, depending on the respective author’s focus and perspective.

According to Spath et al. (2013), a smart and self-controlling production environment is the key element of the IIoT. The upgrading of objects and systems to CPS is the crucial technology that facilitates the autonomous steering of objects through the value chain. In the core, this definition is congruent with those of the BMBF (2014) and Windelband (2014), who argue for CPS as the key enabler of a smart, self-controlling production as well. Emmrich et al. (2015) expand CPS as an elementary technology by embedded systems, cloud computing, and the smart factory. Furthermore, they regard the development of software services as a key element of the IIoT. Bienzeisler et al. (2014) are in line with these definitions by arguing that upgrading machines and products to intelligent objects is the core of the IIoT. According to them, manufacturing orders guide themselves through the production by considering real-time information about employees’ capacities and competencies. Beyond that, they also see potential for novel business models based on smart products, particularly with regard to new service offerings. This is quite similar to Kaufmann’s (2015) definition, who emphasizes, besides an autonomous and self-controlling production, the importance of real-time feedback of information provided by downstream processes for real-time process improvements. Based on the strong linkage of smart products and novel service offerings, service plays a crucial role for the IIoT (Kaufmann, 2015). In line with the already stated definitions, Feld et al. (2013)

describe the IIoT as the opportunity for companies to create new technologies and services. In addition, they separate the IIoT into the two key parts ‘smart products’ and ‘smart production’. Contrary to the previous definitions, Sendler (2013) puts software in the center of his definition. He argues that the application of software in the production, products, and services as well as their interconnectedness is the core of the IIoT. In accordance with the above-mentioned definitions, he also recognizes the high potential for new products and services. Bauer et al. (2014) have a broader view on the topic and identify horizontal and vertical value chain connections, which are both characterized by real-time capability and intelligence. This is not limited to just objects, but also includes human beings and entire information and communication systems. This is supported by Bischoff et al. (2015), who view the IIoT as a further development of production and value creation systems by linking the real world to the digital world. Kempermann and Lichtblau (2014) are going even further and define the IIoT as the opportunity for all participants in the value-adding process to communicate in real-time using web technologies in order to achieve an autonomous and intelligent value chain. In conclusion, these definitions comprise three essential topics: The first group of authors is focused on causal technologies like CPS, smart factory, and cloud computing. The second group of authors expands this approach by the creation of novel services. The third group of authors includes the entire value chain and the potential of vertical and horizontal interconnection and integration. For the further proceeding of this study, the various existing definitions are combined in the following definition:

*The IIoT refers to the progressing digitization and smart connection of industrial manufacturing including all company functions, across all products and services, by integrating the entire value chain, resulting in novel business models, and by means of new digital technologies.*

### **3. Methodology**

A systematic and integrative literature review serves as an appropriate methodological approach for the achievement of this article’s objectives for two reasons. Firstly, it is systematic, scientific, transparent, elaborate, and replicable for the identification, evaluation, synthesis, and discussion of existing works (Fink, 2013; Tranfield et al., 2003). Secondly, the exemplary collocation of several studies serves not only the presentation of the state-of-knowledge, but also the disclosure of critical and disregarded aspects or unsolved problems enabling the derivation of needs for further research (Fink, 2013). The methodological approach used in this article follows the works of Hohenstein et al. (2014), Rashman et al. (2009), Soni and Kodali (2011), and Winter and Knemeyer (2013).

For the review and evaluation process, literature published between 2011, i.e., the first time the German term ‘Industry 4.0’ emerged, and 2016 was considered. Keywords to be searched in the databases Business Source Complete (EBSCO), ScienceDirect, ABI/Inform, and Google Scholar were derived from existing literature and enriched by the results of discussions with independent research colleagues. Eventually, the search queries comprised a combination of several keywords describing the IIoT as well as topical related terms, e.g., connected, smart, factory, manufacturing, industry, industry 4.0, and industrial internet of things. These were extended by their respective German synonyms since the IIoT was first defined in Germany. The single search terms were linked by “AND” and “OR”, which is recommended by Theisen (2013).

Regarding journals to be considered in a literature review, there is wide consensus that the integration of frequently cited papers results in an enhanced quality of a literature review (e.g., McKinnon, 2013). Nevertheless, Cooper (1989, p. 58) argues that relying on only journal articles is appropriate “when the published research contains several dozen, or in some cases

several hundred, relevant works”. As this is not applicable to the term IIoT due to its degree of novelty in research, reliable and relevant collected editions, book chapters, and other studies extended journal articles.

The database research and scan of the results’ titles initially identified 186 articles, which contained at least one of the keyword combinations in the title or abstract, were published between 2011 and 2016, and were relevant for the purpose of this study. After removing duplicates, their abstracts and conclusions were further assessed regarding their relevance to the research questions. Additionally, the relevant publications’ bibliographies were scanned (snowball method) to avoid leaving out potential relevant articles not registered in the searched databases. This procedure is widely accepted and has been employed in existing literature reviews (e.g., David and Han, 2004; Franke and zu Knyphausen-Aufseß, 2014; Soni and Kodali, 2011; Webster and Watson, 2002; Winter and Knemeyer, 2013). This resulted in a sample of 79 articles to be subsequently read in their entirety. Finally, the articles’ relevance and quality was evaluated, particularly with regard to research goals, definitions of key terms, methodological rigor, and results. Non-relevant documents were consequently extracted resulting in a final list of 52 articles, which represented the data corpus of the subsequent integrative literature review. Thereby, the high quality and comprehensiveness of the article at hand is ensured. Figure 1 gives an overview of the article selection process in order to ensure a systematic, transparent, and replicable literature review.

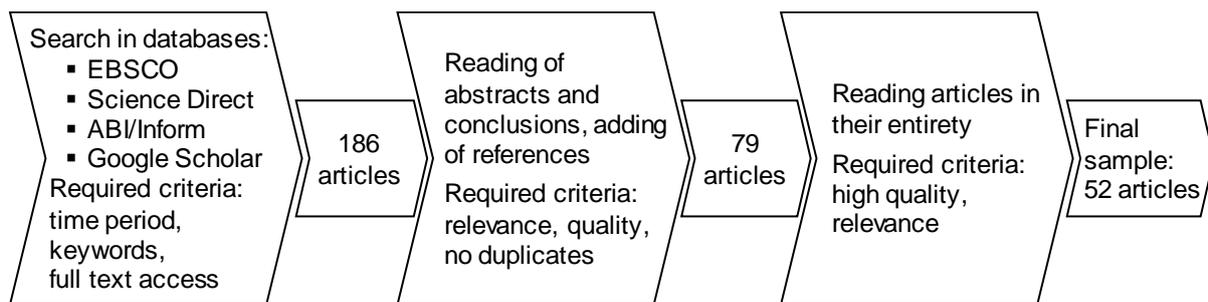


Figure 1. Article selection process

The final sample of 52 documents was analyzed in depth and classified according to the inductively developed categories *IIoT Business Models*, *IIoT Technology Adoption*, *IIoT Ecosystems*, and *IIoT Qualification*. In the final step, the classified articles were compared, critically reflected, and discussed to work out the current state of IIoT-related strategic management research. This facilitates the revealing of research areas, which are still underrepresented and in need of further examination.

#### 4. Findings

In the following, the results of the present literature review are broken down by explicitly describing the four developed research areas.

##### 4.1. Research area 1: IIoT Business Models

Proceeding digitization and interconnection of industrial manufacturing has not only the potential to adjust and innovate manufacturers’ business models, but to a greater degree even premises novel business models. Accordingly, several authors argue that a company’s survival in an industrial environment characterized by highly digitized and interconnected factories, products, machines, and humans can only be ensured by means of new business models (Bauernhansl, 2014; Buhr, 2015; Rudtsch et al., 2014). This is reasoned by a radically changing behavior of customers in terms of increasing orientation towards using instead of possessing a product, intensified competition emanating from new players mastering the new digital

environment, and new disruptive technologies like virtual reality, blockchain, and mobile computing that represent the impetus of the present and future digitization (Gassmann and Sauer, 2016). Similarly, Hartmann and Halecker (2015) emphasize the danger of new players, which will innovate and dominate the customer interface, using the example of the automotive industry. Hence, automobile manufacturers are forced to adjust the customer perspective of their business models. Otherwise, the IT industry will make advantage of the transition from traditional to electric engines and occupy the customer interface while degrading traditional manufacturers to mere suppliers. These changes do not necessarily result in radically, i.e., disruptively new products or services, but can also be an evolutionary further development of respective offers (Emmrich et al., 2015).

Academic literature seems to agree on the importance of an increasing service-orientation as a fundamental characteristic of novel, future-oriented, and viable business models since the previously dominant separation of product and service businesses will increasingly disappear (Fleisch et al., 2014; Kagermann, 2014; Lasi et al., 2014; Rennung et al., 2016; Wolter et al., 2015; Xu, 2012). Consequently, manufacturing companies being focused on their products have to adjust their value offers with reference to a combination of products and services, so-called hybrid solutions. This enables a greater range of offers, which represents a crucial element in terms of facing increasing competition (Bollhöfer et al., 2015; Kans and Ingwald, 2016). Such new services are predominantly based on the utilization of data, which represent an important part of new, IIoT-related business models (Kaufmann, 2015). Moreover, the application of data enables novel billing models based on real usages and performance demands (Kaufmann, 2015; Xu, 2012).

Besides increasing service-orientation, ecosystem integration plays another important part in new business models for the IIoT. According to Leminen et al. (2012), new business relationships based on adjusted business models will result in a more and more collaborative business ecosystem. This is supported by Iivari et al. (2016), who argue that the IIoT necessitates novel ecosystem-capable business models, particularly with regard to increasing value co-creation and co-capturing.

Regarding precise implications of the IIoT on established business models respectively for novel business models, Obermaier (2016) points out the importance of distinguishing between users, who apply IIoT technologies to increase process efficiency, and providers, who aim at establishing innovative, intelligent, and connected products. Independent of this differentiation, IIoT-specific business models have the potential to transform entire industries (Bauernhansl, 2014). Thus, Emmrich et al. (2015) emphasize the importance of regarding business models due to their complexity always in their entirety. Finally, Burmeister et al. (2016) as well as Rudtsch et al. (2014) provide concrete assistance for managers to innovate their companies' business models.

#### 4.2. Research area 2: IIoT Technology Adoption

The review of relevant publications revealed that a successful implementation and utilization of the IIoT is in need of strategic support by companies' top management. Nevertheless, companies still feel uneasy with regard to the adoption of advanced manufacturing technologies like the IIoT due to high investments, lack of expertise, and unclear benefits (Khan and Nasser, 2016). Similarly, Hartmann and Halecker (2015) argue that industrial manufacturers have no clear understanding about successful implementation of CPS, i.e., a core technology of the IIoT. However, as Saberi and Yusuff (2011) ascertain, the adoption of advanced manufacturing technologies results in enhanced performance, e.g., in terms of increased flexibility and reaction time, making IIoT adoption of strategic importance. Hence, Ganzarain and Errasti (2016) emphasize the need of a strategic process for a successful

implementation of the IIoT. Therefore, it is important to consider a company's production in its entirety and not focusing on only single parts of the production (Becker, 2015; Hirsch-Kreinsen, 2014). Otherwise, it might come to problems regarding the coordination and communication within the production, which outweigh potential benefits and advantages. This does not mean that it is always reasonable to implement the IIoT in the whole production. A company's management always has to identify suitable areas to be upgraded by the IIoT against the background of the company's specific situation, strategic orientation, and aims (Krückhans and Meier, 2013).

When a manufacturer's top management has decided to adopt the IIoT, Binner (2014) argues that it is crucial to not concentrating exclusively on a technological implementation. It is decisive for the success to consider the three dimensions human, organization, and technology in a balanced manner. Employees have to be motivated to implement and apply the new production approach, required IIoT technologies have to be developed or acquired and integrated, and the entire organization and its structures have to be adjusted to support the first two dimensions. Erol et al. (2016) and Hartmann and Halecker (2015) developed a process to support companies' top management in adopting the IIoT. They consist of three respectively five steps, both starting with the generation of an understanding of the IIoT and novel business dynamics. This is followed by the development of new business models and the adjustment of business strategies before, finally, these new strategies and business models are translated into concrete projects.

#### 4.3. Research area 3: IIoT Ecosystems

According to several publications, the IIoT is closely linked to a change in the business ecosystems of affected companies (Iivari et al., 2016; Lasi et al., 2014). The IIoT enables increased transparency of production and data as well as data processing and transfer, which are a prerequisite for the intensified integration of a company's ecosystem (Schließmann, 2014; Schuh et al., 2015). Kleinemeier (2014) describes that the IIoT in general will supersede the rigid structures of the traditional atomization pyramid by interconnected, decentralized, and self-organizing services. Consequently, future networks and business ecosystems are characterized by their ability to quickly establish and break up (Lasi et al., 2014; Pau, 2012). In their study, Hartmann and Halecker (2015) conclude that in many cases, managers are not yet aware of potential benefits associated with an intensified integration of their business ecosystems, although they are manifold. The IIoT does not only facilitate cross-company connection and information exchange, but also necessitates an increasing cooperation and collaboration between different ecosystem participants. Manufacturing companies have to draw on partners supplying them with unavailable resources and complementing products and services to be able to offer novel hybrid solutions that are enabled by the IIoT (Kagermann et al., 2013; Spring and Araujo, 2013; Weill and Woerner, 2015). Hence, such cooperations are crucial for the long-term success of manufacturers (Shermann and Chauhan, 2016). As a result, the IIoT leads to novel collaborations between different companies, which did not exist before (Diemer, 2014; Wischmann et al., 2015). Participants in these new ecosystems can be, among others, companies from other industries (Bermann and Korsten, 2014, Geisberger and Broy, 2012), governments as well as non-governmental organizations (Bermann and Korsten, 2014), industrial associations (Rong et al., 2015), and providers of new platforms, applications, services, and cloud technologies (Sendler, 2016). In this context, Rong et al. (2015) emphasize the particular strategic importance of partners possessing software-related competencies and technologies for manufacturing companies. Of course, the integration of a company's ecosystem and associated increasing cooperation with novel partners is not without challenges, which have to be addressed on a strategic level. In this regard, literature instances lack of trust

(Brettel et al., 2014), missing standardization (Köhler et al., 2015), and uncertainty regarding IT responsibilities (Hornung, 2016).

#### 4.4. Research area 4: IIoT Qualification

Finally, various authors deal with strategic IIoT-related issues regarding employee qualifications. In general, the analyzed literature agrees on a higher level of qualification as a prerequisite of IIoT application (Ahrens and Spöttl, 2015; Dombrowski et al., 2014). According to Hirsch-Kreinsen (2016), this development can be traced back to two reasons. On the one side, easy tasks that can be performed autonomously by computers based on algorithms and rules will disappear. Consequently, only jobs, which require better skilled employees, will remain. On the other side, associated with the IIoT, IT increasingly finds its way into all jobs. This necessitates a general adjustment of workforce qualifications. In particular, the IIoT results in increasing knowledge-based work (Arnold et al., 2016; Ecker and Weyerstraß, 2016) and the need to control more complex machinery (Khan and Nasser, 2016). In particular, IIoT-ready jobs are in need of employees, which master complexity, uncertainty, and a flexible handling of changing conditions (Bonekamp and Sure, 2015; Pfeiffer and Suphan, 2015). In addition, Bochum (2015) emphasizes the more than ever importance of life-long learning.

### 5. Concluding discussion

The following section briefly and concisely addresses the research goals defined in the introduction, i.e., the identification of IIoT-related research areas in management literature and research gaps, which put themselves forward for further research activities.

Regarding the revealing of recent research topics covered by IIoT literature from a strategic perspective, i.e., research question 1, the review at hand identifies four areas. Most of the examined articles are concerned with *IIoT Ecosystems* (20 out of 52 articles) closely followed by *IIoT Business Models* (19 out of 52 articles). With reference to the first, literature shows that the IIoT enables the intensified integration of business ecosystems that are more dynamic and flexible than ever before. Associated with this dynamization and increasing integration of the entire ecosystem into a company's own production processes, manufacturers have the potential to take advantage of several benefits. Therefore, companies have to collaborate with completely new ecosystem participants. This allows the access to required but not internally available resources to offer novel hybrid IIoT solutions. With regard to the latter, the IIoT not only fosters new, innovative business models, but also requires established companies to innovate their current business models. Literature reasons this by changing business environments as well as the danger of novel players new to the industry. What these new business models all have in common is their consequent service orientation, which is predominantly based on the utilization of data. Furthermore, as already outlined above, the integration of a company's business ecosystem into its business model is ever more crucial for its future success and viability.

Literature dealing with *IIoT Technology Adoption* and *IIoT Qualification* follows, both addressed by 9 out of 52 articles. Referring to the first, literature agrees that the adoption of the IIoT is associated with increased firm performance. Nevertheless, many companies still feel uneasy regarding the adoption of IIoT-related technologies. As emphasized by some authors, companies have to consider their entire production process, but identify and focus on suitable areas, where the implementation of this new production approach is promising. Moreover, literature argues that it is important to concentrate not only on technology when it comes to IIoT adoption, but also to consider human and organizational aspects. Regarding the latter, contrary to the fear of many people, the IIoT will not result in completely autonomous factories without any human being involved. Employees are still necessary for future production, but

require a higher level of qualification since easy tasks will be performed autonomously. In particular, literature indicates that future employees have to be skilled in terms of IT know-how and problem-solving.

The following table 1 gives an overview of the identified literature in the context of strategic IIoT research, their assessment regarding the allocation to the four developed research areas, as well as the frequencies of each of the research areas.

| Author(s)                    | Research areas       |                          |                 |                    |
|------------------------------|----------------------|--------------------------|-----------------|--------------------|
|                              | IIoT Business Models | IIoT Technology Adoption | IIoT Ecosystems | IIoT Qualification |
| Overall results              | 19                   | 9                        | 20              | 9                  |
| Ahrens and Spöttl (2015)     |                      |                          |                 | X                  |
| Arnold et al. (2016)         |                      |                          |                 | X                  |
| Bauernhansl (2014)           | X                    |                          |                 |                    |
| Becker (2015)                |                      | X                        |                 |                    |
| Berman and Korsten (2014)    |                      |                          | X               |                    |
| Binner (2014)                |                      | X                        |                 |                    |
| Bochum (2015)                |                      |                          |                 | X                  |
| Bollhöfer et al. (2015)      | X                    |                          |                 |                    |
| Bonekamp and Sure (2015)     |                      |                          |                 | X                  |
| Brettel et al. (2014)        |                      |                          | X               |                    |
| Buhr (2015)                  | X                    |                          |                 |                    |
| Burmeister et al. (2016)     | X                    |                          |                 |                    |
| Diemer (2014)                |                      |                          | X               |                    |
| Dombrowski et al. (2014)     |                      |                          |                 | X                  |
| Ecker and Weyerstraß (2016)  |                      |                          |                 | X                  |
| Emmrich et al. (2015)        | X                    |                          |                 |                    |
| Erol et al. (2016)           |                      | X                        |                 |                    |
| Fleisch et al. (2014)        | X                    |                          |                 |                    |
| Ganzarain and Errasti (2016) |                      | X                        |                 |                    |
| Gassmann and Sauer (2016)    | X                    |                          |                 |                    |
| Geisberger and Broy (2012)   |                      |                          | X               |                    |
| Hartmann and Halecker (2015) | X                    | X                        | X               |                    |
| Hirsch-Kreinsen (2016)       |                      |                          |                 | X                  |
| Hirsch-Kreinsen (2014)       |                      | X                        |                 |                    |
| Hornung (2016)               |                      |                          | X               |                    |
| Iivari et al. (2016)         | X                    |                          | X               |                    |
| Kagermann (2014)             | X                    |                          |                 |                    |
| Kagermann et al. (2013)      |                      |                          | X               |                    |
| Kans and Ingwald (2016)      | X                    |                          |                 |                    |
| Kaufmann (2015)              | X                    |                          |                 |                    |
| Khan and Nasser (2016)       |                      | X                        |                 | X                  |
| Kleinemeier (2014)           |                      |                          | X               |                    |
| Köhler et al. (2015)         |                      |                          | X               |                    |
| Krückhans and Meier (2013)   |                      | X                        |                 |                    |
| Lasi et al. (2014)           | X                    |                          | X               |                    |
| Leminen et al. (2012)        | X                    |                          |                 |                    |
| Obermaier (2016)             | X                    |                          |                 |                    |
| Pau (2012)                   |                      |                          | X               |                    |
| Pfeiffer and Suphan (2015)   |                      |                          |                 | X                  |
| Rennung et al. (2016)        | X                    |                          |                 |                    |
| Rong et al. (2015)           |                      |                          | X               |                    |
| Rudtsch et al. (2014)        | X                    |                          |                 |                    |
| Saberi and Yusuff (2011)     |                      | X                        |                 |                    |
| Schließmann (2014)           |                      |                          | X               |                    |
| Schuh et al. (2015)          |                      |                          | X               |                    |
| Sendler (2016)               |                      |                          | X               |                    |
| Shermann and Chauhan (2016)  |                      |                          | X               |                    |

|                          |   |   |
|--------------------------|---|---|
| Spring and Araujo (2013) |   | X |
| Weill and Woerner (2015) |   | X |
| Wischmann et al. (2015)  |   | X |
| Wolter et al. (2015)     | X |   |
| Xu (2012)                | X |   |

**Table 1. Overview of the 52 analyzed articles**

The focus of strategic management literature on these four research areas in combination with the fact that the IIoT still represents a rather young research field emerged not before 2011 emphasizes the need for further research. Since IIoT research from a management perspective is still in its early stages, it is one aim of the present article to identify possible starting points for future studies. Hence and with regard to the second research question, the following directions of further research are derived from the findings elaborated on above:

1. Current literature agrees that established business models have to change due to the IIoT resulting in novel business models characterized by an increasing service-orientation. Over and above this, the body of literature lacks details about concrete business model changes and the characterization of IIoT-adapted business models. Hence, future research should address this gap by conducting qualitative, exploratory studies, which analyze in general how single business model components are changing due to the IIoT and how these changes are linked. Here, it is important to examine the business models in their entirety and not only single parts of them. Additionally, future studies should also consider industry-specific differences in terms of business model changes. By identifying those changes that are particularly true for single industry sectors, this would serve as valuable and helpful support for companies from respective industry sectors.

In addition, future research efforts should address not only potentials and possibilities of the IIoT for the change of established business models, but also for completely new, innovative business models. In this context, it is very interesting to examine, which players will operate these innovative business models: established companies or new companies, e.g., from other industries.

2. The review of current literature dealing with strategic aspects of the IIoT clearly shows that affected companies still feel very uneasy regarding the decision as to whether adopt the IIoT and if yes, in which areas of the company to adopt it to what extent. In order to shed some light on this aspect, researchers are recommended to examine different potential IIoT adoption factors and consequently identify those factors, which either are an obstacle to IIoT adoption or facilitate IIoT adoption in a first step. Based on this and against the background that literature appreciates the necessity of a strategic adoption process, further research can subsequently develop a detailed process that considers relevant factors determining the adoption of the IIoT. In this context, future studies should additionally consider different roles of respective companies, e.g., IIoT providers and users, firm sizes, and business models.
3. Current research emphasizes the strategic importance of business ecosystems for companies in the context of the IIoT and the associated necessity of intensified ecosystem integration. Although some publications identify single players that are new in IIoT ecosystems, literature lacks a comprehensive examination of ecosystem changes. Consequently, academics should investigate how business ecosystems of established companies are changing. This involves the examination of the emergence of entirely new participants, which so far did not play any role, as well as the changing importance of different, established roles. Moreover, it is interesting to analyze how the relationships between single ecosystem players are set up.

4. Regarding employees, literature agrees that they are in need of another profile of qualifications in the future, but respective authors stay on a rather general level. Thus, future research efforts are recommended to analyze the concrete roles of future employees and relating thereto which specific skills and know-how are required. Based on these qualification profiles, recommendations for strategic actions can be derived to both adjust and improve the skills of existing employees, whose qualifications are no longer adequate, as well as regularly adapt present skills and know-how to changing requirements in the context of the IIoT.
5. Finally, the present literature review shows that there exists rather little literature on strategic aspects of the IIoT in general and high-quality academic literature in particular, compared to other well-researched topics like business models, technology management, or human resource management. Therefore, future high-quality research is indispensable, not only with regard to the four highlighted research areas, but also above, to take a further step towards sufficiently examining the young research field of the IIoT.

In conclusion, the present systematic review and analysis of 52 publications from 2011 until 2016 contributes to a better comprehension of the state of research in the context of strategic aspects of the IIoT. Hence, the review provides scholars with a guidance for necessary future research approaches to gain a more comprehensive understanding of the IIoT from a strategic perspective. Furthermore, companies operating in the field of the IIoT obtain a thorough workup of existing literature dealing with strategic aspects of the digitized and interconnected industrial value creation. This fosters their understanding of possible implications for their own businesses and future viability.

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## **Why Do Customers Use Smartphones for Shopping in Omnichannel Environments? Proposition and Testing the Factor Structure of Items for Customer–Smartphone Structural Equation Model (PLS-SEM)**

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### **Abstract**

The usage of smartphones is influencing more and more customers' behaviours and shopping processes. Customers use smartphones, for instance, to buy directly (so-called mobile shopping) or to prepare their shopping within bricks-and-mortar retail. They may search for product information, special offers or nearby retail stores. For these reasons, smartphones are also called shopping assistants or shopping companions. The smartphone becomes, in some ways, a technical but intimate partner and more than just a simple and passive device. It becomes an active partner: social networks can be consulted; mobile coupons can stimulate buying desire; and tracked individual physiological data can be the basis for purchase decisions. Numerous papers and studies focus on customers' acceptance of – and willingness to use – smartphones. But, why do some customers use their smartphones more often and more intensively while shopping within bricks-and-mortar retail than other customers? The purpose of this paper is to propose and test the factor structure of items for a structural equation model (PLS-SEM) including five constructs: (1) the intensity of smartphone usage; (2) the smartphone-extended self; (3) the smartphone-extended mind; (4) the smartphone as a supporter for the digital doppelgänger; and (5) the smartphone as shopping companion. To test the proposed factor structure and items, a small empirical study has been organised as pre-test. The study surveyed mainly students, who represent a highly relevant group of smartphone users.

**Keywords:** Smartphones, Customer Behaviour, Bricks-and-Mortar Retail.

**JEL classification:** M31

### **1. Introduction**

Many customers use their smartphones often and manifold in everyday life. This could cause an increase in the use of smartphones while shopping within bricks-and-mortar retail. Customers may search for product information, special offers or prices. The impact of smartphones on the shopping process can be regarded as it acting as a shopping companion (Cliquet et al., 2014, p. 102). In this way, different marketing channels merge into one simultaneous, overall process (e.g., Brynjolfsson, Hu and Rahman, 2013; Piotrowicz and Cuthbertson, 2014; Rigby, 2011; Verhoef, Kannan and Inman, 2015). There are papers and studies examining customers' acceptance of smartphones (e.g., Agrebi, 2015; Bruner and Kumar, 2005; Jung, Hur and Kim, 2015) or willingness to use smartphones in bricks-and-mortar contexts (e.g., Deloitte Consulting LLP, 2012; Samat, 2014). However, one question is why some customers use their smartphones more often and intensively while shopping within bricks-and-mortar retail than other customers. Because of this issue, different conceptual frameworks and scientific descriptions of the influence of technology on humans are used to derive implications which are applied to customers who use smartphones within physical stores. Therefore, Section 2 of this paper uses three, as well as other, theoretical approaches – such as the extended self, the extended mind and the digital doppelgänger to develop a structural equation model and the associated items. Section 3 shows the results of a small empirical study which has been organised as a pre-test. The paper ends with a discussion and conclusion for further customer behaviour research (Section 4).

## 2. Theoretical framework

It could be argued that smartphones are just passive objects that are controlled by humans, and that the relevance of smartphones in everyday life is based on their increasing functional potentialities. The diversified usage behaviour could, in this case, be expressed by the intensity of smartphone usage (SU). However, it can be pointed out that humans are involved in smartphone interactions that go beyond functional and controlled tool-based use and beyond a simple means-to-end relation for problem-solving tasks. To do this, three active roles to the human–smartphone interaction are attributed: the smartphone-extended self (ES); the smartphone-extended mind (EM); and the smartphone as a supporter for the digital doppelgänger (DD). These three roles are suggested to have relations to the usage of the smartphone as a shopping companion (S).

### The intensity of smartphone usage (SU)

The intensity of smartphone usage seems to very diversified. For example, Falaki et al. (2010) show that: “different users interact with their phones 10-200 times a day on average; the mean interaction length of different users is 10-250 seconds; and users receive 1-1000 MB of data per day, where 10-90% is received as part of active use” (p. 193–94). Therefore, the potential of the smartphone taking one of the aforementioned roles for the customers in everyday life could depend on the overall intensity of smartphone usage.

### The smartphone-extended self (ES)

The smartphone appears more and more as a highly individualised, emotionalised and indispensable out item. The concept of the extended self (Belk, 1988, 2013) characterises such things as part of the extended self because Belk states that “knowingly or unknowingly, intentionally or unintentionally, we regard our possessions as parts of ourselves” (Belk, 1988, p. 1). According to James (1890), possessions are things that we call ours, and we are the sums of our possessions. In addition, Belk (1988) reasons that “the more we believe we possess or are possessed by an object, the more a part of self it becomes” (p. 3). The idea of self is transferred to products that are chosen to be part of our identity. This is why the extended self is one theoretical explanation clarifying the important role of smartphones in everyday life (Belk, 2014a; Clark, 2011; Clayton et al., 2015).

### The smartphone-extended mind (EM)

Knowledge can be outsourced into the (mobile) internet, and always available if needed. Translations, calculations and reminders can be carried out in a two-way interaction between smartphones and customers. Clark and Chalmers (1998) advocate the idea of active externalism “based on the active role of the environment in driving cognitive processes” (p. 7). They argue that there is not only a process of problem-solving in human minds but external objects can also function as part of the mind. So, human mental states and beliefs may be partly realised “by structures and processes located outside the human head” (Clark, 2011, p. 76). Furthermore, a distinction between mind and environment is unreasonable because “the human organism is linked with an external entity in a two-way interaction, creating a coupled system that can be seen as a cognitive system in its own right” (Clark and Chalmers, 1998, p. 9). Following this approach, smartphones could, in some cases, be active drivers for customers’ cognitive processes.

### The smartphone as supporter for the digital doppelgänger (DD)

Bode and Kristensen (2016) describe quantified self-movement, in which members track their individual physiological data (e.g., heart-rate and weight), personal performance (e.g., running,

walking and sleeping) and mental state (e.g., happiness and creativity) in combination with situational and social conditions (e.g., date and weather) (p. 120). The tracking is mostly carried out by smartphones. The more data the device has collected, the more complete the overall picture of a person becomes: the device can provide many details about a person's body that the user themselves does not know. In this way, these created digital doppelgängers can then access data-based individual behaviour recommendations.

#### The smartphone as shopping companion (S)

Customers may use smartphones within bricks-and-mortar retail via different motivations. Voropanova (2015) conceptualises a model that suggests that “the use of a mobile device in shopping improves shopping productivity dimensions (time/effort savings, money savings, right purchase, and emotional benefits from shopping)” (p. 540). Research, in 2013, undertaken by the Google Shopper Marketing Council, has shown that customers use smartphones to “find product information”, “find where specific products are sold” or “make life easier” (p. 21–25). As a conclusion, the following five dimensions could represent the usage of smartphones as a shopping companion: (1) getting information about products/services; (2) finding products/services; (3) saving money; (4) enjoying the act of shopping more; and (5) making the act of shopping more convenient.

Based on this suggested theoretical framework, the following hypotheses are assumed, which reflect the relationship between the five constructs:

H1: As the intensity of overall smartphone usage of customers grows, the smartphones become closely allied with customers' selves, their cognitive processes become incorporated with smartphones and, in turn, the use that smartphones have for tracking personal shopping-related data also grows.

H2: As smartphones become more closely allied with customers' selves, customers become more willing to use smartphones as shopping companions in bricks-and-mortar retail stores.

H3: As customers' cognitive processes become more incorporated with smartphones, customers are more willing to use smartphones as shopping companions in bricks-and-mortar retail stores.

H4: As customers increasingly use smartphones for tracking personal shopping-related data, customers are more willing to use smartphones as shopping companions in bricks-and-mortar retail stores.

### **3. Research methodology**

To test the proposed factor structure and items, questionnaire research was conducted. The five latent variables were measured by 17 items, which are shown in Table 1.

| Variable  | Item |   |
|---|------|---|
| Intensity of smartphone usage (SU)                        | SU1  | I react quickly to impulses on my smartphone; when, for instance, it has news for me, I read them as soon as possible.                              |
|   | SU2  | When I wake up in the morning or fall asleep at night, the first thing or last thing I do is look at my smartphone.                                 |
|   | SU3  | I use my smartphone every free minute.  |
| Smartphone-extended self (ES)                             | ES1  | My smartphone is very important to me, it plays an important role in my life.   |
|   | ES2  | The idea of having to live without my smartphone makes me uneasy.   |
|   | ES3  | My smartphone belongs to me. You could even say it's like a part of me.   |
| Smartphone-extended mind (EM)                             | EM1  | If I do not know something, I consult my smartphone.  |
|   | EM2  | My smartphone helps me out in everyday life; for instance, when calculating, navigating or looking up words.  |
|   | EM3  | You could say my smartphone is my personal assistant, with whom I organise my everyday life; it reminds me, for instance, of appointments or tasks. |
| Smartphone as supporter for the digital doppelgänger (DD) | DD1  | When someone gets my smartphone in their hands, they can learn a lot about my personality.  |
|   | DD2  | My smartphone has extensive knowledge about me and my behaviour.  |
|   | DD3  | My smartphone gives me information about me (such as run steps, consumed calories, etc.) that I would not know without it.                          |
| Smartphone as shopping companion (S)                      | S1   | I use my smartphone to get information about products/services during my shopping.  |
|   | S2   | I use my smartphone to find products/services that are sold out or not offered at the store when I go shopping.                                     |
|   | S3   | I use my smartphone to save money during my shopping.   |
|   | S4   | I use my smartphone to experience more joy during my shopping.  |
|   | S5   | I use my smartphone while shopping (for example with a shopping list-app), because it is more convenient.   |

*Table 1. Factor structure and items*

Source: Own table

A six-point evaluation scale was applied for the questionnaire. The total participant sample size of this research was 323. The survey was conducted in May, 2017. Respondents were all students and randomly chosen during lectures at Jade University of Applied Sciences (Germany), where they filled in the questionnaire. The gender was marked at 57% for males and 43% for females. Partial least squares structural equation modelling (PLS-SEM) methodology – using SmartPLS V.3.2.6 software (Ringle, Wende and Becker, 2015) – was used for the analysis. The path model was specified as reflective.

#### 4. Research results

The evaluation of the reflective measurement model revealed that the two items, DD3 and S5, could not prove a required indicator reliability and the variable DD had questionable Cronbach's Alpha. After elimination of those two items, the composite reliability of both constructs DD and S increased and the Cronbach's Alpha of the variable DD became acceptable. After the elimination, internal consistency reliability, indicator reliability, convergent validity and discriminant validity were observed as reliable and valid. Table 2 shows that: Cronbach's Alpha and composite reliability values of all endogenous variables were above 0.7; all indicator loadings were above 0.708 and statistically significant; and averaged variance extracted (AVE) values of all endogenous variables were above 0.5.

| Variable | Item | Convergent validity   |                            | Internal consistency reliability |                       |
|----------|------|-----------------------|----------------------------|----------------------------------|-----------------------|
|          |      | Indicator reliability | Average variance extracted | Cronbach's alpha                 | Composite reliability |
| SU       | SU1  | .807*                 | .695                       | .782                             | .872                  |
|          | SU2  | .825*                 |                            |                                  |                       |
|          | SU3  | .869*                 |                            |                                  |                       |
| ES       | ES1  | .878*                 | .747                       | .831                             | .899                  |
|          | ES2  | .852*                 |                            |                                  |                       |
|          | ES3  | .864*                 |                            |                                  |                       |
| EM       | EM1  | .861*                 | .724                       | .809                             | .887                  |
|          | EM2  | .890*                 |                            |                                  |                       |
|          | EM3  | .799*                 |                            |                                  |                       |
| DD       | DD1  | .917*                 | .812                       | .770                             | .896                  |
|          | DD2  | .885*                 |                            |                                  |                       |
| S        | S1   | .839*                 | .682                       | .845                             | .895                  |
|          | S2   | .871*                 |                            |                                  |                       |
|          | S3   | .817*                 |                            |                                  |                       |
|          | S4   | .773*                 |                            |                                  |                       |

\*p &lt; .000

**Table 2. Convergent validity and internal consistency reliability after item elimination**

Source: Own table

To evaluate the discriminant validity, the heterotrait-monotrait ratio (HTMT) (Henseler et al., 2015) was assessed. None of the HTMT-values were above 0.85 and none of the confidence intervals contained the value 1. Therefore, there is no lack of discriminant validity.

The evaluation of the structural model showed that there is no lack of collinearity as all variables' variance inflation factor (VIF) were below 5. All path coefficients were significant, apart from the variables DD -> S with path coefficient that was non-significant (see Table 3).

| Variables | Path Coefficient | P Value |
|-----------|------------------|---------|
| DD -> S   | .068             | .271    |
| EM -> S   | .232             | .001    |
| ES -> S   | .186             | .003    |
| SU -> DD  | .425             | .000    |
| SU -> EM  | .567             | .000    |
| SU -> ES  | .673             | .000    |

**Table 3. Path coefficients**

Source: Own table

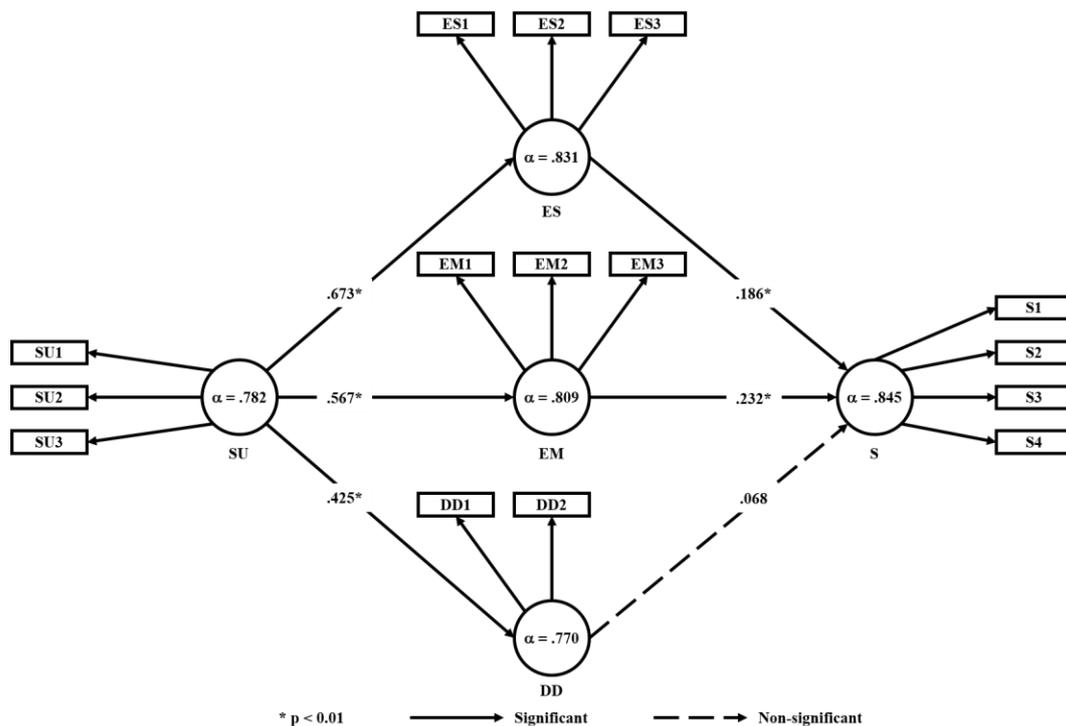
The coefficient of determination ( $R^2$ ) values were in a range of 0.16 and 0.45. Considering the aim and the problem of the research, the predictive power can be seen as not substantial, but acceptable.

The effect size ( $f^2$ ) of SU  $\rightarrow$  DD, ES, EM is large, the effect size  $f^2$  of EM, ES  $\rightarrow$  S is small and there is no effect of DD  $\rightarrow$  S.

The structural model revealed predictive relevance, because  $Q^2$  values for latent variables were above zero. The  $q^2$  effect size of EM  $\rightarrow$  S was 0.016 and  $q^2$  of ES  $\rightarrow$  S was 0.030.

## 5. Discussion and conclusion

The analysis of the research results shows that the intensity of overall smartphone usage has a statistically significant relation to the three suggested roles of smartphones: the smartphone-extended self; the smartphone-extended mind; and the smartphone as a supporter for the digital doppelgänger. This supports H1 (see Figure 1).



*Figure 1. Estimated Structural Equation Model*

Source: Own work

Two of the three suggested roles of smartphones, the smartphone-extended self and the smartphone-extended mind, also illustrate statistically significant relations to the usage of smartphones as a shopping companion within bricks-and-mortar retail (H2 and H3). However, the role the smartphone as a supporter for the digital doppelgänger seems not to have statistically significant relations to the usage of smartphones as a shopping companion (H4). Although, this could be a matter of the elimination of one of the three items that measured the construct. The matter of this paper was, amongst others, to pre-test of items. DD3 and S5 may have been unclearly phrased, because both gave examples and respondents may have only thought about those while answering. In sum, the suggested path model seems to work. Another pre-test should be done with substitution of the two problematical items.

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## **Human Resource Management in Social Welfare System**

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### **Abstract**

The article presents the results of the research of employees' labor motivation, who work in social welfare system. The issues of the existing personnel policy and the degree of its effectiveness are considered in order to attract highly qualified specialists to this particular working area. The study was conducted in 2016 in social service organizations, located in Belgorod region (Russia). At the preparatory stage of the research, the analysis of federal and regional law, as well as the internal documents of social service organizations, regulating the employment issues was carried out, which makes it possible to reveal the declared principles for this employment cluster. At the next stage, a questionnaire was developed to interview employees, working in social service organizations. The sample was based on the proportional selection of respondents by districts, types of organizations, gender and age. As a result, four key clusters of employee motivation were identified: (1) professional career and self-realization (only 20% of respondents have this type of labor motivation, the majority of them are young people with an experience of up to 5 years); (2) the stability of employment and the guarantee of wage (about 50% of respondents, whose professional experience is more than 10 years, work in social welfare system mainly because of low but stable wages and guaranteed social package); (3) motivation of temporary employment (15% of respondents are not focused on long-term employment in social sphere, some of them either use the current job to get the working experience, or the rest of others waits to leave for a new and more desirable place of work); (4) motivation to maintain comfort (this cluster includes about 15% of people who are going to retire soon and prefer comfortable working conditions as well as have the permanent place of work prior the retirement).

**Keywords:** human resources, management, social welfare system, social service organizations, research.

**JEL classification:** I31

### **1. Introduction**

Social management in the sphere of human relations assumes a leading role of information and qualitative changes in modern Russian society under the influence of social disadvantage consequences. These changes are becoming a new challenge in order to convert the social protection system and the management of state social policy. In turn, the priority in the social management system is the "human factor", therefore, an indispensable condition for achieving success becomes professional skills, knowledge and personal qualities of people involved in the social services, providing state social policy.

Society makes demands of adequacy and responsiveness to state social services in order to improve its quality and execution of social guarantees. However, these requirements often contradict to the low level of professionalism of social work employees and aging technologies which are provided by social service organizations to the targeted groups of population. This situation creates new tensions and social distress among people in needs as well as among

social workers themselves. Today, modern social service system in Russia needs high educated personnel and the personnel policy management which will be focused on effective implementation of public social policy programs.

Currently, we can see the forgetfulness of important social innovations of 1990s, when the wide spectrum of academic disciplines in the humanities and social sciences in education system was expanded; the new specialty “Social work” was introduced in university and college curriculum; the formation of now known scientific schools of sociology and social work was taken place.

After 2000s we were faced with the problem of preservation and continuation of positive initiatives in the development of the social component of the educational space that had the great value for human progress and modernization.

According to the official statistic data, in 2016 there were 480 thousand people worked in social service organizations in Russia, 200 thousand of them were social workers (Anon, 2012). Today there is a decline in the prestige of professions related to social work and management, which in turn leads to the declining of the prestige of social service organizations and exacerbating the problem of strategic management of educational and personnel policies. As a result of irresponsible decisions, social work profession has lost its attractiveness for students in a number of major regional universities. For example, it happened at Saratov State Technical University, where the platform for social work training had been closed and the University could not keep one of the strongest domestic scientific schools of sociology and social work, which had existed for 25 years. In this case, social workers of the regional social services lost the opportunity for their educational growth to enhance their skills, to expand their knowledge about new technologies, international social work practices as well as for the compliance with the professional requirements which were dictated by the new state social standards.

Reorganization of scientific and educational structures has led to the narrow profile of education that negatively influences on the quality of social work training. Social work training programs for the improvement of professional skill and knowledge become ineffective in practice, especially in the regions where big universities become unattractive for high qualified faculty and downgraded the standard of training and retraining of specialists. So, the further decline in the prestige of social work profession, the reduction the number of budget places for university students, studying social work, could seriously harm the society.

There is a great need in specialists, managers, researchers and experts in social areas, having higher professional education to reform and develop different spheres of national economy. Moreover, the system of labor motivation of graduate students should be built, based on the work’s creative content, as well as on the material and moral factors. Existing programs of human resource development of social services almost do not take into account such an important factor as the level of prestige of social work profession in the society, which influences on the quality of employees, their level of professionalism and general culture.

## **2. Literature review**

Professional education is seen as a contradictory point by scientist, regarding its influence on students’ professional identification during the learning process. Some researches emphasizes the great impact of social work education on professional socialization (Lishman, 2012), students’ attitudes, values and preferences (Sims, 2011; Terum & Heggen, 2016; Thampi, 2017) while others do not (Bogo, Raphael & Roberts, 1993; Weiss, Gal & Cnaan, 2004; Kaufman, Segal-Engelchin & Huss, 2012).

The main reasons for this contradictory result are the following: different research designs, used in studies, that cannot be replicated; limitations of the studies regarding small sample size, single school of social work, taking part at the study; the examining students at a single

point in time, without taking into account the possibility to change their opinions under some circumstances, for example, teachers' or peer's influences; the lack of longitudinal and cross-cultural research data.

However, the strong professional identification as well as professional skills, knowledge and values have a great influence on social worker's motivation and the quality of provided services (Kvyik, 2009; Lamote & Engels, 2010; Mathews & Lough, 2017).

### **3. Research methodology**

In 2016, the study of employees' motivation, working in social service organizations, located in Belgorod region, was carried out. On the first stage of the research we conducted the analysis of modern federal and regional legislation, internal documents of regional social service organizations that allowed revealing the declared principles for this cluster of employment. On the second stage the questionnaire for the survey of employees of social service organizations was developed. The stratified type of sample was used for the research, based on the proportional representation of employees according to districts, profiles, activities, gender, age, and types of organizations. The sample consisted from 50 heads of social service organizations. The purpose of the research was to identify human resource management processes in these social service organizations.

### **4. Findings Empirical results**

The study was able to identify four key cluster of current employees' motivation who was working in social service organizations: 1) professional career and self-realization (only 20% of respondents had this type of motivation; almost all of them were young employees with experience of up to 5 years); 2) the stability of employment and the guarantee of wage (about 50% of respondents, whose professional experience was more than 10 years, worked in social welfare system mainly because of low but stable wages and guaranteed social package); 3) motivation of temporary employment (15% of respondents were not focused on long-term employment in social sphere, some of them either used the current job to get the working experience, or the rest of others waited to leave for a new and more desirable place of work); 4) motivation to maintain comfort (this cluster includes about 15% of people who were going to retire soon and preferred comfortable working conditions as well as had the permanent place of work prior the retirement).

Identified four clusters allow offering approaches in order to mitigate the negative trends in the human resource management of social service organizations. For the employees of the first cluster, focused on the career and self-development it is important to create conditions for their career growth and accumulation of professional competences. Algorithms of human recourse management should be revised in the direction of encouraging the development and innovation of staff's working conditions in social service organizations. The employees of the second cluster feel satisfied working in social service organizations because of the job stability and wage guaranteed social package. However, the efforts are required from all agents (including government social policies) that shape the stability of the employment market for the prevention of social risks of job loss. For the staff from the third cluster in order to overcome the problem of the loss of the employees' efficiency it is important to connect the motivational attitudes of each individual employee with the goals of the organization. The implementation of the assessment of motivation, taking into account individual achievements will significantly reduce the number of people with the motivation of temporary employment. The staff from the fourth cluster that has the motivation of preserving comfort is a stable element of the personnel structure. However, in order to prevent the routinization and stagnation of organization's

professional activity, flexible management technologies should be adopted as well as a motivating system for the staff's evaluation and promotion must be developed.

The obtained results allow to speak about the human resource crisis of organizations, engaged in social protection system, the decline of the prestige of social work profession in the modern Russian society, the lack of professional and progressive-minded graduates from higher educational institutions. In order to make some changes it is necessarily to take action to attract talented young people to social services and to guarantee them the career growth and developing the creative potential.

There are some main causes of the human resource crisis: firstly, the lack effective technologies to attract young professionals in social structures; secondly, the cooperation of social services with universities is limited by the procedure of contracts targeted training and internships; thirdly, low level of wages in social sphere. For example, the average salary of a social worker in Russia at the beginning of 2017 was about \$166 per month, while the average poverty line was \$178 (Anon, 2017). Also it is necessarily to take into account the territory of living. There are seven regions in Russia with the highest wages in social sphere (\$316-366), such as Moscow, Republic of Khakassia, Kamchatka, the Sakhalin, Kaliningrad, Lipetsk, Leningrad region. At the same time, the average salary of a social worker in Rostov region, the Bashkortostan Republic is \$125. In some regions the salary of social workers is even smaller. For example, in Orenburg in the end of 2016 it was \$91.7 per month. According to the Ministry of Labor and Social Services, the salary of all social workers in Russia is planning to increase in 2.5 times in 2018 (Anon, 2012).

In comparison with the earnings of social workers, employed in USA their average salary depends on the specificity of clients' needs and social workers' specialization area. Table 1 includes the examples of social workers' median annual earnings in 2015.

| 2015                           |   |   |                    |                |
|--------------------------------|---|---|--------------------|----------------|
| Social worker's specialization | Mental health and substance abuse field | Child, family and school social workers | Healthcare workers | social workers |
| Median annual earnings         | \$42 170                                | \$42 350                                | \$52 380           |                |

*Table 1. Social worker's median annual earnings*

Source: Social Worker: Education Overview for a Career in Social Work

## 5. Conclusion

In conclusion it should be emphasized that one of the key components is the formation and development of personnel potential of organizations implementing the state social policy. The professionalism of employees who work at social service organizations largely contributes the wellbeing of the population and increases the success of the implementation of state social policy strategies for socio-economic development of the country.

Reforming the social protection system has been happening constantly for many years, and includes changing social programs, educational standards, government assurances, and sets of social services for a particular social group of the population. According to the results of the research, the most typical difficulties which social services are faced with are the lack of competent, well-trained, young professionals; unattractiveness of employment in the social sector due to its poor management, the decline the prestige of social work profession as well as the reduction of the educational segment which allows to conduct high-quality training and retraining of staff for social services; in a situation where educational institutions are concerned with training employees on a commercial basis, the employers encourage staff to provide formal indicators of professional development, the losers are people in need who seek

professional and competent social services, at the same time the social protection system becomes ineffective in raising the well-being of society.

### Acknowledgments

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## **Challenging the Negative Image of Destinations at Pre-visit Stage Using Food and Food Events as an Educational Tool: The Case of Romania**

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### **Abstract**

Destinations with a negative image struggle to attract tourists (Alvarez and Campo, 2014). Research addressing the issues of these destinations remains limited. Séraphin, Butcher and Korstanje (2016) have provided evidence that the education of tourists at pre-visit stage using visual online learning materials can contribute to improve the image of a destination. As for this paper, it provides evidence that off line resources like food and food events can play an important role in the chain of marketing actions to put in place to improve the image of a destination. Food and food events appear as efficient tryvertising and educational tools at pre-visit stage. From an academic point of view, this research paper contributes to the meta-literature in the field of marketing, tourism and food research as it introduces the DRA model as a way to gauge the efficiency of a tryvertising tool.

**Keywords:** Marketing; tourism; food; Romania; image.

**JEL classification:** M31

### **1. Introduction**

Political instability, economic crisis, natural disasters, outbreak diseases are examples of factors that can negatively impact on the performance of a destination (Ritchie, Dorrell, Miller & Miller, 2004). As a result of the impacts of these factors, some destinations can become less popular or totally disappear from the tourism map (Seddighi, Nuttal & Theocharous, 2001). In order to overcome the consequences of the above listed factors, some destinations have opted for aggressive marketing strategies, but they have proven to be ineffective (Alvarez & Campo, 2014; Seddighi et al, 2001), hence the reason why in this paper we have opted for a softer approach, namely ‘education’ of tourists at pre-visit stage. Indeed, ‘existing research on tourists’ education focuses on the visit itself, but generally neglects the pre-visit stage’ (Séraphin, Butcher & Korstanje, 2016:2). That said, Séraphin, Butcher and Korstanje (2016) have provided evidence that the education of tourists at pre-visit stage using visual online learning materials can contribute to improve the image of a destination. Adopting an ambidextrous approach, the objective of this paper is to show that off line resources like food and food events could be very effective tryvertising and educational tools. Quite often there is a gap between how the destination is perceived by tourists and the reality. This discrepancy has

been identified as ‘blind spot’ (S raphin, Gowreesunkar & Ambaye, 2016). Based on the latter, it becomes obvious that the education of tourists at pre-visit stage is all the more important for destinations with a negative image. Because food tells the narrative (social and economic) of a country and its people (Privitera & Nesci, 2015); because food as a fashion aspect (Henderson, 2000); because authenticity is considered as the most important criterion for the development of heritage tourism (Park, 2014); and finally because events have the potential to develop social capital, that is to say the inclusion of an individual in a range of networks, structures or groups that allow them to develop and gain this capital (Miller, McTavish, 2013; Bladen, Kennel, Emma & Wide, 2012; Foley, McGillivray, McPherson, 2012), we are claiming that food and food events can contribute to improve the image of destination with a negative image. The focus of this paper is on Romania, but the findings will have a wider applicability for destination with a similar profile. We picked Romania for many reasons. Among these are: (1) Romania as a tourist destination is poorly researched from an academic point of view. In *Tourism Management*, there is no paper with ‘Romania’ in the title. In *Annals of Tourism Research*, there are four papers with ‘Romania’ in the title. As for *Journal of Travel Research*, there are none. It is important to emphasise the fact that *Tourism Management*, *Annals of Tourism Research* and the *Journal of Travel Research*, ‘are the three premier outlets for tourism research (...) as they are acknowledged to represent the vanguard of thought leadership within the tourism discipline’ (McKercher, Law & Lam, 2006 cited in Keating, Huang, Kriz & Heung, 2015).

In terms of tourism performance, it is a mid-table destination as it is ranked 68/136 in the league table of Travel and Tourism Competitiveness Index 2017 (WEF, 2017 [Online]), meaning that there is still room for the improvement of the performance of the destination; (2) Among the Balkans and Eastern European destinations, Romania is ranked 6/12 still according to league table of Travel and Tourism Competitiveness Index 2017 (WEF, 2017 [Online]). Romania scores below average for instance, when it comes to prioritisation of travel and tourism. Romania for instance scores 3.8% for this criteria while the average for the Balkans and Eastern European is 4.2% (WEF, 2017 [Online]). Worldwide, Romania is ranked 108/136 for this criteria (WEF, 2017 [Online]). The organisation and support of food festivals could be an alternative solution for the Destination Marketing Organisation (DMO) to show its interest in the tourism industry while promoting areas where the country is quite competitive like natural resources (3% while the average in Eastern Europe/Balkans is 2.7%); cultural resources and business travel (2.3% Vs 1.7%). In this research paper, our research question is as follow: How can food and food related events contribute to educate tourists at pre-visit stage about Romania? In terms of structure, this paper will be articulated around three main sections: (1) the literature review is going to cover Romania and its tourism industry; the process of image formation of Romania; the educational potential of food. (2) In the method section, the research protocol will be explained, and finally, (3) the results, discussions and conclusions section is going to discuss the findings of the paper.

## **2. Contextual framework**

### **2.1 Romania and its tourism industry**

Tourism in Central and Eastern Europe has mirrored the physical and cultural geography of the regions. Capital cities and historic centers were the main attractions for tourist flows. Even Romania was not excluded from important tourist activities, before the birth of post-war socialist regimes, the thermal baths and extensive beaches over 250km on the Black Sea coasts were flourishing tourists resorts mostly frequented by elite tourism.

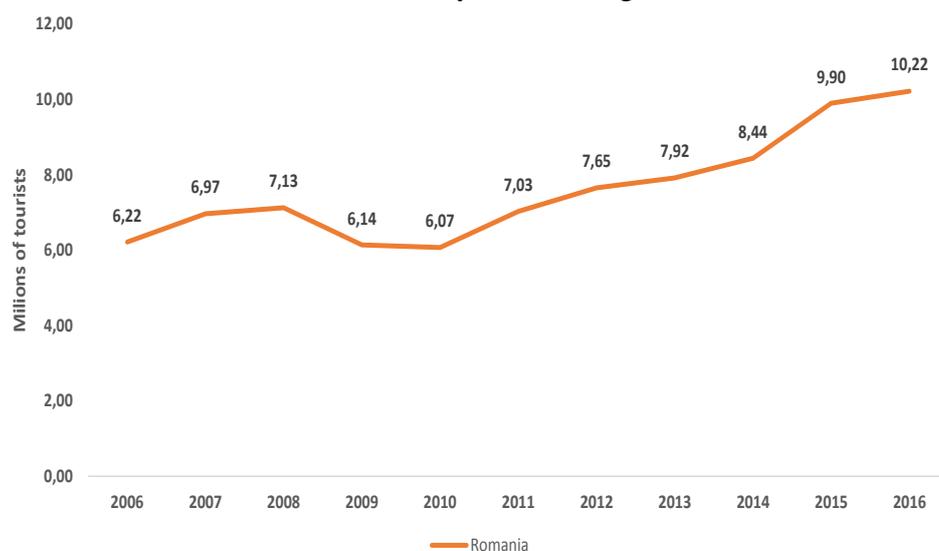
The socio-political changes that took place since the Second World War then radically changed economic activities related to tourism. In fact, special forms of internal tourism were developed, always on a collective basis, in line with the socialist settings in which the state was the only promoter and implementer of national tourism. A tourism that had the functions of rest, health of citizens, and not least the knowledge of their country, thus complying with the Marxist propaganda, so international tourists were virtually absent, with strong contractions in the hotel and transport sectors.

After the period of control of the socialist state, with the collapse of the Marxist regimes, a massive tourist flow of these countries began, which, despite of infrastructural and organizational obstacles, in general, it has seen a growing tourism in Eastern Europe, in particular, in Romania. It is in the last ten years, probably with the entry of some countries in the European Union, Romania and Bulgaria in 2007, that the tourism sector seems to be positively fuelling the balance of tourist payments, with good prospects for economic growth and tourism, in particular (Infomercatiesteri, 2017).

Romania is today a very exciting tourist destination for foreigners, rich in natural and artistic attractions, although the tourism potential of the country is not sufficiently developed (Cipollari, 2007).

According to the data provided by the National Institute of Statistics (INSSE) in 2016, there were 4.643 accommodation facilities in Romania. Accommodation facilities can be classified in hotels, tourist villas, bungalows, tourist pensions, farm houses, campsites, holiday villages, nursery schools and campsites for students, tourist camps and passenger ships. In 2016, agri-tourism intercepts 28% of the total, followed by hotels (25.3%), tourist pensions (25.3%), villas and bungalows (8.2%). Tourists who have stayed in Romania's tourist accommodations have recorded an increase of 64% between 2006 and 2016 (Infomercatiesteri, 2017).

Figure 1 shows the growth trend of tourists visiting Romania, which went from 6,22 million in 2006 to over 10 million in 2016 (INSSE, 2016). Moreover, 93% of foreign tourists visiting Romania came from European countries. 58% of them come from EU countries, with the largest number of tourists coming from Hungary (28.3%), followed by Bulgaria (27.6%), Germany (8.4%), Italy (7%) and Poland (5.5%). The balance of tourist payments is quite positive, with revenues coming mainly from the closest states, whose residents are favored by the reduced distance and the common currency in travelling.



(\*) Our elaborations on data from National Institute of Statistics (INSSE).

**Figure 1. Evolution of the total number of tourists entered in Romania (2006-2016) (millions)**

Source: Our elaboration on data from National Institute of Statistics

In the Balkans and Eastern Europe, Romania remains quite a competitive destination (ranked 6th out of 12 destinations in this area) despite performing slightly below the area average for 'Human Resources Labour Market'; 'ICT Readiness'; 'Prioritisation of T&T'; 'Price Competitiveness' and 'Ground and Port Infrastructure' (WEF, 2017 [Online]). These points could be considered as the weaknesses of the destination. As for the main strengths of the destinations they are as follow: 'International Openness', 'Natural Resources' and particularly 'Cultural Resources and Business Travel' (WEF, 2017 [Online]). At an international level Romania is doing rather well as it is ranked 68/136 for its overall Travel and Tourism Competitiveness (WEF, 2017 [Online]). The data provided in this section presents Romania as a mid table destination (at regional and international level). The same data identified culture as the key strength of the destination and the environment (political, economic, social and technologic context) as a weakness. How are all the above information reflected in the way visitors and potential visitors perceive the destination? This question is very important as sometimes there is a 'blind spot', in other words, a gap between the negative images of the destination perceived by tourists and the optimistic image conveyed by Destination Marketing Organisation (S raphin, Gowreesunkar & Ambaye, 2016).

## 2.2 . Romania and the formation of its image

### 2.2.1. Overview of the theory on the formation of the image of a destination

According to Gartner (2000), the destination image can be defined as *'the attitude, perception, beliefs and ideas one hold about a particular geographic area formed by the cognitive image of a particular destination'* (Gartner, 2000:295). Moreover, it is very important to highlight the fact that:

-The destination image is a simplified version of reality and it affects both an individual's perception of a destination and their choice of destination as the image of the destination is the only evidence that the visitor has of the destination before they visit (Cooper and Hall, 2008: 223).

-The image tourists have of a destination is based upon information acquired either by induced agents (generally controlled by sources external to the individual such as advertisements); organic agents (that are acquired through personal experience and are normally the most trusted source of information); and autonomous agents (are media sources or popular culture such as films or documentaries). They are considered as the most powerful because they can quickly alter a tourist's image of a destination (Gartner, 1993). No matter how the tourist acquired the image of the destination, but from his point of view the perceived image is reality (Cooper and Hall, 2008: 224).

-The image of a destination has some key characteristics among these are the fact that the image changes continuously but slowly; the smaller the destination is, the more likely its image is going to be based on its political situation (Gartner, 1993).

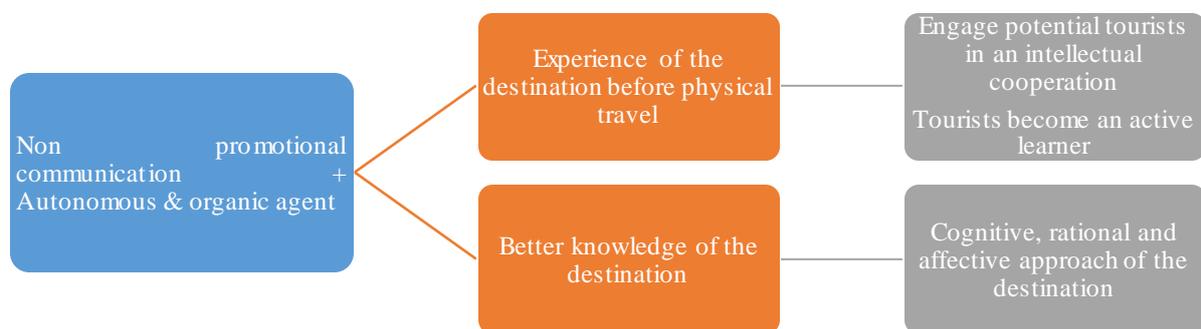
### 2.2.2. Image formation of Romania based on Gartner (1993) framework

In general, autonomous agent and more specifically the media play a key role in the construction of the image of destinations with a negative image. This is for instance the case of Haiti, a post-colonial, post-conflict and post-disaster destination, depicted as a shantytown, a place to avoid (S raphin, Gowreesunkar & Ambaye, 2016). In the case of Romania, the negative image of the destination seems to be based mainly on organic agents a pre-visit stage. In France, Romanians (and therefore Romania) have a very negative image; they are often associated with the image of beggars, gipsies, poverty, etc. The truth is that these gipsies are no Romanians. They represent a minority group/community in Romania. This group is outcast in Romania and pretty much wherever they travel to (Medium France [Online]; Observers

[Online]). Because of this situation, it is all the more important for Romania to educate people and potential visitors.

### 2.3 Education of tourists at pre-visit stage

S raphin, Butcher and Korstanje (2016) explained that it is very important to educate tourists at pre-visit stage because they very often unfairly judge some destinations. S raphin, Butcher and Korstanje (2016) also explained that a good pre-visit stage educational tool must be able to provide: (1) potential visitors an experience of the destination before the physical travel (2) a better knowledge of the destination. As a result of these, potential tourists will be turned into active learners and will develop a cognitive, rational and affective approach of the destination. The model below summarises the process of education of tourists a pre-visit stage (figure 2).



**Figure 2. Process of education of tourists a pre-visit stage**

Source: Own figure

This study is one of the first attempts to apply this model to food and food events. The purpose of applying this model is first to explore the potential of food and food events to convey potential visitors an experience of the destination before even visiting the destination; second to investigate the potential of food and food events to convey certain knowledge/information about the destination. *In fine*, the objective is to develop an affective link between the potential visitors who experience the food and food events.

## 3. Food and food events as educational tools

### 3.1. Overview of existing literature

According to the World Tourism Organisation (2012) food as immaterial cultural heritage can enhance the reputation of destinations worldwide and differentiate locations. For the purpose of this study, it is noteworthy to mention and introduce the well noted definition of Stebbins (1996) who states that “Cultural tourism is a genre of special interest tourism based on the search for and participation in new and deep cultural experiences, whether aesthetic, intellectual, emotional, or psychological.” (Stebbins, 1996).

The above mentioned concept is very complex and there is a long debate among scholars about its definition and conceptualisation (Michalk , 2004; Richards 2005; Shackelford, 2001). It is also interesting to note, that the 2005 report of the European Travel Commission on City Tourism and Culture distinguishes between an inner and outer circle of cultural tourism:

- The inner circle represents the primary elements of cultural tourism which can be divided into two parts, namely heritage tourism (cultural heritage related to artefacts of the past) and arts

tourism (related to contemporary cultural production such as the performing and visual arts, contemporary architecture, literature, etc.).

- The outer circle represents the secondary elements of cultural tourism which can be divided into two elements, namely lifestyle (elements such as beliefs, cuisine, traditions, folklore, etc.) and the creative industries (fashion design, web and graphic design, film, media and entertainment, etc.) (City Tourism and Culture – The European Experience, 2005).

However, it seems that it does not recognise the importance of food and gastronomy as cultural/knowledge dissemination and education. Above all now, where in the UNESCO Intangible Cultural Heritage List, food has finally received status as a true part of a common heritage.

As Morgan (2010) points out: ‘Food is vital to human health and well-being in a way that the products of other industries are not, and this remains the quintessential reason as to why we attach such profound significance to it’ (Morgan, 2010: 1852). Still according to Morgan (2014), food plays a multi-functional connecting role in society and sustainable food systems are supportive of sustainable communities (Morgan, 2014). In 2012, the European Economic and Social Committee of European Union recognised the importance that food can have in connecting agriculture, crafts, tourism, retailing and the entire rural economy as a whole while developing regional umbrella brands (Cavicchi and Ciampi Stancova, 2016). Furthermore, in 2014, the Committee on Culture and Education of the European Parliament approved a motion for European Parliament Resolution on the ‘European gastronomic heritage: cultural and educational aspects’ (European Parliament, 2014). It recognises the importance of food and gastronomy as artistic and cultural expression and fundamental pillars of family and social relationships (Cavicchi and Ciampi Stancova, 2016). That said, adopting an ambidextrous approach, off line resources like food and food events could be very effective tryvertising and educational tools. In line with this, Séraphin, Butcher and Korstanje (2016) have provided evidence that the education of tourists at pre-visit stage using visual online learning materials can contribute to improve the image of a destination. For these reasons, we are claiming that food and food events can contribute to improve the image of destination with a negative image, in order to convey certain knowledge/information about the destination at international level. In this regard, research reveals that food tourism is worldwide and it is a growing socio-economic key factor. Thus, according to Hall, Sharples, Mitchell, Cambourne & Macionis (2003), food tourism is an experiential trip to a gastronomic region, for recreational or entertainment purposes, which includes visits to primary and secondary producers of food, gastronomic festivals, enogastronomic events/tours, food fairs, events, farmers’ markets, cooking shows and demonstrations, tastings of quality food products or any tourism activity related to food, cooking school holidays, dining at famous restaurants in light of their chef’s reputation, street food tours (UNWTO, 2012; Cavicchi and Ciampi Stancova, 2016)

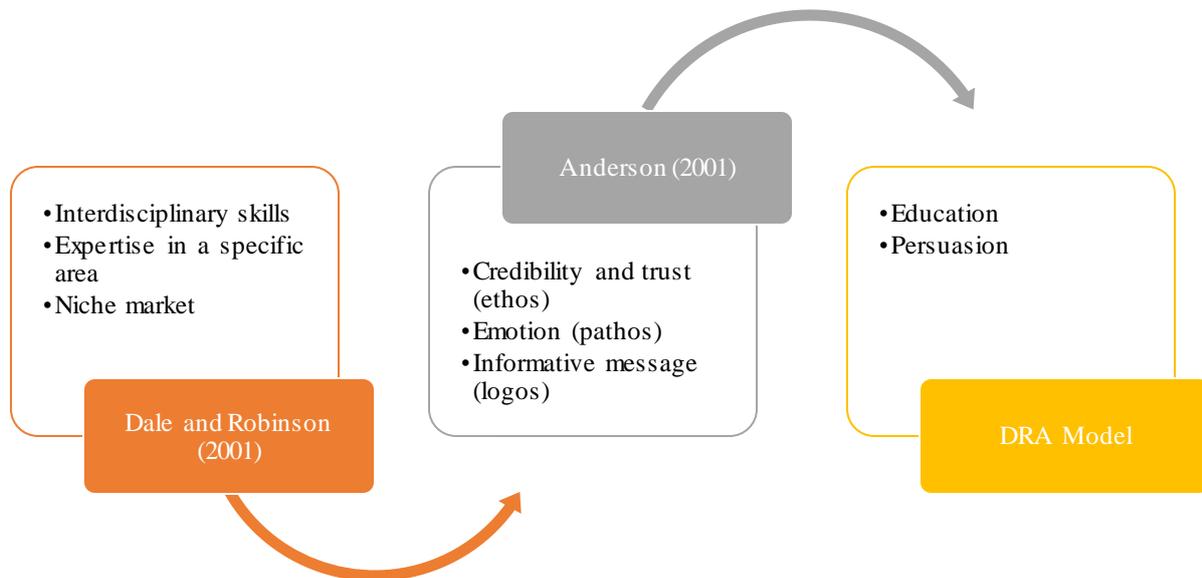
Furthermore, Richards (2015) underlines the role that food can play in influencing the overall branding and positioning of a destination: 1) Food is a part of the destination marketing mix, because it helps to give a sense of place and allows tourists to literally taste the destination, coming directly into contact with local culture. 2) Since we eat two or three times a day, gastronomy is the aspect of culture that tourists most frequently come into contact. They literally ingest local culture. 3) Eating habits are differences that immediately become obvious: the time people eat, the way they eat and what they eat all become immediate points of difference upon entering a new culture. 4) Food provides a direct connection with landscape because tourists can recognise origins of food.

Because food tells the narrative (social and economic) of a country and its people (Privitera & Nesci, 2015); because food as a fashion aspect (Henderson, 2000); because authenticity is considered as the most important criterion for the development of heritage tourism (Park,

2014); and finally because events have the potential to develop social capital, that is to say the inclusion of an individual in a range of networks, structures or groups that allow them to develop and gain this capital (Miller, McTavish, 2013; Bladen, Kennel, Emma & Wide, 2012; Foley, McGillivray, McPherson, 2012).

### 3.2. Recovery nature of food and food events

DRA (Dale Robinson Anderson) is a model created by the authors specifically for this study. This model is the combination of two existing models: The Dale and Robinson (2001) model and the Anderson (2001 – cited in Walters & Mair, 2012) model. Dale and Robinson (2001) forwarded a three-domain model of tourism education and an action plan for its implementation that would meet the needs of all stakeholders (learners, training providers, and employers). They argue that in order for a tourism educational programme to meet the needs of the industry and stakeholders involved (namely learners, education institutions and employers), it needs to: (a) develop interdisciplinary skills for a broad understanding of the industry; (b) provide expertise in a specific area in terms of skills and (c) explore niche markets. As for Anderson (2001 - cited in Walters & Mair, 2012), the art of convincing a target audience relies on three elements: (a) an “ethos” element, based on the credibility and trustworthiness of the source of the message; (b) a “pathos” element, linked with the emotional appeal of the message and finally, (c) a “logos” element, referring to the capacity of the message to inform. “Ethos, logos, and pathos are interconnected, influence each other, and all affect the effectiveness of persuasion” (Walters & Mair, 2012: 95). The figure below (figure 3) provides a visual representation of the model.



**Figure 3. The Dale Robinson Anderson Model (DRA Model)**

Source: own figure

In this paper, it is argued that a combination of the two models can provide the most suitable ‘recipe’ for a tool that can both educate people about a destination that suffers from a negative image, and at the same time, encourage people to visit the destination. Food events, as part of culture (from a theoretical analysis) seem to have the attributes to influence perception as food events rely and convey emotions (pathos) and information (logos) and if well organised, can convey knowledge (education). On that basis, food event could be a contributor to an effective recovery image strategy (Hypothesis). The following section is going to empirically illustrate our hypothesis.

## 4. Methodology

### 4.1 Content analysis

Hsieh and Shannon (2005) suggest that to analyse content, the research method should “focus on the characteristics of the language as communication with attention to the content or contextual meaning of the text”. (...) “The goal of content analysis is to provide knowledge and understanding of the phenomenon under study”. This can then enable the researcher to “interpret meaning from the content of text data’ to ‘discover and describe the focus of individual, group, institutional, or social attention”. According to Weber (1990, cited in Stemler, 2001) this type of research can also “examine trends and patterns in documents” and provide evidence for interpretation (Hammond & Wellington, 2013).

### 4.2 Results

40 feedback of Romanian restaurants in the UK on TripAdvisor ([https://www.tripadvisor.co.uk/ShowUserReviews-g186338-d4043899-r286822822-Crystals\\_of\\_London-London\\_England.html](https://www.tripadvisor.co.uk/ShowUserReviews-g186338-d4043899-r286822822-Crystals_of_London-London_England.html)) were analysed (content analysis). The purpose was to find out information regarding our customers felt after the experience. The data collected were analysed using the software *TextStat 3.0* in order to obtain the frequency of each word contained in the website. Only meaningful words related to the topic of this research were kept. The word cloud below summarises our findings (figure 4).



Figure 4. Customer experience of Romanians restaurants in London (Word cloud)

Source: own figure

Eating in a restaurant is not going to change on its own the image of Romania; however, this first experience represents a step toward the education of potential visitors as it gives a slight idea of what the food, the people are like, how authentic and traditional the destination is, etc. Food contributes to the chain of actions to be put in place to improve the image of the destination a pre-visit stage.

### 4.3 Discussion

Romania is increasingly becoming a container of events, attracting a large number of both national and foreign visitors, and has a strong impact in economic terms and image on the site that hosts it. The idea is to celebrate and bring to the attention of the whole community, the

various enogastronomic and cultural excellences of Romania, recognized all over the world: cuisine and fine wines. Even in Romania, over the last decade, the philosophy of ‘Slow food’ has been widespread: typical quality productions that protect small farmers, livestock farmers, consumers and the environment. In fact, in Romania there are two presidiums Branza de Burduf cheese from the Bucegi Mountains and the marmalades of the Sassoni villages (OBC Transeuropa, 2017). More importantly, Getz (2008: 305) explains that cultural events are the most suitable form of events to attract tourists as ‘cultural events in particular are easily commodified as tourists attractions’. Richards and Palmer (2010: 3) also added: ‘Cultural events have become central to processes of urban development and revitalisation, as cultural production becomes a major element of the urban economy, and cultural consumption can dominate both the image of places and urban life in general’. That said, festivals and cultural events are very important for a destination as it gives them the possibility to ‘lengthen tourist seasons, extend peak season or introduce a new season into the life of a community (...) address issues of civic design, local pride and identity, heritage, conservation, urban renewal, employment generation, investment and economic development’ (Derrett, 2009: 33). Festivals and cultural events are all the more important as some tourists travel specially to gain deeper understanding of a culture or heritage of a destination (Cros & McKercher, 2015).

## 5. Conclusion

Research addressing the issues of destinations with a negative image, affecting their tourism performance, remains limited. Conversely, over the last decade, scholars, policy makers, practitioners have increasingly stressed the key role that food and food events have in local socio-economic development. The purpose of applying the DRA model was firstly to explore the potential of food and food events to convey potential visitors an experience of the destination before even visiting the destination; secondly to investigate the potential of food and food events to convey certain knowledge/information about the destination. Thirdly, to develop an affective link between the potential visitors who experience the food and food events. Results of the reviews of Romanian restaurants in the UK on TripAdvisor showed that customers are overall very happy with these restaurants. Eating in a restaurant is not going to change on its own the image of Romania; however, this first experience represented a step toward the education of potential visitors as it gives a slight idea of what the food, the people are like, how authentic and traditional the destination is, etc. Furthermore, food contributes to the chain of actions to be put in place to improve the image of the destination a pre-visit stage. This study was one of the first attempts to apply this model to food and food events. Findings revealed a wider applicability for destination with a similar profile. That said, adopting an ambidextrous approach, the objective of this paper was to show that off line resources like food and food events could be very effective tryvertising and educational tools. From an academic point of view, this research paper contributes to the meta-literature in the field of marketing, tourism and food research as it introduces the DRA model as a way to gauge the efficiency of a tryvertising tool.

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## Marketing Strategies for Responsible Tourism: Challenges and Opportunities

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### Abstract

On a global scene, concerns about global warming, destruction of the environment, erosion of cultures and lifestyles, and millions of people still living in poverty, are increasing (International Centre for Responsible Tourism, 2012). The number of initiatives aimed at saving some part of the environment, or improving the living conditions for the world's vulnerable people, increases steadily. According to the Ethical Consumer Markets Report (2012:2) markets for ethical goods and services have remained resilient throughout the economic downturn. Tourism is one of the world's largest and fastest growing economic sectors. In 2015 the number of international tourist arrivals surpassed 1.2 billion with a forecast to reach 1.8 billion in 2030 according to the UNWTO. Within this continuing growth of tourism there is a growing trend and a raising consumer awareness for sustainable and responsible tourism. Since more than 90% of tourism companies in EU are small businesses, individual entrepreneurs or family houses, they do not have a capacity to exploit the opportunities offered by these new 'green' markets. Present paper provides results from a transnational study among micro and small tourist companies in seven EU countries - the Netherlands, Italy, Spain, Portugal, Northern Ireland, Bulgaria, and Malta. The research is conducted online and focuses on the attitudes toward CSR, the effect of CSR on company strategy, including marketing and brand strategy. Based on research results several implications about marketing strategies for responsible tourism initiatives launched by micro and small companies are presented.

**Keywords:** marketing strategy, brand strategy, responsible tourism, CSR.

**JEL classification:** M31, M37

### 1. Introduction

On a global scene, concerns about global warming, destruction of the environment, erosion of cultures and lifestyles, and millions of people still living in poverty, are increasing (International Centre for Responsible Tourism, 2012). As a response to these problems, a number of initiatives aimed at saving some part of the environment, or improving the living conditions for the world's vulnerable people, grows steadily. According to the Ethical Consumer Markets Report (2012:2) markets for ethical goods and services have remained resilient throughout the economic downturn. United Nation DESA (Department of Economic and Social Affairs) proactively promotes the notion that national sustainable strategies of development should explicitly consider cities as main pillars for building sustainability (Vos & Van der Geest, 2013:76), including responsible tourism. The idea about "...formulation of environmentally sound and culturally sensitive tourism programs as a strategy for sustainable development of urban and rural settlements and as a way of decentralizing urban development and reducing discrepancies among regions"

has been launch as Agenda 21 in 1992 during the United Nations Conference on Environment & Development which was held in Rio de Janerio, Brazil (1992:50).

This paper provides results from a transnational study among micro and small tourist companies in seven EU countries - the Netherlands, Italy, Spain, Portugal, Northern Ireland, Bulgaria, and Malta. The research is conducted online and focuses on the attitudes toward CSR, the effect of CSR on company strategy, including marketing and brand strategy. Based on research results several implications about marketing strategies for responsible tourism initiatives launched by micro and small companies are presented.

## 2. Responsible tourism and CSR: “push” vs. “pull” approach

Tourism is one of the world’s largest and fastest growing economic sectors. In 2015 the number of international tourist arrivals surpassed 1.2 billion with a forecast to reach 1.8 billion in 2030 according to the UNWTO (2016). Within this continuing growth of tourism there is a growing trend and a raising consumer awareness for sustainable and responsible tourism. Since more than 90% of tourism companies in EU are small businesses, individual entrepreneurs or family houses, they do not have a capacity to exploit the opportunities offered by these new ‘green’ markets.

During the last years there is a growing debate around “the Myth of sustainable tourism” (Sharpley, 2010), pro-poor tourism (Ashley, Boyd & Goodwin, 2000), responsible tourism (Chafe, 2005; Francis & Goodwin, 2003), ethical tourism (Weeden, 2002; Francis & Goodwin, 2003). Jacquemin & Thomas (2016:19) claim that many of the disadvantages associated with tourism are actually characteristics of growth and globalization. However, Thomas (2014) brings up the issue of the capacity of some development organizations to make tourism an effective tool for reducing poverty. Responsible tourism initiatives and/or projects could be hindered in many ways. First, the complexity of the environment and the diversity of the local context require both a visionary and detailed operational thinking. It is quite difficult to simply transfer one good practice from one place to another. Second, successful entrepreneurial process depends on specific knowledge and skills acquired by the company which is willing to develop responsible tourism products. In most of the cases these companies are SMEs or family businesses. They do not have enough expertise and/or business capacity to go effectively and efficiently through the whole planning process in order to launch an innovative product to the market and to succeed to keep it vital. Third, the stakeholders’ attitudes toward exploitation of tourist resources, especially those of local communities in remote but suddenly attractive areas are far from sustainable way of thinking.

The role of CSR in building brand identity and brand reputation has become increasingly important amidst signs that consumers are becoming more cynical about corporate promises in the areas of environmental awareness, ethical practices in areas ranging from legal and regulatory compliance, HR management and social accountability. The perceptions of consumers to CSR activities are, therefore, a major concern for marketers and marketing scholars.

CSR is rooted in the recognition that businesses are an integral part of society and that as such they have the potential to make a positive contribution to social goals and aspirations. Given the increasingly important role which marketing plays in corporate governance (Nath & Mahajan, 2008), the question, therefore, of the strategic role which CSR can play in marketing strategies for responsible tourism is an interesting one. The implementation of CSR could be done by two different approaches. Some people see business as sitting in the middle with both societal and political pressures coming at it from the outside. This consists the “push” side of the CSR framework (Vassileva, 2009). The second point of view is to perceive the CSR as coming from the business idea (the “pull” side). The main difference between them depends on the drivers which are used to stimulate responsible behavior of the companies. The main drivers for the implementation of the “push” approach into the practice are the standards. The “pull” approach relies mainly on self-regulation or on initiatives launched by the companies itself. The balanced use of both approaches (“push-pull”) depending on the complexity of the environment and the local context could facilitate the successful implementation of responsible tourism initiatives.

The increasing importance of CSR at the corporate board level coincides with a growing interest among scholars in corporate marketing as a distinctive model of marketing in its own right. Balmer & Greyser (2006) call this the “corporate model” of marketing. The components

of this model are strongly aligned with current conceptualizations of CSR: they include the ‘stakeholder’ orientation (including future as well as present stakeholders), ‘organizational support’ (coordinated organizational activities which support the stakeholder orientation); an ‘end-focus’ which goes beyond the profit motive and a ‘societal application’ which takes into account the future societal needs of stakeholders and sensitivity to “the organization’s inheritance where applicable” (Balmer, 2001). Taken as a whole, these components of corporate marketing are clearly an extension of CSR orientations. Although Balmer & Greyser (2006) do not explicitly describe the relationship between CSR and its impact on the corporate brand, their most recent adaptation of earlier work in this area strongly resonates with CSR debates.

### 3. Methodology

The study consists of qualitative stage (desk research and in-depth interviews with experts) and quantitative stage (online survey with representatives of micro and small tourist companies). It covers seven EU countries - the Netherlands, Italy, Spain (Extremadura), Portugal, Northern Ireland, Bulgaria, and Malta. The questionnaire consists of four sections. The first section focuses on the attitudes toward Corporate Social Responsibility (CSR), including associations regarding responsible tourism, best examples of responsible tourist companies, the most important characteristics for a responsible tourism company, and the main benefits of applying CSR activities. The second section deals with the components of CSR activities and their effect on company strategy. The third section is devoted to the components of marketing and branding strategy of tourist companies. The fourth section contains questions aimed at assessing demographic profiles of respondents (Table 1).

| Characteristics                    | BG    | PT    | NL    | NI    | IT    | ES    | MT    |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Ownership                          |       |       |       |       |       |       |       |
| State company                      | 4.55  | 7.14  | -     | 13.04 | -     | 10.00 | -     |
| Municipal company                  | -     | -     | -     | 4.35  | 14.29 | 16.67 | -     |
| Private company                    | 86.36 | 71.43 | 90.00 | 78.26 | 71.43 | 43.33 | 70.59 |
| Co-operative                       | -     | -     | 10.00 | 4.35  | 4.76  | 3.33  | 11.76 |
| NGO                                | 4.55  | -     | -     | -     | -     | 6.67  | 11.67 |
| No answer                          | 4.54  | 21.43 | -     | -     | 9.52  | 20.00 | 5.88  |
| Number of employees                |       |       |       |       |       |       |       |
| 1 to 9                             | 68.18 | 71.43 | 45.00 | 43.48 | 61.90 | 56.67 | 41.18 |
| 10 to 50                           | 27.27 | -     | 50.00 | 47.83 | 28.57 | 20.00 | 52.94 |
| 51 to 250                          | -     | 7.14  | 5.00  | 8.70  | -     | 6.67  | -     |
| 250 +                              | -     | -     | -     | -     | -     | 3.33  | -     |
| No answer                          | 4.55  | 21.43 | -     | -     | 9.52  | 13.33 | 5.88  |
| Market share                       |       |       |       |       |       |       |       |
| 1% - 5%                            | 50.00 | 35.71 | 20.00 | 34.78 | 9.52  | 10.00 | 41.18 |
| 6% - 10%                           | 4.55  | -     | -     | 21.74 | 4.76  | 3.33  | 5.88  |
| 11% - 15%                          | -     | -     | -     | 4.35  | -     | 13.33 | -     |
| 16% - 20%                          | -     | 7.14  | 5.00  | -     | -     | 3.33  | -     |
| > 21%                              | -     | 7.14  | -     | -     | -     | -     | -     |
| Don't know                         | 31.82 | 21.43 | 50.00 | 39.13 | 38.10 | 46.67 | 29.41 |
| No answer                          | 13.63 | 28.57 | 25.00 | -     | 47.62 | 23.33 | 23.53 |
| Respondent's experience in company |       |       |       |       |       |       |       |
| 1 year or less                     | -     | 7.14  | 5.00  | 26.09 | 9.52  | -     | 5.88  |
| 2 to 4 years                       | 18.18 | 21.43 | 40.00 | 39.13 | 33.33 | 13.33 | 23.53 |
| 5 to 9 years                       | 22.73 | 14.29 | 15.00 | 21.74 | 23.81 | 33.33 | 11.76 |
| 10 years or more                   | 50.00 | 35.71 | 25.00 | 13.04 | 28.57 | 43.33 | 52.94 |
| No answer                          | 9.09  | 21.43 | 15.00 | -     | 4.76  | 10.00 | 5.88  |

**Table 1. Demographic profile of respondents, %**

Note: BG – Bulgaria, PT – Portugal, NL – the Netherlands, NI – Northern Ireland, IT – Italy, ES – Spain, MT – Malta.

Source: Author's work

The definition of responsible tourism according to the Cape Town Declaration on Responsible Tourism (2002) was used throughout the survey, namely: “Tourism that maximizes the benefits to local communities, minimizes negative social or environmental impacts, and helps local people conserve fragile cultures and habitats or species.”

The questionnaire was translated in the following languages: Bulgarian, Spanish, Portuguese, Italian. LimeSurvey platform was used to configure the questionnaires. The survey was administered online (June-July 2016). A total number of 127 respondents participated in this survey.

## **4. Results and discussion**

### **4.1. Qualitative research stage**

The following topics were discussed with experts in the field of tourism, specialists from tourism companies and associations, and responsible tourism enthusiasts in partner countries:

- How to raise the awareness level for responsible tourism?
- How to become responsible?
- How to promote a responsible image?
- How to set up a local network of responsible tourist companies?
- What kind of online platform to develop to support micro and small tourist companies for responsible initiatives?

According to the interviewed experts, the key impact and benefits of responsible tourism which could be used to raise the awareness level should be analyzed in three different aspects: ecological, cultural and economic. These benefits can be summarized as follows. First, support of local economy. Substantial part of responsible tourism activities includes buying local products or using services provided by local companies. These activities deliver as a result a higher revenue for the local people. Economic benefits include not only the generated income for the local community, but they also stimulate employment both directly and indirectly. Second, improvement of living conditions. Responsible tourism contributes to the awareness of nature, stimulating people to take care of it and thereby leaving a preserved nature for future generations. Third, increasing awareness of sustainability in general. Responsible tourism provokes people to think about sustainability and responsibility, even being on a holiday. Forth, special travels. According to the experts the holiday could add value to travelers by meeting new cultures and/or local people. Fifth, preservation of culture and nature

The main concern with mass tourism (both sea-side and winter tourism) is its ecological efficiency. There is a serious concern about the negative effect of the widespread construction of hotels, restaurants and tourism infrastructure (such as sea-side cafes, ski-tracks, barges etc.) on natural environment. According to the interviewed experts responsible tourism should be promoted as an alternative for mass visited locations providing benefits such as: escape from the busy city lifestyle, leaving behind the noise and pollution, and experience wild undamaged nature with the quiet and beauty it provides.

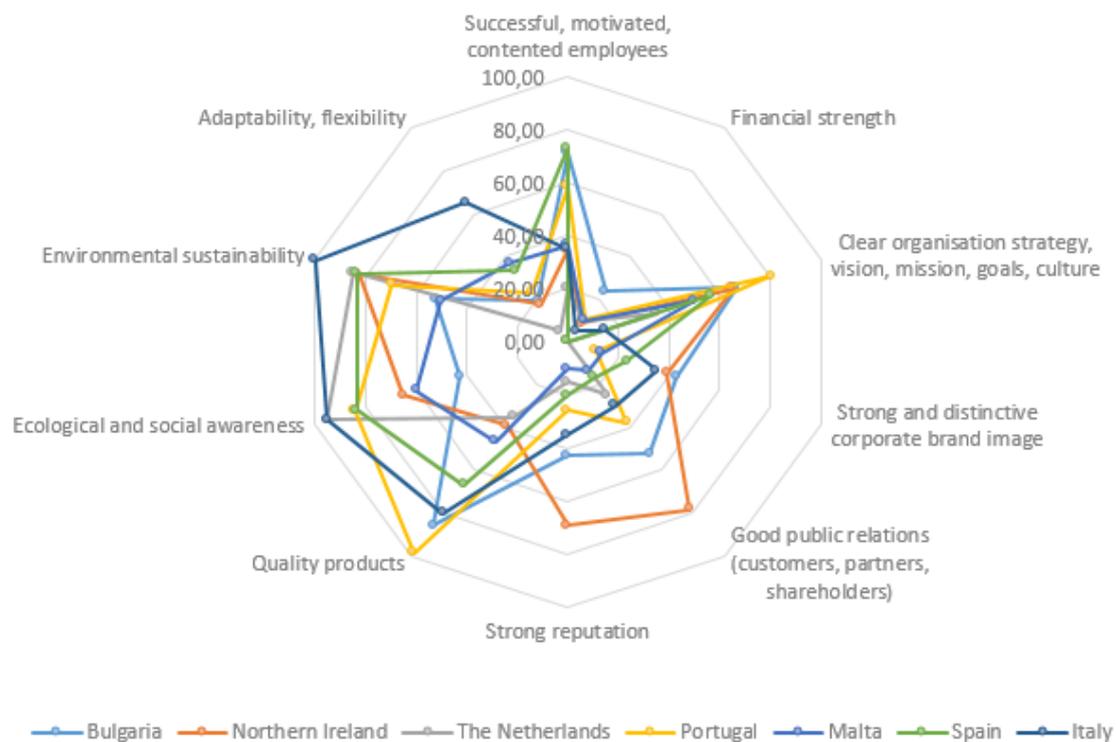
Several types of communication channels appropriate for promoting a responsible image are pointed out during the interviews: digital communications (website, a Facebook page, a Twitter account or other social media accounts or the use of a digital newsletter), printed materials (e.g. flyers at the Tourist Information desks) and audiovisual communication (expensive, but with a large reach). The social media channel is considered as a key communication tool. According to the experts it is difficult for many SMEs in tourist and hospitality industry to allocate resources to implement CSR practices in their activities. The predominant number of them don't have specific knowledge and skills which are necessary to develop and to implement a CSR policy and/or strategy.

## 4.2. Quantitative research stage

### *Attitudes toward Corporate Social Responsibility (CSR)*

In this section of the questionnaire the following topics are analyzed: 1/ Associations regarding responsible tourism, 2/ Best examples of responsible tourist company, 3/ The most important characteristics for a responsible tourism company, 4/ Main benefits of applying CSR activities. The main associations of Bulgarian respondents regarding responsible tourism are connected with preserving the nature, sustainability, restoring tourist resources, and focus on local communities. The words associated with responsible tourism mostly mentioned by Dutch respondents are as follows: sustainable, green, environmentally friendly, responsible and care for nature. Maltese respondents have various perceptions of responsible tourism, e.g. eco-tourism, tourism based on sustainable behavior, tourism activities that respect the society and environment they operate, promoting local heritage, trade and culture protection of natural assets, agro tourism, green tourism. Most Spanish respondents indicated that responsible tourism has elements related to the respect for the environment and nature, and that is committed to reduce CO<sup>2</sup> emissions (including energy efficiency). Many of the respondents also indicated that responsible tourism means not only respect for the environment but also for culture and locals of the destination and for the employees of the tourism establishment or company.

The most important characteristics for a responsible tourism company are identified using a rank scale.



**Figure 1. Importance of characteristics for a responsible tourism company, profile analysis, total %**

Source: Author's work

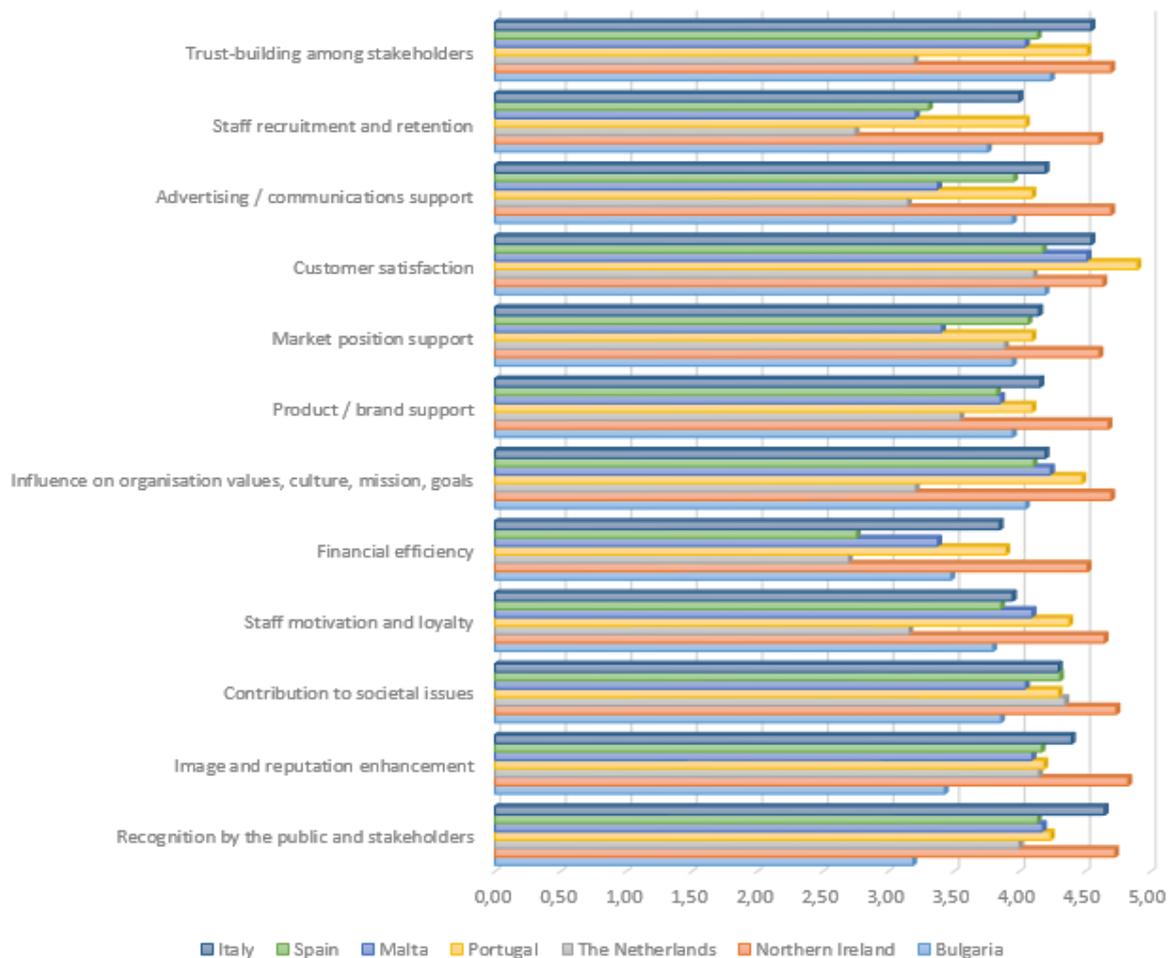
The respondents are asked to rank the five most important characteristics for a responsible tourism company among ten characteristics which are provided. Despite the slight difference among analyzed countries (Figure 1), the most important characteristics which should be possessed by a responsible tourism company include the following:

- Ecological and social awareness;

- Environmental sustainability;
- Providing quality products;
- Clear organization strategy, vision, mission, goals, culture;
- Good public relations (customers, partners, shareholders).

Twelve benefits of applying CSR activities (Figure 2) were presented in the survey form. The following five benefits were considered main benefits by respondents:

- Customer satisfaction;
- Trust-building among stakeholders;
- Influence on organization values, culture, mission, goals;
- Contribution to societal issues;
- Recognition by the public and stakeholders.



**Figure 2. Main benefits of applying CSR activities by countries, mean**

Note: The following measurement scale is used: 1 = Not benefit at all, 3 = Relative benefit, 5 = Strong benefit

Source: Author's work

Financial efficiency was evaluated slightly contradictory by Bulgarian respondents. Financial efficiency wasn't mentioned as a benefit of applying CSR by the predominant number of respondents (Mode = 2) while the Mean suggests that it could be considered as a relative benefit. Such difference could be explained by the variation in respondents' perceptions (i.e. there are respondents with opposite attitudes). Similar observation has been done in previous research (Vassileva, 2009).

*Components of CSR activities and their effect on company strategy*

Analyzed CSR activities are divided into three groups: 1/ Community and environmental responsibility; 2/ Ability to attract, develop, and keep talented people; and 3/ Use of corporate assets.

Regarding *the importance of CSR activities to respondents' company strategy* they are divided into three groups: 1/ Community and environmental responsibility; 2/ Ability to attract, develop, and keep talented people; and 3/ Use of corporate assets. Within the first group the following CSR activities were considered the most important by respondents:

- Ethical practices – Northern Ireland and Portugal;
- Non-polluting, safe and non-toxic products – the Netherlands and Italy;
- The sense that the company is aware of its place in the environment and conscious of its need to contribute – Malta and Spain;
- Environmental, socio-economic, health and safety, and community awareness – Bulgaria.

| <b>Community and environmental responsibility</b>   | <b>BG</b> | <b>NI</b> | <b>NL</b> | <b>PT</b> | <b>MT</b> | <b>ES</b> | <b>IT</b> |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Ethical practices   | 2,00      | 1,00      | 3,00      | 1,00      | 2,00      | 2,00      | 2,00      |
| Non-polluting, safe and non-toxic products  | 3,00      | 4,00      | 1,00      | 2,00      | 1,00      | 5,00      | 1,00      |
| High quality of work life   | 3,00      | 2,00      | 4,00      | 6,00      | 4,00      | 6,00      | 5,00      |
| Ability to contribute to the overall welfare of the society   | 4,00      | 4,00      | 5,00      | 2,00      | 3,00      | 4,00      | 3,00      |
| Supporting the community  | 2,00      | 2,00      | 7,00      | 4,00      | 4,00      | 7,00      | 4,00      |
| The sense that the company is aware of its place in the environment and conscious of its need to contribute | 3,00      | 3,00      | 6,00      | 5,00      | 3,00      | 3,00      | 5,00      |
| Environmental, socio-economic, health and safety, and community awareness                                   | 1,00      | 4,00      | 2,00      | 3,00      | 4,00      | 1,00      | 5,00      |
| <b>Ability to attract, develop, and keep talented people</b>  | <b>BG</b> | <b>NI</b> | <b>NL</b> | <b>PT</b> | <b>MT</b> | <b>ES</b> | <b>IT</b> |
| An attractive employer profile  | 4,00      | 2,00      | 3,00      | 6,00      | 3,00      | 3,00      | 2,00      |
| A learning company  | 4,00      | 4,00      | 4,00      | 2,00      | 2,00      | 4,00      | 4,00      |
| Open management style   | 2,00      | 4,00      | 5,00      | 3,00      | 5,00      | 5,00      | 5,00      |
| High ethical standards  | 1,00      | 1,00      | 2,00      | 1,00      | 1,00      | 1,00      | 1,00      |
| Strategic orientation combined with a performance-based reward system                                       | 3,00      | 3,00      | 6,00      | 5,00      | 3,00      | 4,00      | 5,00      |
| Flexible, "humane", enjoyable work environment  | 4,05      | 4,70      | 1,00      | 4,00      | 4,00      | 2,00      | 3,00      |
| <b>Use of corporate assets</b>  | <b>BG</b> | <b>NI</b> | <b>NL</b> | <b>PT</b> | <b>MT</b> | <b>ES</b> | <b>IT</b> |
| Ability to generate new capital   | 4,00      | 2,00      | 3,00      | 3,00      | 4,00      | 3,00      | 5,00      |
| Ability to withstand market fluctuations  | 1,00      | 2,00      | 2,00      | 4,00      | 2,00      | 4,00      | 4,00      |
| Ability to act socially responsible, environmentally sound and sustainable                                  | 2,00      | 2,00      | 1,00      | 1,00      | 1,00      | 1,00      | 1,00      |
| Ability to act according to the professional ethical code of conduct  | 2,00      | 1,00      | 2,00      | 2,00      | 3,00      | 2,00      | 2,00      |
| Ability and willingness to use the company's capital for growth in staff's income                           | 3,00      | 3,00      | 3,00      | 4,00      | 4,00      | 4,00      | 3,00      |

**Table 2. Importance of CSR activities to respondents' company strategy, rank**

Note: The rank is based on Mean; The scale range is 1 = Not important to 5 = Very important.

Source: Author's work

As for the second group of CSR activities, there is a full consensus among respondents from different countries that 'High ethical standards' determine the ability to attract, develop, and keep talented people. Only Dutch respondents ranked 'Flexible, "humane", enjoyable work environment' as the most important characteristic. There is a consensus for the third group as well. 'Ability to act socially responsible, environmentally sound and sustainable' was evaluated as the most important activity when using corporate assets. According to Bulgarian respondents 'Ability to withstand market fluctuations' is the most important characteristic within this group, while for the respondents from Northern Ireland this is the 'Ability to act according to the professional ethical code of conduct'.

The comparative analysis of the overall rank of *the importance of the factors which affect customers' and stakeholders' attitudes toward company's reputation* reveals a moderate difference (Table 3).

| FACTORS                               | Customers' attitudes |     |    |    |    |    |    | Stakeholders' attitudes |     |    |    |    |    |    |
|---------------------------------------|----------------------|-----|----|----|----|----|----|-------------------------|-----|----|----|----|----|----|
|                                       | BG                   | N I | NL | PT | MT | ES | IT | BG                      | N I | NL | PT | MT | ES | IT |
| Quality of service given by the staff | 2                    | 4   | 1  | 3  | 1  | 2  | 5  | 6                       | 7   | 4  | 2  | 5  | 2  | 7  |
| Financial performance                 | 5                    | 3   | 7  | 8  | 8  | 7  | 6  | 7                       | 4   | 5  | 7  | 2  | 6  | 6  |
| Image/reputation                      | 3                    | 1   | 3  | 4  | 3  | 3  | 4  | 2                       | 1   | 2  | 4  | 4  | 1  | 5  |
| Quality/strength of management        | 6                    | 5   | 6  | 6  | 7  | 5  | 3  | 1                       | 5   | 5  | 8  | 1  | 4  | 4  |
| Quality of products/services          | 1                    | 2   | 2  | 1  | 2  | 1  | 1  | 3                       | 6   | 3  | 1  | 4  | 1  | 2  |
| Honesty/integrity                     | 3                    | 2   | 5  | 2  | 4  | 1  | 1  | 4                       | 3   | 7  | 6  | 6  | 2  | 2  |
| Longevity/sustained performance       | 4                    | 6   | 7  | 7  | 5  | 6  | 2  | 5                       | 2   | 6  | 3  | 3  | 5  | 3  |
| Social and corporate responsibilities | 7                    | 7   | 4  | 5  | 6  | 4  | 1  | 8                       | 6   | 1  | 5  | 7  | 3  | 1  |

**Table 3. Importance of the factors which affect customers' and stakeholders' attitudes toward respondents' company's reputation, overall rank**

Note: The rank is based on Mean; The scale range is 1 = Not important to 5 = Very important.

Source: Author's work

Despite the slightly difference between the results for the overall and individual ranks the author definitely concludes that the most important factors (ranked on the first three places) affecting both customers' and stakeholders' attitudes include the following:

- Quality of products/services;
- Image/reputation – except Portugal and Malta;
- Honesty/integrity – the Netherlands;
- Longevity/sustained performance – Italy;
- Social and corporate responsibilities – Italy;
- Quality of service given by the staff – Portugal and Spain.

Next *the importance of the factors which affect development of the company strategy over the next 3-5 years* are assessed. The top five factors (based on their overall rank) which will affect development of the company strategy over the next 3-5 years as pointed out by the respondents are as follows:

- Providing good quality products/services;
- Caring for customers;
- Concern for the environment;
- Keeping staff motivated;
- Keeping prices reasonable.

Regarding *the general attitudes toward main ecological issues* all statements are positively confirmed by the respondents, especially that global warming and pollution is a reality that increasingly endangers tourism in many destinations around the world. Another important issue which was mentioned below as a barrier to implementing responsible recreational initiatives in the near future is related to the need of informing and educate customers about their contribution to global warming when they travel so that they assume more responsibility for the choices they make.

*Components of marketing and branding strategy*

In this section of the questionnaire the following topics were analyzed: 1/ Elements affecting company's brand image, 2/ Tools (benefits) used to promote the respondents' company / brand on the foreign markets, 3/ Information about responsible recreational initiatives.

Product and service are indicated by respondents across the participated countries as the most important components of their marketing strategies which verify the abovementioned importance of these two factors. Distribution is considered the least important element to the company's competitiveness by Dutch and Italian respondents.

| Marketing mix elements | BG   | NI   | NL   | PT   | MT  | ES   | IT   |
|------------------------|------|------|------|------|-----|------|------|
| Product                | 4.86 | 5.00 | 4.80 | 4.84 | 4.7 | 4.61 | 4.63 |
| Brand                  | 4.10 | 5.00 | 3.89 | 4.05 | 4.1 | 4.21 | 4.16 |
| Service                | 4.81 | 4.96 | 4.65 | 4.95 | 4.8 | 4.90 | 4.56 |
| Price                  | 4.50 | 4.87 | 4.25 | 4.32 | 4.5 | 3.86 | 4.37 |
| Distribution           | 4.19 | 4.87 | 2.29 | 4.00 | 3.7 | 4.00 | 4.05 |
| Communication          | 4.33 | 4.96 | 3.63 | 4.58 | 4.3 | 4.41 | 4.58 |

**Table 4. Importance of marketing mix elements to company's competitiveness, mean**

Source: Author's work

The company's brand image is affected mainly by service quality and reliability, and customer orientation.

| Element                          | BG    | NI    | NL    | PT    | MT   | ES    | IT    |
|----------------------------------|-------|-------|-------|-------|------|-------|-------|
| Service quality and reliability  | 95.45 | 100   | 100   | 80.95 | 66.7 | 90.00 | 90.48 |
| Experience, competence, know-how | 68.18 | 91.30 | 50.00 | 76.19 | 60.0 | 66.67 | 71.43 |
| Innovation capability            | 22.73 | 87.91 | 15.00 | 52.38 | 23.3 | 50.00 | 57.14 |
| Specialization                   | 45.45 | 73.91 | 35.00 | 9.52  | 26.7 | 43.33 | 52.38 |
| Customer orientation             | 95.45 | 100   | 95.00 | 80.95 | 56.7 | 70.00 | 71.43 |
| Speed, timeliness                | 72.73 | 82.61 | 30.00 | 57.14 | 43.3 | 46.67 | 71.43 |
| Flexibility                      | 86.36 | 82.61 | 30.00 | 47.62 | 46.7 | 53.33 | 66.67 |
| Cooperation-partnership          | 54.55 | 82.61 | 20.00 | 33.33 | 20.0 | 56.67 | 57.14 |
| Creativity                       | 68.18 | 82.61 | 10.00 | 52.38 | 26.7 | 56.67 | 66.67 |
| Excellence, leadership           | 54.55 | 95.65 | 10.00 | 61.90 | 26.7 | 73.33 | 61.90 |
| Style, prestige                  | 45.45 | 82.61 | 20.00 | 52.38 | 16.7 | 53.33 | 52.38 |

**Table 5. Key elements affecting company's brand image, %**

Source: Author's work

Flexibility, speed, timeliness, creativity, and experience, competence and know-how are also considered as important elements which affect company's brand image.

One of the final questions was related to the frequency of use of some tool/benefits to promote their organizations on foreign markets, on a scale from never, rarely, sometimes, seldom or regularly. Product and service, image, social media, website, price, eco-friendly (although with the same result as 'sometimes') are more used on a regular basis and value added, catalogues and printed materials (although with the same result as 'sometimes'), sustainable, healthy, bio diversity are said to be used on a seldom frequency.

## 5. Conclusion and implications for future research

One of the main principles of the Small Business Act for Europe (Entrepreneurship 2020 Action Plan) states that 'the EU and Member States should enable SMEs to turn environmental challenges into opportunities. They should provide more information, expertise and financial incentives for full exploitation of the opportunities for new 'green' markets and increased energy efficiency. Climate change, scarcity of energy supplies and sustainable development

are key challenges for SMEs, which have to adopt more sustainable production and business models.’

The demand for environmentally friendly products and services opens the way for new business opportunities. Responsible tourism initiatives represent such business opportunity. Based on the research results it is clear that many SMEs in tourist and hospitality industry face difficulties to allocate resources to implement CSR practices in their activities. The predominant number of them do not possess specific knowledge and skills which are necessary to develop and to implement a CSR policy and/or strategy. It is vital to increase tourism SME’s efficiency and capacity to adapt to these challenges and to turn them into opportunities.

The role which CSR plays in developing responsible tourism/destination brands and corresponding brand strategies is vital but it needs further investigation. Special attention should be placed on the emerging debates around CSR and brand-building as a ‘push-pull’ cycle within strategic marketing process.

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## **Tit for Tat: A Perspective on Health Care Social Marketing Shock Advertising**

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### **Abstract**

Health Care Social Marketing Advertising has always had a controversial perspective, as it promotes behavioral change in individuals. Moreover, the vast majority of social marketing campaigns focus on health prevention in a population, such as smoking, physical activity, alcohol abuse as well as breast cancer. Consequently, in order to assess the desired outcomes, specialists employed shock advertising in the health care social marketing campaigns. This case study concentrates on the effectiveness of a Romanian health care social marketing campaign for smoke prevention. More specifically, the shock social marketing advertisement was part of a smoking prevention campaign launched by the “Marius Nasta” Pneumophthiology Institute in Bucharest, Romania. The sample consisted of 100 students from the “Carol Davila” University of Medicine and Pharmacy, presenting the characteristics of Generation Y. The selected sampling method was the snow ball technique. Further, the shock advertisement was evaluated according to Dahl et al’s classification, as perceived by the health care consumers. The data was collected using a self-administered questionnaire and was analyzed using SPSS version 20. Findings revealed that the vast majority of respondents placed the health care social marketing prevention advertisement in the religious taboo category (42.6%), followed by the moral offensiveness category (22.2%) and sexual references (7.4%), respectively. The mean age of the respondents was 20 and there were 66.7% female respondents and 33.3% male respondents. However, the vast majority of the respondents perceived the prevention smoking health care shock advertisement as not being interesting (35.2%), some have felt pity (9.3%), sadness (7.4%) and even compassion (5.6%). All in all, findings pointed out that shock advertisements used in health care social marketing campaigns have no longer the impact they had, becoming more and more ineffective, in spite of embedding a shock appeal.

**Keywords:** shock advertising, marketing communications, taboo advertising, health care services, emotions.

**JEL classification:** I12, I18, M37

### **1. Introduction**

Annually, worldwide, smoking kills more than 5 million people and current research shows that, by the year 2030, there will be more than 8 million deaths due to tobacco usage in any

shape (Eriksen, Mackay, Ross, 2012). Moreover, life expectancy in smokers is on average 10 years shorter than in non-smokers due to several diseases (Jha, Ramasundarahettige, Landsman, 2013). A method used to fight smoking cessation is social marketing. As such, social marketing promotes a behavioral change accepted by the society.

Social marketing experts used to promote behavioral change through advertising, but not any type of advertising but the one which cuts through the clutter and attracts attention. This type is known in the literature as shockvertising.

In this paper, it is investigated the effectiveness of a social marketing smoking cessation advertisement which embeds shock appeals on both smokers and non-smokers. The objectives of the study are as follows:

- Using Dahl et al's (2003) classification of shock appeals, in which category the Romanian consumer would place the social marketing smoking cessation advertisement.
- What are the triggered emotions when seeing the health care social marketing smoking cessation advertisement with shock appeals embedded in it.
- Are there any differences between the smokers and non-smokers in perceiving the health care social marketing smoking cessation advertisement.

## **2. Smoking background in Romania**

In Romania, almost 43.000 people died in 2010 from a disease caused by smoking. The vast majority of these deaths are the outcome of lung and other tobacco cancers, strokes, ischemic heart and other cardiovascular diseases as well as respiratory diseases. Apart from this, in 2012 the costs of treating diseases due to smoking was over 1.2 billion RON, estimating a 5.4% of the overall health care spending that year, but reflecting only the costs of hospitalized cases and cases covered by the Romanian National Health Programs (Szabo et al, 2016). Thus, tobacco usage is high in Romania, with nearly 5 million adults (28%) smoking (Eurobarometer, 2017). As such, men are twice more likely to smoke as women, with a smoking prevalence of 37.4% in comparison to 16.7%.

As in many countries, in Romania most smoking habits happen from adolescence. According to a GYTS Report, in 2011, 81.9% of the Romanian adult smokers reported having started before the age 20, and 38.8% of the respondents started by the age 16 (Irimie et al., 2010). However, the estimated smoking prevalence in the Romanian youth has fallen nearly to half from 17.6% to 9.4% between 2004 and 2013 (Ciolompea, 2014) but is still high in contrast to the apparent downfall trend in smoking among Romanian adults (ESPAD Report, 2015). Above all, tobacco organizations tried all the time to associate the image of smoking with the idea of freedom, success, wellness and a Western value system whose fantasy has been hard to resist for adolescents in their search for identity (Lotean et al., 2006). Nonetheless, in Romania there is a complete ban for sale of single or unpacked cigarettes and selling tobacco products to underage youth.

## **3. Smoking cessation efforts**

The World Health Organization's Framework Coalition on Tobacco Control calls each year for governments to adopt comprehensive policies to discourage tobacco use. Romania's tobacco control policies have strengthen since joining in the European Union, as it had to come into compliance with the EU's various directives related to tobacco, and recent developments suggest this trend will continue on a longer period of time. As such, the smoke free policy implemented in 2016 by WHO, covers health care and educational facilities (including in universities), government buildings, indoor workplaces, restaurants, public transport and other indoor public places and also includes indoor and outdoor playgrounds, however compliance

with the policy is uncertain. In Romania, indoor smoking violations consist of fines on the manager of the utility rather than on the establishment (WHO Report, 2015).

Further, tobacco advertising is banned on national and international television and radio, in local magazines and newspapers, on billboards and outdoors, as well as, on the Internet, but it is allowed in international magazines and newspapers at the point of sale. The tobacco companies are also allowed to sponsor public events as they offer promotional discounts and the distribution of free product samples. The Law requires the display of graphic health warnings on cigarette packages, and the use of misleading terms and descriptors, such as “low tar”, “light” and “mild”.

All in all, Romania does relatively well with respect to its support in smoking cessation campaigns. There is a national green-free telephone quit line available, so that smokers may discuss with trained counselors the problems they have to face. In fact, many health care providers offer smoking cessation support which is fully covered by the National Health Insurance program. The National Insurance also fully covers a large variety of pharmaceutical cessation products. Furthermore, there is a growing tobacco control advocacy movement led by the NGO Aer Pur Romania, which created a coalition against smoking called The Romanian Network for Smoking Prevention. The members of the coalition are a variety of civil society organizations as well as hospitals such as “Marius Nasta” Pneumophysiology Institute in Bucharest.

Moreover, upon joining the European Union in 2007, Romania had to adopt the EU’s tobacco tax directives for cigarettes and other tobacco product excise taxes. In Romania, a pack of cigarettes costs 15.50 RON of which 75.41% is tax (19.35% is value added and 56.06% is excise taxes) (Tobacco Control Fact Sheet, 2016). However, despite the significant increases in prices over the past 15 years, cigarettes in Romania are more affordable than 20 years ago, suggesting that new methods have to be uncovered to approach smokers. A method which proved to be successful was the mass-media campaigning using social marketing instruments. As such, the total tobacco control expenditures, which include the mass media campaigning, amount to \$7 940 105 in Romania, being classified as moderate (Tobacco Control Fact Sheet, 2016). Thus, Romania needs a raise in the level of smoking cessation campaigns.

#### **4. Social Marketing Smoking Cessation Campaigns**

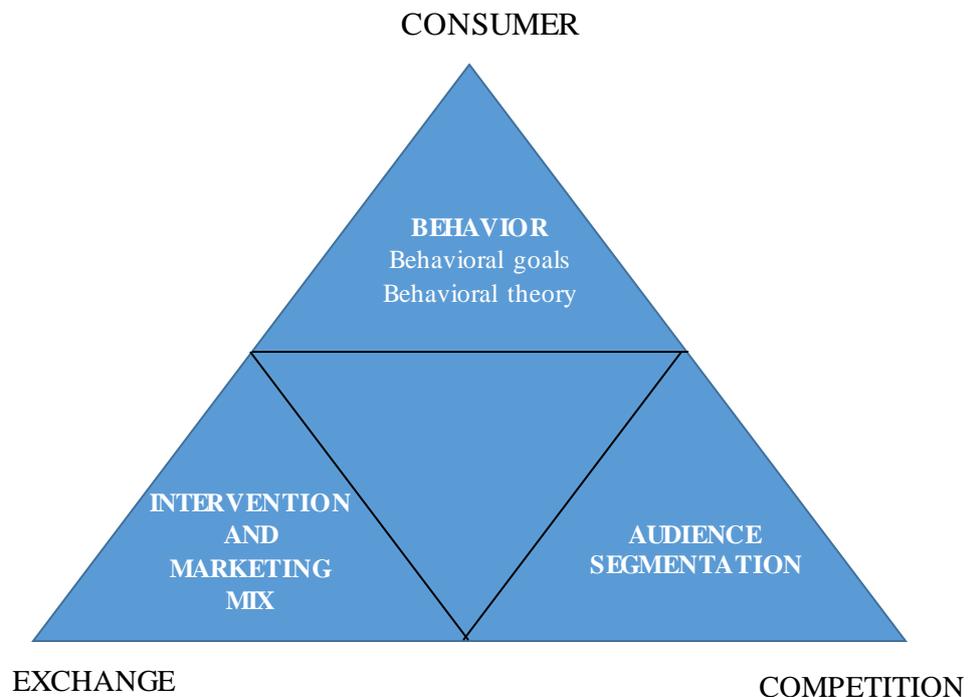
In 1971, Kotler and Zaltman first introduced the concept of social marketing in an academic journal with the meaning of planned social change. In reality social marketing has been applied in both developing and developed countries under a range of formal definitions:

- A programme planning process that promotes the voluntary behavior of target audiences by offering benefits they want, reducing barriers they are concerned about and using persuasion to motivate their participation in program activity (Kotler and Roberto, 1989);
- An application of commercial marketing technologies to the analysis, planning, execution and evaluation of programs designed to influence the voluntary behaviors of target audiences in order to improve their personal welfare and that of their society (Andreasen, 1995);
- Using marketing principles and techniques to influence a target audience to voluntarily accept, reject, modify or abandon behavior for the benefit of individuals, groups, or society as a whole (Kotler et al, 2002);
- Is the systematic application of marketing alongside other concepts and techniques, to achieve specific behavioral goals for social good (French et al., 2010).

As mentioned before, although formal definitions vary across literature, there are three key elements which are commonly specified in relation to social marketing, as follows (French, Meritt, Reynolds, 2011):

- Social marketing's primary purpose is to achieve particular social good and its primary focus is on achieving specific behavioral objectives;
- The social marketing consists of a finite and coherent set of concepts and principles which uses policy formulation, strategy development and implementation of social change programmes;
- The application of social marketing principles is a systematic process which is defined by learning and evaluation.

In a nutshell, social marketing, by its very nature, namely, helping to influence behaviors for social good and individual good, uses multi-disciplinary instruments which draw from many theories, models, research approaches and other forms of analysis in order to understand why people act in a particular way and how can they be helped to maintain positive behaviors for their own and society's benefit. Also, there are eight benchmarks which describe the key concepts and the principles of social marketing as well as social marketing smoking cessation, and encompass consumer orientation, exchange, competition analysis, insight, theory, behavioral focus, segmentation and marketing mix as illustrated in fig. 1 (French and Blair-Stevens, 2010).



**Figure 1. The customer triangle (adapted after French and Blair-Stevens, 2010)**

What is currently known about influencing behavior has been drawn from fields such as management, psychology, policy development, economics, design, sociology, biology and communication studies. We selected only the ones which are suitable for the social marketing smoking cessation in Romania (adapted from French, Meritt, Reynolds, 2011):

1. The changing process in the smoking behavior is not an event and often comprises several attempts before succeeding. As such, the social interventions have to be persistent over time and offer various paths to get the desired outcomes.
2. In order to change, people need to feel involved and engaged in the behavioral change effects.
3. Social marketing interventions should start by understanding the target audience's beliefs

- and attitudes in order to find the proper persuasion instruments.
4. People's perception of their own ability to change can either enhance or detract them. So the social marketing smoking cessation campaign should encompass instruments and messages which support and build the target audience's confidence, knowledge and skills.
  5. People's perception of their likelihood to a risk and its severity and impact are the keys to understanding the behavior and development of effective interventions. As consequence, social marketing for smoking cessation should focus on understanding people's perceptions and how they view the risk associated with their behaviors in ways meaningful to them.
  6. The more beneficial or rewarding an experience is, the more likely it is to be repeated. Social marketing smoking cessation should seek to support positive behavior and maintain it.

One tool commonly used in stimulating behavior change is the public awareness campaign, also known as public information campaign and public education campaign (Bouder, 2003). PACs disseminate information through messaging as it is believed that people are more likely to change their behavior if they know more information about a specific issue. Moreover, crafting a message means more than using words or phrases but also to educate individuals, communities and society per se by inducing a sense of persuasiveness.

The following principles are required in order for the message to be more attractive: simplicity, unexpectedness, concreteness, credibility, trigger emotions and have a story behind it (Weiss and Tschirhart, 1994). A type of message which follows all the message principles mentioned before is called sock appeal. The message which embeds shock appeals is known, in the literature, as shock advertising.

### **5. Shock advertising in Social Marketing Smoking Cessation**

Nowadays, advertising is found everywhere and health care social marketing experts have to find new methods to cut through the clutter and motivate people to follow a social acceptable behavior. A way of persuading the target audience is to use shock advertising which deliberately violates social norms with the objective of raising awareness. In the literature there have been employed several names to describe the effect of shock appeal ranging from controversial advertising (Fam and Waller, 2003), offensive advertising (Phan and Prendergast, 2001) to provocative advertising (Vezina and Paul, 1997). Following Dahl et al' s (2003) classification of shock appeals, specialists included several examples in each category, as follows:

- Disgusting images depict figures and pictures containing blood, body parts or secretions, orifices especially urinary or faecal, gases, odors, diseases, parasites, bodily harm, death and decay
- Sexual references reflected in pictures with masturbation, implied sexual acts, sexually suggestive nudity and partial nudity elements;
- Profanity/obscenity make use of swear words, obscene gestures and racial epithaphs;
- Vulgarity encompasses images which are distasteful and crude;
- Indecency refers to the violence of social conventions, social decency and etiquette;
- Moral offensiveness illustrates images which harm living animals or people, free sex or violence, alluding to people or objects that provoke violence (e.g. Hitler), violating standards for fair behavior, putting children in provocative situations (e.g. sexual, violent), victim exploitation;
- Religious taboos which include religious or spiritual symbols in an inappropriate manner. However research has proved that shock advertising has not worked in many cases (Hagenbuch, 2015). In the same vein, Hyman and Tansey (1990) posited that psychoactive

ads may rise significant negative emotions among certain people and Dzamic (2003) supported shock appeals in advertising if used responsibly and genuinely tied to a meaningful issue.

## 6. Materials and methods

The case study describes an exploratory research with the aim of gaining more insight into the health care shock advertising smoking cessation. To assess the objectives, a self-administered questionnaire was conceived. The first section of the questionnaire encompass items related to the demographic profile of the respondents and the second section consists of items related to a print shock advertisement related to a smoking cessation campaign supported by the “Marius Nasta” Pneumophthisiology Institute in Bucharest. The social marketing shock advertisement used fear appeals in order to attract attention and to trigger a behavioral change.

The sample was made out of 100 first year students with the characteristics of Generation Y (Wolburg and Pokieyeczynski, 2001) from “Carol Davila” University of Medicine and Pharmacy, Bucharest. Moreover, targeting university students has been a research practice for many experts as they represent a homogenous sample (Tinkham and Waver-Larisey, 2004). Also the selected sampling method was the snow ball techniques.

The data was collected and analyzed using SPSS version 20.

## 7. Findings

### a. Demographic profile

- the mean age of the respondents was 20;
- the gender distribution was the following: 66.7% female respondents and 33.3% male respondents;
- 56.4% of respondents were smokers and 43.6% were non-smokers.

### b. Questionnaire findings:

- Using Dahl et al's (2003) classification, the vast majority of respondents placed the health care social marketing smoking cessation ad in the religious taboo category (42.6%), followed by the moral offensiveness category (22.2%) and sexual references (7.4%);
- the vast majority of respondents perceived the prevention smoking health care shock ad as not being interesting (35.2%), some have felt pity (9.3%), sadness (7.4%) and even compassion (5.6%);
- taking into account the status of the students, namely smokers and non-smokers, the distribution of the emotions is illustrated in table 1.

| Emotions        | Smokers | Non-smokers | Total |
|-----------------|---------|-------------|-------|
| Not interesting | 25.8%   | 9.4%        | 35.2% |
| Pity            | 4.6%    | 4.7%        | 9.3%  |
| Sadness         | 2.4%    | 5.0%        | 7.4%  |
| Compassion      | 3.7%    | 1.9%        | 5.6%  |
| Total           | 36.5%   | 21%         | 57.5% |

**Table 1. The distribution of the most encountered emotions on respondents' status**

## 8. Discussion

Intensely researched by advertisers, shock advertising still remains a topic little studied in marketing (Sabri-Zaaraoui, 2007). However, marketers must be aware that the level of shock and norm violation both contribute to the ineffectiveness of this type of advertising (Urwin & Venter, 2014). Consequently, shock ads may threaten the values and norms of the individuals who view such ads (Sabri-Zaaraoui, 2007). For example, shock advertising may be justified employed in the case of societal causes, as for example abused women advertising (Urwin &

Venter, 2014). Further, several findings suggest that advertising appeals may highlight conflicting emotions, both positive and negative (Sabri, 2012).

Our research findings revealed that shock advertising it is not a successful strategy applied in the Social Marketing Smoking Cessation. More exactly, the application of shock appeal in smoking cessation pointed out to be ineffective as the vast majority of respondents thought that the advertisement is not interesting, felt sadness and even compassion in accordance with the research conducted by Urwin & Venter (2014). As such, no matter what gender, personal identity or religion a person may have, shock advertising was concluded not to live up to its name anymore, being ineffective, dull, unenjoyable and unpleasant (Urwin & Venter, 2014). Experts have to find other methods to approach smokers in Romania, as shock advertising is deemed to be ineffective. For example, by using humor instead of fear and by employing ludicrous, satire or irony with humorous appeals in both the pattern of the advertisement as well as in the message. Fear appeals draw their power from their ability to engender strong positive emotions, but the positive emotions may turn out to be equally effective (Hastings, Stead & Webb, 2004). Recent antismoking campaigns have employed humor, irony and supportive messages for individuals in terms of awareness, attitude change and empathy (e.g. Schoales, Mintz & Hazel, 1999).

### 9. Limitations of the Study

- In order to gain more insight on the topic of shock advertising, it is appropriate to use qualitative methods for data collection such as focus groups;
- Future research should encompass various age groups;
- Change behavior should be studied in terms of shock effects on the long term;
- Studies should be conducted also with reference to the advertisement placement, in terms of where and in what context the shock advertisement may have the expected outcomes;
- The linkage established between shock advertising and socio-demographic and cultural social factors should be investigated.

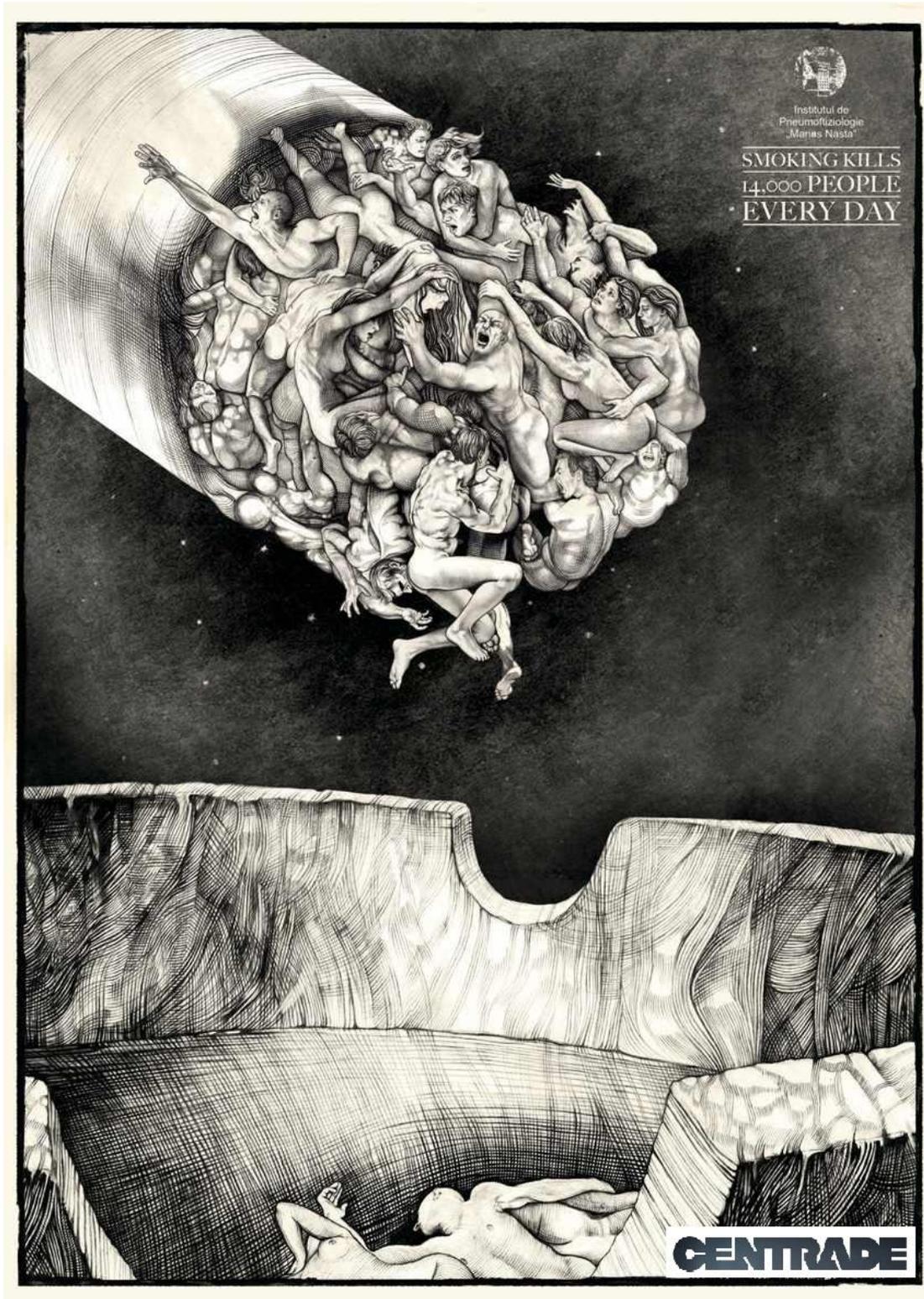
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ANNEX



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## **Modern Retailers: How Intense, Engaging and Differentiating Is Their Communication on Facebook?**

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### **Abstract**

At present, marketing debate focuses mostly on the tremendous potential provided by social media for brand communication. Facebook is the buzzwords of the moment. The goal of the research presented in this paper was to study whether leading modern retailers on the Romanian market differ in terms of their marketing communication on Facebook. The studied retailers were the leading chains of the hypermarket, supermarket and discount formats. The research objectives referred to the study of the following aspects: the intensity of their posting behavior during a predefined period, the level of generated engagement (likes, comments and shares), the themes of the posts made by these retailers. Recommendations are made to practitioners of modern retailing, in order to improve the impact of their communication in social media. This paper brings two contributions to the research field. The former is the fact that, to the best of our knowledge, this research is the first study of the communication on Facebook of these leading modern retailers in Romania. The later consists in the formulation of specific recommendations based on the points of parity and the points of differentiation identified in the comparative study.

**Keywords:** modern retailers, Facebook, social media, marketing communication, engagement, differentiation.

**JEL classification:** M30, M31, M37

### **1. Introduction**

Launched under its preliminary version in 2004, Facebook became one of the most important social media channels worldwide.

According to the Facebook Reports for the quarter ended on 30 June 2017, the number of daily active users reached 1.32 billion on average, while the number of monthly active users was 2.01 billion (Facebook, 2017). The same source specified that revenues achieved by Facebook in the first semester of 2017 were of 17.35 billion USD, compared to 11.82 billion USD for the similar period of 2016.

Facebook pages are an integral part of the marketing communication of an increasing number of retailers in Romania. This paper presents the findings of the research focused on leading retail chains in Romania, from the perspective of their communication on Facebook with the present and potential customers. The aim of the research was to study whether leading modern retailers on the Romanian market differ in terms of their marketing communication on Facebook.

### **2. Present status of the specialized literature**

The literature dedicated to the field of retailing developed significantly during the last decades. This field progressively became a mature area of study.

Lately, social media and Facebook captured the attention of practitioners and researchers. However, the study of Facebook use by retailers is still in a preliminary stage. This state of fact is reflected by the number of articles dedicated to this field that were published in peer-reviewed journals presented in international databases.

For example, on 22 September 2017, a search for article titles on the basis of the keywords “retailing” and “Facebook” in the World of Science database managed by Clarivate Analytics

led to two articles only. Another example is provided by the SCOPUS database. A search for titles including the keywords “retailing” and “Facebook” led to no results, while a search for titles comprising the keywords “retailer” and “Facebook” led to a list of 5 results.

The articles that focused on retailing/retailers and Facebook referred to not only the offline retailers, but also to the e-retailers (Harris & Dennis, 2011; Wang & Amin, 2013). Studies approached fashion retailers also (Escobar-Rodriguez & Bonson-Fernandez, 2017). The researchers focused on consumer behavior from the perspective of motivation (Gu & Kim, 2016), usage and purchase intention, as well as buying decision (Wang & Amin, 2013) and loyalty (Anderson, Knight, Pookulangara & Josiam, 2014), in the context of Facebook use. Modern retailing applies to various social media channels and especially to Facebook. Many questions need to be answered and many hypotheses wait to be tested.

### 3. Romania: Internet access and use

In 2016, the percentage of households with Internet access in Romania was still below the level registered at the European Union level. However, the country witnessed an accelerated increase compared to the European Union (EU). In 2007, the year of Romania’s accession to the EU, the percentage of households with Internet access was 60% smaller than the percentage at the EU level. After one decade, the gap narrowed down to 15%. During the period 2007-2016, the percentage of households with Internet access more than tripled in Romania (see table 1).

- percentage of households -

| European Union / Romania    | 2007 | 2011 | 2016 |
|-----------------------------|------|------|------|
| European Union (28 members) | 55   | 73   | 85   |
| Romania                     | 22   | 47   | 72   |

**Table 1. Household level of Internet access in Romania and the European Union**

Source: Eurostat, 2017a

The percentage of individuals that use mobile phones or smartphones to access Internet increased tremendously in Romania. During the present decade (see table 2), the indicator grew 14 times, compared to 2.9 times in the European Union (28 members).

- percentage of individuals -

| European Union / Romania    | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------|------|------|------|------|------|------|
| European Union (28 members) | 19   | 27   | 35   | 44   | 52   | 56   |
| Romania                     | 3    | 5    | 10   | 19   | 31   | 42   |

**Table 2. Individuals – Mobile Internet access in Romania and the European Union**

Source: Eurostat, 2017b

The share of Internet non-users within the overall population was twice higher than at the EU level, in 2016. Nevertheless, most of the population (70%) used Internet and 66% in the last 12 months. There is an Internet usage gap between Romania and the EU, but this tends to shrink progressively. For instance, in one decade, the percentage of individuals who used Internet grew from 2.4 times (from 29% in 2007 to 70% in 2016) in Romania compared to 1.4 times in the EU (Eurostat, 2017c).

- percentage of individuals -

| European Union / Romania    | Never used Internet | Ever used Internet | Last Internet use in the last 3 months | Last Internet use in the last 12 months | Last Internet use more than a year ago |
|-----------------------------|---------------------|--------------------|--|---|--|
| European Union (28 members) | 15                  | 85                 | 82                                     | 83                                      | 2                                      |
| Romania                     | 30                  | 70                 | 60                                     | 66                                      | 4                                      |

**Table 3. Individuals – Internet use in Romania and the European Union, in 2016**

Source: Eurostat, 2017c

Participation in social media and social networks range among the Internet activities carried out by 44% of Romanians. This percentage is lower than at the EU level, but even for the EU-28, this activity is deployed by no more than 52% of the individuals (see table 4).

- percentage of individuals -

| European Union / Romania    | Posting messages to social media sites or instant messaging | Participating in social networks** | Finding information about goods and services | Selling goods and services |
|-----------------------------|---|------------------------------------|--|----------------------------|
| European Union (28 members) | 40*   | 52                                 | 66   | 18                         |
| Romania                     | 22*   | 44                                 | 35   | 3                          |

**Table 4. Individuals – Internet activities in Romania and the European Union, in 2016**

Source: Eurostat, 2017d

Note: \* 2012. \*\*Creating user profiles, posting messages or other contributions to Facebook, twitter etc.

The business environment adapts to the evolving trends in consumer behavior. The use of social media became an integral part of the marketing strategy of an increasing number of companies. In 2016, in Romania, 29% of enterprises (except those from the financial sector) used social media networks, compared to 42% at the EU level (Eurostat, 2017e). The Romanian businesses still lag behind their European counterparts in this respect.

Only 9% of the Romanian enterprises actually pay to advertise on Internet and any social media, two times less than at the EU level (overall EU percentage being 18%) (Eurostat, 2017e). Several hypotheses may be formulated relative to the factors that contributed to this gap, respectively: tight marketing budgets of companies, scarce information held by small enterprises about the proven performance of social media, insufficient knowledge of decision-makers about the opportunities provided by social media.

The data on the use of social media by purpose provide a clear image about the stark differences between Romanian companies and the enterprises from other EU member states. In 2015, in the EU-28, 31% of the enterprises used social media with the purpose to develop the image of the company and to market products. In Romania, only 15% was the corresponding share of enterprises. Similarly, rather few Romanian enterprises use social media to obtain or respond to customer opinions, reviews and questions (see table 5). The hypotheses that may be tested in further research studies, in order to explain this behavior, may refer to the following factors: weak customer focus, lack of internal expertise to use social media, low level of innovation.

- percentage of enterprises\* -

| European Union / Romania    | To create website with ordering, reservation or booking functions and to use social media for more than one purpose | To develop the image of the enterprise or to market products | To obtain or respond to customer opinions, reviews and questions | To involve customers in the development of innovative goods or services | To collaborate with business partners or other organizations |
|-----------------------------|---|--|--|---|--|
| European Union (28 members) | 6 <sup>a</sup>  | 31   | 20   | 10  | 10   |
| Romania                     | 6 <sup>a</sup>  | 15   | 13   | 7   | 9  |

**Table 5. Social media use by purpose in Romania and the European Union, in 2015**

Source: Eurostat, 2017f

Note: \* Enterprises without financial sector (with 10 employees or more).

<sup>a</sup> In 2013

The data presented in the tables 1-5 underline several trends on the Romanian market, as regards the use of social media:

- a) social media was “adopted” by a wider share of the individual consumers than of the enterprises;
- b) the growth of the Internet access of individuals is more prominent in Romania compared to the EU, while the actual levels are lower than the overall percentage for the EU-28;
- c) participation in social networks is one of the activities carried out by most individuals in Romania, while the activity deployed by most individuals from the EU-28 is the search for information on goods and services;
- d) there is still a gap in terms of purpose of social media use by enterprises in Romania and in the EU-28, especially in the case of image development and product marketing, as well as in the case of communicating with customers.

The rapid development of the Internet access in Romania is associated with an increased use of social media.

#### 4. Social media in Romania

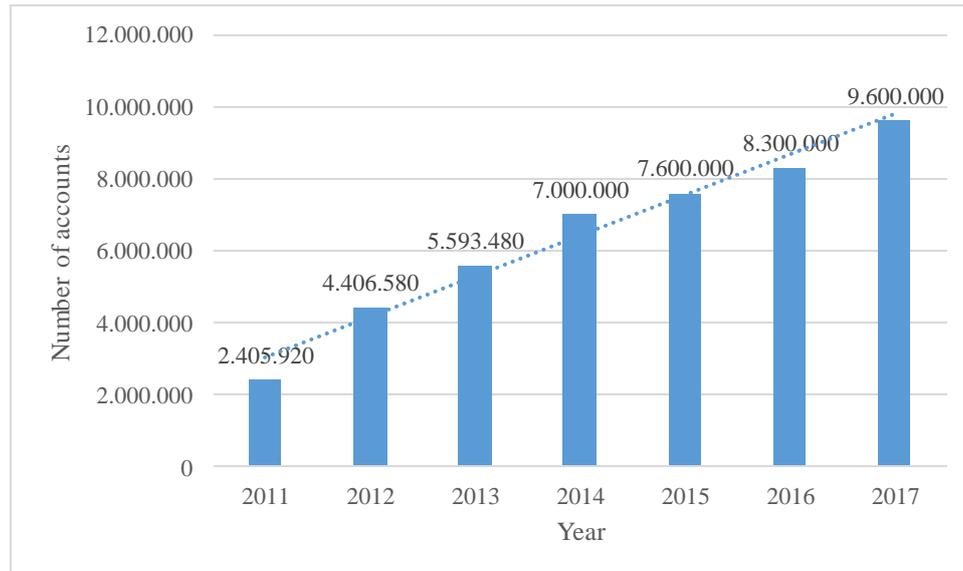
Social media captured the attention of an increasing number of Romanians. The audience evolved gradually and the information volume grew rapidly. The scope of social media in terms of audience and information is presented in the table 6.

| Information/Audiences | Numbers    |
|-----------------------|------------|
| Blogs                 | 95,000     |
| Public Facebook pages | 74,000     |
| Online media sources  | 3,600      |
| Forums                | 200        |
| Instagram accounts    | 570,000    |
| Twitter accounts      | 380,000    |
| Youtube accounts      | 800,000    |
| Facebook users        | +8,000,000 |
| Blog readers          | +3,100,000 |

*Table 6. Information and audiences encompassed by social media from .ro*

Source: Zelist, 2016

In Romania, since the beginning of the present decade, the number of Facebook accounts has increased 4 times, reaching 9,600,000 in January 2017 (see figure 1). The annual growth rate is significant. In January 2017, the number of accounts augmented by 15.66% against January 2016 and 9% against September 2016 (Facebrands, 2017). One may estimate that in 2017 or no later than 2018, the number of accounts will reach 10 million.



**Figure 1. Number of Facebook accounts from 2011 to 2017 in Romania**

Source: Facebrands, 2017

Note: \* January each year

Retailing ranks third among the top industries on Facebook, in terms of the total number of fans (see table 7). A specific fact to be noted is that retailing sector of “brick-and-mortar” stores reaches 68% of the number of fans totaled by e-commerce in Romania.

| Industries                 | Sum of fans |
|----------------------------|-------------|
| Beauty                     | 3 517 345   |
| Ecommerce                  | 3 511 016   |
| Retail                     | 2 386 806   |
| Electronics                | 2 027 288   |
| Fast moving consumer goods | 1 845 681   |

**Table 7. Top industries on Facebook in August 2017, in Romania**

Source: Socialbakers, 2017

Note: Data is from the total number of Local Fans for the largest 200 pages in Romania by Fan count

Another medium in social media is Instagram. The total number of Instagram users in Romania reached 566,206. Only 49.6% were active users in June 2017 (Katai, 2017). These data show that Instagram is still in an early development stage. At present, Instagram lags behind Facebook in social media, in Romania.

## 5. Modern retailers in Romania

Traditional trade loses ground in front of modern retailing. Romanian consumers support this trend because they enjoy shopping in every type of modern retail format.

According to the studies of GfK Romania (2017), in the first quarter of 2017, modern retailing reached a value market share of 62%. The same source revealed that discounters, supermarkets and convenience stores registered an increase in the market share, in comparison to hypermarkets whose market share diminished as a result of lost traffic. The ascending trend of discounters and supermarkets consists in an intensive growth based on the larger purchase value of retail baskets. Convenience stores succeeded to attract more purchasers.

The retail market is dominated by international retail chains (see table 8). The ranking of top retailers is led by three hypermarket chains and a discounter that reached each a turnover of more than one billion Euro in 2016.

| Rank  | International retail chains                          | Trade format   | Turnover 2016<br>(Million Euro) | Profit 2016<br>(Million Euro) | Number of<br>stores 2016 |
|-------|--|----------------|---------------------------------|-------------------------------|--------------------------|
| 1     | Kaufland   | Hypermarket    | 2,158.44                        | 145.51                        | 112                      |
| 2     | Carrefour  | Hypermarket    | 1,868.14                        | 28.72                         | 244                      |
| 3     | Lidl   | Discount store | 1,242.28                        | 48.49                         | 203                      |
| 4     | Auchan   | Hypermarket    | 1,090.33                        | -5.33                         | 33                       |
| 5     | Metro  | Cash & carry   | 970.37                          | 23.04                         | 30                       |
| 6     | Mega Image (including Shop & Go)                     | Supermarket    | 963.27                          | 30.03                         | 522                      |
| 7     | Profi  | Supermarket    | 790.61                          | 28.25                         | 501                      |
| 8     | Selgros  |                | 734.25                          | 5.62                          | 21                       |
| 9     | Rewe Romania (Penny Market and<br>XXL Mega Discount) | Discount store | 638.14                          | 5.29                          | 206                      |
| 10    | Cora   | Hypermarket    | 388.47                          | -1.29                         | 11                       |
| 11    | dm Drogerie Markt                                    | Drugstore      | 56.96                           | -0.31                         | 85                       |
| Total |  |                | 10,901.31                       | 308.02                        | 1,968                    |

**Table 8. Top international retail chains in Romania, in 2016**

Source: Ardelean, 2017

## 6. Research methodology

The goal of this research was to study whether leading modern retailers on the Romanian market differ in terms of their marketing communication on Facebook. The study referred to the leaders of the Romanian modern retailing in the hypermarket, supermarket and discount store formats. More precisely, the study focused on the following leading retail chains: Kaufland Romania – the leader of the hypermarket format, Mega Image Romania – the leader of the supermarket format and Lidl Romania – the leader of the discount store format.

The research objectives refer to the study of the following aspects:

- intensity of their posting behavior during the month of August 2017;
- level of generated engagement (likes, comments and shares);
- major theme of the posts made by these retailers.

The research method was observation deployed in the online environment. It facilitated the gathering of both quantitative (relative to the posting intensity and to the engagement of Facebook users) and qualitative data (relative to the themes of the posts).

The data collection process was accomplished based on the publicly available data displayed by the Facebook pages of Kaufland Romania, Mega Image Romania and Lidl Romania. The investigated pages were verified pages only. A verified page is confirmed by Facebook as being an authentic page of the specific company.

A database was created in order to organize in a structured framework the data necessary to accomplish the research objectives. A distinct entry was developed for each post made by each retailer on own Facebook page during the month of August 2017.

## 7. Research findings

The first research objective referred to the intensity of the posting behavior of the three leading retailers in August 2017. The data resulted from the research are presented in the table 9.

| International retail chains | Trade format   | Total number of days with posts in August 2017 | Total number of posts during August 2017 | Average number of posts per day of posting |
|-----------------------------|----------------|--|--|--|
| Kaufland                    | Hypermarket    | 26   | 59                                       | 2.27                                       |
| Lidl                        | Discount store | 31   | 65                                       | 2.10                                       |
| Mega Image                  | Supermarket    | 31   | 48                                       | 1.55                                       |

**Table 9. Intensity of posting behavior of the three international retailers in August 2017**

Source: Own research

The three retailers displayed a sustained posting behavior throughout the analyzed month. The posts were made on daily bases or almost daily (in the case of Kaufland). Average number of posts per day varied between 1.55 for Mega Image and 2.27 for Kaufland. A worthwhile aspect is that Lidl and Kaufland used to post twice a day, on average.

The second objective of the research consisted in finding the level of engagement generated among Facebook users. The engagement is expressed as sum of the following variables: “number of likes”, “number of comments” and “number of shares” (see table 10).

| International retail chains | Trade format   | Number of liker in August 2017 | Number of shares in August 2017 | Number of comments in August 2017 | Engagement |
|-----------------------------|----------------|--------------------------------|---------------------------------|-----------------------------------|------------|
| Kaufland                    | Hypermarket    | 36,795                         | 1,903                           | 3,500                             | 42,198     |
| Lidl                        | Discount store | 37,959                         | 2,684                           | 1,251                             | 41,894     |
| Mega Image                  | Supermarket    | 28,275                         | 867                             | 893                               | 30,035     |

**Table 10. Engagement generated by the three international retailers in August 2017**

Source: Own research

The total engagement generated by Kaufland and Lidl is almost similar. However, Mega Image generated a lower level of engagement compared to the other two competitors. The situation of the engagement generated by Facebook posts is presented in table 11.

| International retail chains | Trade format   | Average number of liker per post | Average number of shares per post | Average number of comments per post | Average engagement per post | Average engagement per day of posting |
|-----------------------------|----------------|----------------------------------|-----------------------------------|-------------------------------------|-----------------------------|---------------------------------------|
| Kaufland                    | Hypermarket    | 624                              | 32                                | 59                                  | 715                         | 1,623                                 |
| Lidl                        | Discount store | 584                              | 41                                | 19                                  | 645                         | 1,351                                 |
| Mega Image                  | Supermarket    | 589                              | 18                                | 19                                  | 626                         | 969                                   |

**Table 11 Level of engagement generated by the three international retailers in August 2017**

Source: Own research

The engagement level varied between 626 and 715 likes, shares and comments during one month.

Kaufland stands out from the group of the three modern retail chains, due to its higher level of engagement not only per posting, but also per posting day. Consequently, the communication of Kaufland on Facebook is the most efficient in terms of generated engagement.

The third research objective consisted in identifying the major theme of the posts made by these retailers. For each post, only the major theme was considered.

The research findings revealed the major aspects pointed out by the three retailers (see table 12). The following table presents only the major aspects that registered the highest frequency of occurrence on the Facebook pages of the three retailers.

- percentage of posts of each retailer -

| International retail chains | Products and brands | Products and brands at promotional prices / discounts | Products developed with renowned chefs | Recipes and culinary recommendations | Own advertising campaigns* | Tourism services | Events | Games and contests | Others |
|-----------------------------|---------------------|---|--|--------------------------------------|----------------------------|------------------|--------|--------------------|--------|
| Kaufland                    | 20.34               | 11.86   | -                                      | 3.39                                 | 18.64                      | -                | 35.59  | 5.09               | 5.09   |
| Lidl                        | 36.92               | 1.54  | -                                      | 27.69                                | 16.93                      | 7.69             | -      | 1.54               | 7.69   |
| Mega Image                  | 29.17               | 29.17   | 10.42                                  | 10.42                                | -                          | -                | 2.08   | 8.32               | 10.42  |

**Table 12 Major themes of the posts of the three international retailers in August 2017**

Source: Own research

Note: \* Own advertising campaigns of retailers: “Animaterra” (Kaufland Romania) and “Let’s WOW Romania – by Heidi Klum” (Lidl Romania).

The range of themes focused on the products and brands provided by the three retailers. The communication on Facebook was also marked by the theme of promotional prices. Lidl does not stress as Kaufland and Mega Image the discounts, maybe because people do associate Lidl with lower prices. Lidl is also focused on providing recipes and culinary recommendations. Unexpectedly, Lidl communicates about tourist services fact that represents a differentiator compared to the other two retailers.

## 8. Conclusions and recommendations

The following conclusions may be drawn relative to the intensity of the posting behavior of the three leading retailers:

- a) leading modern retailers seem to consider Facebook as a valuable social medium for the communication with the target market (aspect inferred from the active posting behavior of the retailers);
- b) the three retail leaders use Facebook to engage their customer community by posting twice on average, during a posting day;
- c) weekend days resemble working days in social media, consumers being exposed to the information posted by the retailers;
- d) Kaufland and Lidl seem to be more active on Facebook in terms of the number of posts.

The research has several limitations. Firstly, only the three retailers were studied. Secondly, the period was narrowed to August 2017.

As regards the engagement generated on Facebook, the conclusions are the following:

- a) Facebook users tend to “give likes” rather than to share and provide comments;
- b) average engagement level per post varied between 626 and 715 likes, shares and comments during August 2017, for the three retailers;
- c) average engagement level per day of posting varied substantially between 969 and 1,623 shares, likes and comments, during the same period, for the three retailers;
- d) the highest efficiency in engaging Facebook users was achieved by Kaufland (fact revealed by comparing the generated engagement levels to the numbers of posts).

The conclusions relative to the major themes addressed by the post underline the following:

- a) products and brands represent the focus of the Facebook communication of all the three retailers;
- b) prices are communicated in more posts by the non-discounter retailers than by the discount retailer;
- c) Facebook is a social medium that is used to multiply the effect of the other media applied for the own advertising campaigns of the retailers.

In the case of the three leading retailers, the marketing communication on Facebook shares the following points of parity:

- a) Facebook is a tool used constantly to communicate with consumers;
- b) posting is carried out at sustained intensity of around two posts per day;
- c) posting schedule includes both week and weekend days;
- d) products and discounts are major themes that register higher shares than the other themes approached by the Facebook posts.

The research findings allow a direct answer to the initial question relative to the differences existing in terms of communication on Facebook, among the three retailers. There are few differences relative to this communication. The differentiators are the share held by each major communication theme of each post and the level of generated engagement.

The main recommendations for practitioners are to: (i) continue improving the communication on Facebook by enhancing the level of user engagement; (ii) diversify the themes approached by posts; (iii) to focus on consumers and their lifestyle as well, not only on products/brands.

Researchers can provide support to retailers in order to identify: (i) the themes with the highest impact on Facebook users; (ii) the potential competitive differentiators to be communicated; (iii) the effectiveness and efficiency of Facebook in comparison to other components of social media; (iv) the correlation between the attitudinal data collected on Facebook and the behavioral data generated by purchases in the “brick-and-mortar” stores or online.

At present, Facebook is a point of parity for retailers. The question is how marketers will develop communication differentiators using Facebook posts in parallel to exploring the potential of new social media.

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## CSR and Sustainable Development – Two Concepts with Different Beginnings and a Common Future

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### **Abstract**

The concepts of Corporate Social Responsibility (CSR) and Sustainable development have emerged as separate independent units in different historical periods, but today their content, orientation and tools are basically identical. Both concepts focus on the economic, ecological and social aspects of the activity not only of contemporary business organizations, but of those in the public sector as well. The main purpose of the paper is to track the evolution of the ideas on CSR and Sustainable development, to reveal the historical prerequisites for their emergence and to outline the differences in their initial interpretation. After that the gradual convergence of these ideas is tracked in respect to orientation and content by making a comparative analysis of the most common practical initiatives for CSR and sustainable development as Social standards certification, CSR Stock Exchange indices and Corporate Sustainability assessment, Social Business and Social Entrepreneurship. The results about the availability of common ideas on CSR and sustainable development in contemporary business practices as Fair trade, Supported Agriculture and Slow movement are presented. The trends for their future development are outlined, including the application of new and innovative concepts concerning responsible and sustainable business in Europe, and, in particular, in some of the Balkan countries. Arguments are brought forward to support the thesis that today CSR is a basic element and an essential part of the overall efforts for sustainable development.

**Keywords:** Corporate Social Responsibility (CSR), Sustainable Development, Social Business, Fair trade, Supported Agriculture, Slow movement.

**JEL classification:** M14

### **1. Introduction**

The beginning of the theoretical debate about the responsibility of business to society was set over 200 years ago and was concentrated on the business' economic role of contributing to people's wellbeing by means of the efficient use of public resources under the conditions of free trade (*Smith, 1776*). Issues concerning the social functions of business were raised at the beginning of the 20<sup>th</sup> century (*Carnegie, 1900; Sheldon, 1923*), with the term "social responsibility" formulated only as late as the 1950s (*Bowen, 1953*) and the thesis that it is not enough for company efforts to only be focused on maximizing profits is being popularized (*Davis, 1960*). These beliefs have not found unanimous acceptance as for ex. *Levitt (1958)* and *Friedman (1962)* argued them and supported rational-economic concept of the business responsibilities. Nevertheless, during the last decades of the 20<sup>th</sup> century more attention is being paid to the necessity of finding a balance between the economic objectives of companies and the social goals of society (*McGuire, 1963; Drucker, 1974; Davis & Blomstorm, 1975*). This trend reflects the contemporary beliefs about a socially responsible business organization, whose policy is voluntary orientated towards taking into consideration the present and future social needs (*Sethi, 1975; Carrol, 1979*). It is expressed not only in making commitment to environmental protection, abiding by labour law or participating in charity campaigns. The role of modern business is viewed in a wider context – as that of an active participant in the solution of various social problems and as an initiator for the achievement of sustainable development (*Sethi, 1975; Drucker, 1992*).

These days companies' application of sustainable business practices has been facilitated by an extreme variety of initiatives and institutions. They appear as associations, forums, business

partnership networks, round tables, rating agencies, stock exchange indexes, standards, companies for social audit, CSR disclosure and Corporate sustainability reporting. The creation of these initiatives for stimulating the practical application of responsible business behaviour first started in the USA in the 1970ies (*Business Round Table, 1972*). In Europe the fall of the Berlin Wall gave a strong impetus to their development (*IBLF, 1990*), and today their influence is felt all over the world.

The above mentioned initiatives for popularizing and establishing good socially responsible and sustainable business practices have been created in different periods, by different institutions, hold different objectives and adopt different strategies. They use an extremely wide variety of terminology, methodology and instruments. Nevertheless, some of them share identical views on the essence and dimensions of CSR and sustainable development, as well as the means for their popularization. Others, however, hold different opinions of the overall scope of CSR and sustainable development, while still others focus their efforts only on certain aspects of these issues and their establishment as good business practices. Therefore, **the aim** of the present study is to systematize, characterize and juxtapose well-established CSR international initiatives as well as some new and innovative concepts concerning responsible and sustainable business in Europe, and, in particular, in some of the Balkan countries. Simultaneously the research is focused on bringing forward the historical causes that necessitated their emergence, as well as providing an outline of the chronology of the process.

## **2. Historical prerequisites for the emergence of the notions of CSR and sustainable development**

These days success in business has many and various dimensions. Beliefs about the role of business in society are not unequivocal, either. They vary widely – from treating business as a source of wellbeing, innovations and an engine for the development of society, to negative judgments concerning workers exploitation, poor working conditions, manufacturing unhealthy products, abuse of monopolistic positions or unfair disclosure of company information. Viewed against this background, people's concepts of success in business and its role in today's society are changing.

Within the historical emergence of the CSR concepts, several notions can be outlined that evoked their appearance. Some of them are related with philanthropy and charity as an old idea and practice. Philanthropy is associated with examples dating back to ancient times – e.g. the familiar case of the selfless and voluntary help to others, as offered by the Good Samaritan (*Adrian, M. et al 2013*). There are different reasons for philanthropy – varying from pure altruism to selfish motives. Proceeding from this idea are the initiatives of wealthy US and European businessmen involving donations to community, arts and educational projects at the beginning of the 20th century (e.g. *Rockefeller and Carnegie in the USA, Cadburys and Hanburys in the UK*).

There are numerous examples in contemporary business practice, as well as those of the past, illustrating another reason for CSR – certain companies seem to engage in CSR responding to pressure exercised by consumers, regulators, distributors and other stakeholders. Through CSR they attempt to wipe clean their corporate image and build positive reputation after their name has been involved in compromising activities related to environment pollution, abuse of human rights and other unethical practices. Such an example is the first large-scale consumer boycott of slave-grown sugar and rum in the UK in 1790s when more than 300,000 Britons were boycotting sugar produced by the British West Indian slave plantations (*Chandler and Werther, 2014*). In the mid-20<sup>th</sup> century widely discussed are the effects of the responsible behaviour of some “unhealthy” industries (tobacco, oil, chemical) as a result of media pressure or governmental regulations – for instance, tobacco corporations made donations to health and

sport projects in the 1960s. The link between CSR and reputational risk in consumer markets is also obvious in the case of European boycott of *Royal Dutch/Shell* in 1995 over its plan to dump the Brent Spar oil platform at sea, as well as *Exxon* actions following their spilling of more than 300 000 barrels of oil into the ocean near Alaska in March 1989. A similar situation was seen at the beginning of the new millennium with the multi-country boycott against *Nike* over sweatshop conditions at Asian suppliers. Retailers as *Zara*, *Benetton*, *Carrefour* and *Walmart* were involved in Bangladesh factory disaster in 2013 when more than 1,100 factory workers died as a result of an eight-story building collapse. *Nestle*, *British American Tobacco*, *H&M* and *C&A* faced the same problems following the huge fire at the packaging factory of a subcontractor of theirs in Bangladesh in 2016.

Some researchers (*Sharon, 1995*) believe that CSR ideas sprang up amidst professional communities in the late 19<sup>th</sup> and early 20<sup>th</sup> century. Here a classic example is the American Society of Mechanical Engineers, founded in 1880. Its members have been attempting, through demonstrating great attention to socially responsible activities, to raise the prestige of the profession. As it is well-known, they were accused of not accounting for the individual and psychological peculiarities of the workers but rather viewing them as an addition to machines. A substantial reason for the emergence of CSR concepts is the arising of ideas for humanization of attitudes towards industrial laborers. The 18<sup>th</sup> and 19<sup>th</sup> centuries witnessed countless campaigns and political reforms designed to improve working conditions and human rights. These problems have attracted the attention of practitioners *Robert Owen (1800)* and scientists since the dawn of Industrial Revolution through the human relations school of management and over to present (*Sheldon, 1923; Gilbreth, 1923; Follett, 1930; Mayo, 1932; McGregor, 1960*). Modern initiatives for CSR and sustainable business come as a logical sequel of these ideas. Today they contain requirements for providing healthy and safe working conditions, lack of discrimination in employment, payment, promotion in corporate hierarchy and dismissal of workers, decent wages, collective bargaining agreement, protection of workers' interests by trade unions and other.

The evolution of CSR concepts is also viewed as a result of the changes in people's expectations from business, following the sequence of social crises – those of the 1870s, 1930s and 1970s (*Edmunds, 1977*). The first one, in the 1870s, was expressed in the negative attitude towards large corporations owing to misconduct, bribery, monopolistic price setting and demise of small businesses. In the 21<sup>st</sup> century, similar moods exist against globalization and multinational corporations, expressed by modern social movements such as “*Occupy Wall Street*”, which in 2011 organized protests in over 900 cities globally. In response to them some international initiatives popularizing CSR worldwide aim exactly at turning globalization into a driving force of development (*Global Compact of United Nations*).

The second crisis in the development of business – society relations took place in the 1930s when the Big Corporations were blamed for the Great Depression. In response to these moods and in an attempt to curb the influence of trade unions, which had accumulated a great deal of power, corporations (like Ford Motor Company, for instance) started to apply socially responsible practices such as a reduced working day, improved safety at work and additional social benefits for workers. The third crisis in the business – society relations occurred in the 1970s. Broadly speaking, it was a result of a number of new ideas like consumerism, feminism, environment protection, and was fuelled by the social discontent with the Vietnam War, Watergate scandal and other (*Donnelly et al, 1992*). As a result, the public expectations from business include initiating actions that are not only a lawful reaction to problems arising in society, but also suggest that the business should take a more active role in their prevention.

Another reason for the emergence of CSR concepts is the loss of trust in business and business executives resulting from a series of business scandals. One of the first to shell-shock the public

in the 1970s was the case of the \$500 m paid as damages following deaths and injuries sustained during road accidents that have been found to be caused by flaws in Ford Pinto automobiles (Dowie, 1977). More recent examples of corporate scandals refer to the subjective wishes of owners and executive managers to conceal the true financial results of their companies. *Enron's* bankruptcy (2001) made history, much like the record financial fraud committed by *WorldCom* (2002), which hid expenses of \$3,9 billion, and that of the pharmaceutical giant Merck (2003), exaggerating revenues to the amount of \$14 billion. It is believed that among the facilities for limiting these negative effects is disclosure of non-financial information about company activities, which is found today in the practices of CSR disclosure and Sustainability reporting. The above mentioned factors are complemented by the aggregate impact of the trends outlined at the end of the 20<sup>th</sup> century, such as market globalization, increasingly intensive competition, rapid technological innovation, concern for the planet's resources and the complicated environmental situation, the demographic changes taking place and the transition from industrial economy to knowledge-based economy. As a result of the impact of all these factors, as well as the implications of the global economic crisis and recent migration issues, over the last few years there has been growing support for the thesis that CSR is one of the contemporary instruments for long-term growth, sustainable development and enhancement of corporate competitiveness (Mintzberg et al, 2002; Porter and Kramer, 2006).

It is necessary to note that there are some differences in developing the ideas about CSR and the terminology used. These differences result from the existence of two approaches – the Anglo-Saxon and the European continental one. The first focuses on the so-called *corporate citizenship* – corporations are viewed as “good corporate citizens” of society. The second approach CSR is in the context of achieving *corporate sustainability* which is closely linked to the ideas of *sustainable development* (Schaltegger, 2009).

Unlike the historical development of the CSR concept, in which the focus on the social role of business dominates, the issues of social inequality and social aspects in the *sustainable-development concept* start being important not after the 80s and 90s of XX C. As it is known from specialized literature, in coming up with the concept about sustainable development, in the 60s and 70s of XX C the emphasis is on its ecological dimensions (Meadows et al., 1968). These initial ideas of achieving “ecological sustainability” reflect the attempts to establish conditions that provide simultaneously protection of the environment and economic development. Step by step social attention to them is attracted by the actions of various representatives of civil society so that later the point of establishing state, regional and international institutions on environment and development reached (Brundtland Commission, 1987). Thus, at the end of XX C, economic dimensions in the concept of sustainable development are as significant as the ecological ones. It's not before the start of XXI C that the notion of the social dimensions in the concept about sustainable development also having the same level of importance as the ecological and economic ones is established. Regardless the fact that social aspects are included in the concept of sustainable development on a later level, today accepting the principle of equality of the economic, social and ecological dimensions is present in both concepts – that of CSR and sustainable development.

According to the *World Commission on Environment and Development (WCED, 1987)* “in essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development; and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.” WCED indicates further that “*critical objectives for environment and development policies that follow from the concept of sustainable development* include: reviving growth; changing the quality of growth; meeting essential needs for jobs, food, energy, water, and sanitation; ensuring a sustainable level of population; conserving and enhancing the

resource base: reorienting technology and managing risk; and merging environment and economics in decision making.”

Today the idea that CSR is a basic element and an essential part of the overall efforts for sustainable development is shared by more and more international organisations and institutions. Thus for ex., CSR underpins the European strategy for sustainable development (*European Commission, 2001*). Some specialized agencies of the United Nations (for ex. *UNIDO*) use CSR instruments in their attempt to align private enterprises to the goal of sustainable global development. Assuring synchrony and balance between the economic, ecological and social aspects is accepted as a criterion for sustainable development of private and public organisations, separate regions and society as a whole.

### 3. Contemporary understandings of CSR and Sustainable development defined by different international organizations and initiatives

For the purposes of the present study it is important to juxtapose the beliefs about the essence and elements of the socially responsible and sustainable business practices suggested by leading international organizations that popularize the implementation of CSR and sustainable development worldwide (table 1).

| Organization / Year of establishment  | Mission/main objectives  | Main terms used  | Main dimensions   |
|---|--|--|---|
| <i>Organizations and business partner networks</i>  |  |  |   |
| <i>International Business Leaders Forum (IBLF)</i><br>1990 in London, by Prince of Wales and international business leaders | To engage in development activities... contributing to <i>sustainable economic growth</i> ,... to encourage <i>responsible business</i> in the markets in which companies are operating          | CSR – “Popularization of the practices of responsible business which benefit the society and facilitate social, economic and environmental sustainable development by means of maximizing the positive impact of business over the society and minimizing the negative one“                          | Economic<br>Social<br>Environmental   |
| <i>United Nations Global Compact (GC)</i><br>1999, in Davos, during the World Economic Forum                                | To encourage private sector, civil society, trade unions, UN agencies and other stakeholders to apply ten principles for <i>social and environmental responsibility</i> in their daily practices | <i>Corporate citizenship</i> – defined by “Company’s contribution to society through its business activity, social investments and charity campaigns, including events for the public welfare“   | Human Rights<br>Labour standards<br>Environment<br>Anti-corruption                                |
| <i>Business Social Compliance Initiative (BSCI)</i><br>2003, by Foreign Trade Association                                   | To provide companies with the best system to improve working conditions in the global supply chain   | The standard of <i>social responsibility SA 8000</i> is considered the benchmark for “best practice” and BSCI members are required to be certified according to this standard.   | Human Rights<br>Labour standards<br>Discrimination<br>Environment                                 |
| <i>CSR Certification Standards</i>  |  |  |   |
| <i>SA 8000 – CSR certification standard</i><br>1997, USA<br>by <i>Social Accountability International (SAI)</i>             | To encourage organizations to develop, maintain, and apply socially acceptable practices in the workplace  | „SA 8000 is a <i>sustainable standard</i> for ensuring the empowerment and protection of the health and welfare of all personnel throughout a worksite and a company’s supply chain, while providing a management system for employers to demonstrate and verify their compliance with the Standard“ | Labour standards<br>Health and Safety<br>Freedom of Association<br>Discrimination<br>Remuneration |
| <i>ISO 26000-CSR certification standard</i><br>2010, by ISO   | To provide guidance on how businesses and organizations can operate in a socially responsible way. This means acting   | <i>Social Responsibility</i> is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that: (1) contributes to  | Human rights<br>Labour practices<br>Environment<br>Fair operating practices                       |

|  |  |   |  |
|--|--|---|--|
|  | in an ethical and transparent way that contributes to the health and welfare of society  | <i>sustainable development</i> , including the health and welfare of society; (2) takes into account the expectations of <i>stakeholders</i> ; (3) is in compliance with applicable law and consistent with international norms of behavior, and (4) is integrated throughout the organization and practised in its relationships | Consumer issues<br>Community involvement and development |
| <i>CSR and Corporate Sustainability Stock Exchange Indexes</i>             |  |   |  |
| <i>Dow Jones Sustainability index (DJSI)</i><br>1999, The Dow Jones Group  | To evaluate the <i>sustainability performance</i> of the top 2500 companies worldwide (largest companies, based on the size and price of their stocks) | <i>Corporate Sustainability</i> – “a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments”  | Economic<br>Environmental<br>Social                      |
| <i>FTSE4 Good Indexes</i><br>2001, Financial Times & London Stock Exchange | To measure performance of companies that meet globally recognized <i>corporate responsibility</i> standards  | FTSE4 Good serves as a benchmark index to track the performance of <i>responsible investment</i> portfolios.  | Environmental<br>Social<br>Governance                    |

**Table 1. Definitions of leading International organizations for CSR and Sustainable development**

Source: International organizations official web-sites

Summarizing the information from table1, we can conclude that most institutions emphasize on the need to introduce a uniform policy of integrating companies' social, economic and environmental commitments into their overall management. As we have already pointed out, these three dimensions feature in both CSR and Sustainable Development. What is more, there are organizations (Baron, 2014) who argue that the terms CSR and sustainable development should be considered synonymous. At the same time, certain institutions pay more attention to the role of business for creating conditions for sustainable economic development, enhancing the quality of life and solving the local government's social problems. The meaningful dimensions of the social responsibility of business also include covering certain social expenses of the public, participation in charity campaigns and other. Attention is paid to the need of transparent and ethical behaviour, which suggests the use of appropriate criteria and indicators for assessment of socially responsible business practices and their sustainable reporting in the annual corporate reports.

Certain international organizations (e.g. *BSCI* and *OECD*) do not formulate their own definitions of CSR, but make use or elaborate on definitions provided by other institutions. Thus, the UN views individual multinationals' corporate practices as a foundation for achieving the so called Global Corporate Citizenship, assumed to be the core of CSR (UN, 1999). According to other institutions (EC, ISO), the debate between various stakeholders over finding a suitable definition of the notion of CSR calls for a longer time period and they have engaged in long-lasting discussions of the topic. In its various documents and directives the European Commission points out that CSR suggests a business behaviour that exceeds the minimal legal requirements and includes a deeper commitment to issues relating to preserving and developing the wellbeing of society. On numerous occasions the EC also emphasizes on the CSR potential for enhancing company competitiveness and accentuates on the idea of achieving sustainability as the ultimate goal of the socially responsible business practices applied (EC, 2007). Accepting CSR as a criterion for sustainability was also affirmed at the conference for sustainable development in Johannesburg (2002).

Conclusions of the analysis of the essence and dimensions of socially responsible and sustainable business practices provide us with a reason to summarize the following tendencies in their contemporary interpretation. Most scientists and institutions accept that CSR is a

component of contemporary strategic business organization management and an element of their corporate culture. Voluntary adherence to socially responsible business behaviour is perceived as a criterion for long-term growth and sustainable development. Another summarizing point in the contemporary interpretations of CSR is the focus on its purpose – to create possibilities for satisfying the needs of all stakeholders and facilitate the achievement of sustainability of the society as a whole.

#### 4. Applying contemporary socially responsible and sustainable business practices

Over the last few decades new concepts of responsible and sustainable business have been created and these concepts have been disseminated in various parts of the world, for example *Social Business*, *Social entrepreneurship*, *Fair trade*, *Community Supported Agriculture*, *Slow movement*, *Sustainable Lifestyle*, *Diversity Management*. The present study analyzes their dissemination in some Balkan European countries (Table 2).

| International initiative                     | Bulgaria | Romania  | Greece    | Turkey | Albania |
|--|----------|----------|-----------|--------|---------|
| Joining of Global Compact (GC)               | 2003     | 2005     | 2008      | 2002   | 2007    |
| GC Number of participants in 2017            | 48       | 35       | 77        | 249    | 4       |
| Number of SA 8000 certified companies (2017) | 91       | 112      | 21        | 9      | 1       |
| Social Business (Grameen bank) local branch  | -        | -        | -         | -      | 2013    |
| Fair trade local branch                      | 2007     | 2005     | 2004      | 2007   | -       |
| Community Supported Agriculture local branch | 2010     | 2008     | 1995      |        |         |
| Number of CSAs initiatives (2016)            | 6        | 10       | 7         | NA     | NA      |
| People involved in CSA/weekly                | 600-900  | 900-1000 | 1200-2400 |        |         |

**Table 2. International initiatives for CSR and Sustainable development in some Balkan European countries**

Source: International organizations official web-sites

It is believed that the idea of Nobel Laureate *M. Yunus* about *social business* is a specific variation of the more general concept of *social entrepreneurship* or a logical sequel to the concept of *Stewardship*. In their business social entrepreneurs attempt to combine making a profit with fulfilling a mission designed to solve certain social problems. *Stewardship* reflects the business owners' specific sense of responsibility for everything they possess, as well as for the way they perform their daily operations (*Goyder, M. 2008*).

At the root of *Social Business* lie the innovative business models focused on the search for solutions to social problems. Founded by *M. Yunus*, *Grameen Bank* (Bank of the Poor) in Bangladesh offers micro-credits to extremely poor people, in order to help them create an independent business that would be enough to provide a livelihood. Micro-credits (of up to \$ 10 a person) are granted without any requirements for additional bank guarantees or guarantors; instead, the bank relies on the social solidarity of borrowers. These days, over 8m customers across 80 000 villages in Bangladesh benefit from this business model. *Grameen Bank* has nearly 2500 branches and has been assisted worldwide, since it functions as an example for numerous micro-financing initiatives on nearly every continent. At the same time, *Grameen Bank* has never been a charity organization, but a viable, profitable business, yet a socially directed one, aiming to ensure as many benefits as possible for the underprivileged, instead of maximizing profits. Profit from the business is used for social purposes and eventually individual investors only get back their investment, without any dividends. This constitutes their social responsibility. The benefits of social business are presented in table 3.

In Bulgaria popularization of this idea is associated with the Social Business Laboratory, founded on 27 November, 2010 in Varna. The presentation, organized by Prof. *Yunus*' team and the ensuing workshops were attended by representatives of business, academics and non-governmental organizations from Varna and discussions took place over the chances of the social business idea to spread in Bulgaria. However, the initiative has not met much support

and understanding and no practical results have been achieved, not only in Bulgaria but in other European countries, either. As a matter of fact, so far the only European country where M. Yunus' social business has been developing is Albania.

| Contemporary CSR and sustainable practices | Economic benefits  | Social benefits  | Environmental benefits  |
|--|--|--|---|
| Social Business (Grameen Bank)             | <ul style="list-style-type: none"> <li>- helps poor people create their own independent business as a source of livelihood;</li> <li>- access to financial resources for starting a business</li> <li>- improves economic and business conditions in the region</li> <li>- creates conditions for sustainable development of cattle and dairy farming</li> </ul>   | <ul style="list-style-type: none"> <li>- solves local community social problems such as unemployment, poverty, poor living conditions, lack of educational opportunities, difficult access to modern technologies and other.</li> <li>- a source of occupation</li> <li>- improves quality of life</li> <li>- enhances opportunity for children's healthy life and nutrition</li> </ul>  | <ul style="list-style-type: none"> <li>- conserves natural resources</li> <li>- preserves the environment</li> <li>- stimulates organic local products</li> </ul>   |
| Fair trade                                 | <ul style="list-style-type: none"> <li>- brings about sustainable development of poor regions</li> <li>- improves working conditions</li> <li>- fair payment for labour</li> <li>- avoids exploitation of women and child labour</li> <li>- improves links along the supply chain</li> </ul>   | <ul style="list-style-type: none"> <li>- assists in observing human and labour rights</li> <li>- eliminates discrimination</li> <li>- creates better conditions for education, mostly for children</li> <li>- assists in the creation of better health care for local people</li> </ul>  | <ul style="list-style-type: none"> <li>- stimulates organic production</li> <li>- stimulates growing local crops in traditional ways</li> <li>- assists local farmers with certifying organic production</li> </ul>   |
| Community Supported Agriculture            | <ul style="list-style-type: none"> <li>- stimulates the sustainable development of small regions</li> <li>- stimulates regional economy and local producers, SMEs</li> <li>- reduces unemployment</li> <li>- locals' incomes are growing</li> <li>- reduces risks of investment for the producers</li> <li>- ensures stable demand for the production</li> <li>- producers fair remuneration</li> <li>- producers are protected against pressure from middlemen buying their products</li> <li>- independent from financial institutions and the need to present bank guarantees in order to get a loan</li> <li>- possibility for better planning of future output</li> </ul> | <ul style="list-style-type: none"> <li>- builds relationships of rapport and mutual help between producers and the local community</li> <li>- reduces depopulation of small villages and urban migration</li> <li>- stimulates healthy and sustainable way of life</li> <li>- informational and educational role in the methods of growing produce (in particular among children)</li> <li>- personal satisfaction from the mutually beneficial cooperation and benefits gained</li> <li>- creation of new social contacts</li> <li>- preserves local culture, customs and traditions</li> <li>- access to cheaper, better quality products at lower prices than certified organic products</li> </ul> | <ul style="list-style-type: none"> <li>- conservation of natural resources – protecting the soil from chemicals</li> <li>- preserving biodiversity, including local sorts of agricultural crops or local breeds of cattle that are typical for the region</li> <li>- reduces the use of artificial fertilizers, seeds and GMOs</li> <li>- reduces wastes and throwing spoiled produce away (as there are no middlemen delaying distribution)</li> <li>- reduces fuel-generated emissions resulting from distribution of products into remote regions</li> </ul> |

Table 3. Benefits from Contemporary CSR and sustainable practices

The idea of *Fair Trade* arose in the 1960s. Today it is an international movement which includes networks of distributors of different products, manufactured in poor countries (the so called Third World countries) and exported to developed countries. The social responsibility of Fair Trade is contained in its basic mission – to ensure a lasting improvement in the working conditions provided by manufacturers, including decent payment, at the expense of reducing

the number of intermediaries along the retail chain, avoiding forced labour, avoiding the exploitation of women and child labour, and eliminating discrimination practices. At the same time *Fair Trade* strives to contribute towards the sustainable development of poor regions and to preservation of the environment. Initially the movement focused on coffee, cocoa and bananas, while today a diverse assortment of products is covered. The first specialized store to offer fair trade goods opened in the Netherlands in 1969 and in Europe and USA Fair Trade retail outlets gained popularity in the late 1980s and early 1990s. Unlike international practice, where Fair Trade is fairly popular and well developed, in Bulgaria this type of trade is far from popular, associated with considerably high product prices, limited distribution in the retail network and insufficient research regarding the possibilities for development. In Turkey, for instance, the idea is well-spread and has been gaining popularity through the assistance of the international organization for socially responsible and sustainable business – *Global compact (UNDP, 2007)*. In Albania Fair trade has not local initiatives yet.

*Community Supported Agriculture (CSA)* appeared over 40 years ago in Asia, America and Western Europe. Its socially responsible role is revealed in the creation of mutual benefits between city people and small village farmers from the surrounding region and the resulting contribution for the sustainable economic development of the region (see table 3). Local producers, usually small entrepreneurs, deliver naturally produced fruit, vegetables, meat and other similar products to groups of bigger city households against payment in advance and a secured stable market. The main idea lies in the desire of big city dwellers to “get back to Nature” by eating natural food instead of the products of large corporations that, most often, are full of artificial additives. In Europe this trend first caught on in Austria, Czech Republic, France, Greece, Hungary, Slovakia and UK. Greece is among the first European countries applied CSA. The growth of CSA spreading in Romania has continued in recent years. Its development in Bulgaria started around the year 2010, with more than 10 community supported farms functioning at present. CSA exists in various modifications, one of the most popular being the so called Farmers Markets, in which, on a certain day of the week, at a certain place in the city, farmers from the neighbouring villages sell their produce. Increasingly, small Bulgarian regions start applying various forms of CSA in order to support their sustainable development.

One of the most peculiar socially responsible and sustainable practices today is the *Slow movement*. It arose as a backlash response of individuals who do not much like the fast pace of life in our contemporary society. One of the first manifestations of this trend is considered to be Carlo Petrini’s protest against the opening of a MacDonald restaurant in Piazza di Spagna in Rome in 1986 ([www.slowfood.com](http://www.slowfood.com)). This is how *slow food movement* arises in opposition of the fast-food culture. Gradually other varieties come to life, such as *slow cities* (aiming to slow down globalization and loss of cities’ individual features by striving to make citizens happier and more satisfied with their city experience), *slow tourism/travel* (while travelling, one gets to know foreign culture, traditions, cuisine, etc by staying with a local family and not at a hotel, for example), *slow science* (contrary to the requirements for a large number of publications a scientist must produce, it is believed that a true scientist needs more time to read, research, study and test their findings and thus come to novel ideas), *slow money* (calling for a change in our attitude towards money, the desire to make and spend money wisely), *slow ageing* (accepting the process of ageing as a natural process, without employing all the modern instruments for delaying old age, is supposed to make people feel happy and at peace with themselves and hence, look younger), etc. The said examples of *Slow movement* varieties also show their potential benefits concerning CSR and sustainable development – a return to a natural lifestyle and production, keeping local traditions, customs and culture, preservation of

natural resources and conservation of the environment, stimulation of local production and local employment, a healthy and sustainable lifestyle.

## 5. Conclusions

The interest in CSR as a tool for SD is still growing because of the increasing expectations of society from business organizations. From the reviewed contemporary concepts of CSR and sustainable development, the idea which has had the most limited application is that of the social business – so far only in Albania. Unsuccessful attempts at its dissemination are due to the fact that socially disadvantaged groups of the population, which it is designed for, are considerably different in status from analogous groups of population in the countries this idea is applied, as the former are used to relying on social benefits provided by the state. It is possible to apply the idea in the modified variant of micro-financing, but organized differently. Fair trade is more popular in Old Continental Europe, most probably because this is where the idea started, and is less widely spread in the Balkan countries we have researched, because of the too high prices of fair trade products. At the moment, in Balkan European countries such as Greece, Romania and Bulgaria, different modifications of community supported agriculture are going strong. Turkey also seems to show greater interest in this form, whereas in Albania, for instance, the idea has not been given any comment yet. The trendiest varieties of socially responsible and sustainable business such as slow movement, green living and sustainable lifestyle seem to be least practiced. They are still at the stage of popularization in South East Balkan countries (Bulgaria and Romania). The trends reviewed and conclusions formulated in the present study outline the logic of our future research, and namely the ways socially responsible and sustainable business practices can be integrated in an overall business model of Sustainable Management.

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## **Consumer Attitudes toward Online Behavioural Advertising: The Social Media Involvement**

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### **Abstract**

In digital environment nowadays, data about Internet usage can be used to tailor content and advertisements to users' interests. Interactive advertising allows customers to become more involved because they initiate most of the action. Social media allows customers and prospects to communicate directly to the brand representative or about the brand with their friends. Experiences during this interaction will drive brand attitudes. Since online behavioural advertising uses a targeted approach and the advertisement of the retailer is directed to the most appropriate and interested consumer and online retailers interact with online consumers for their transactions, online behavioural advertising becomes a very important tool especially for online retailers. However, online behavioural advertising programs through social media, which target consumers based on their interests and preferences, still raises debate concerning consumer privacy interests in connection with business data collection, transfer and use. This article aims to explain the influence of online behavioural advertising (OBA) on attitude and their purchase intention. This type of research is explanatory with quantitative approach. Facebook as one of the popular social media was chosen as the research site. Population in this research are Facebook users in Indonesia who have seen impression of OBA aged above 18 years old and ever conducted online shopping in past six months. The sample used in this research was 145 people chosen with purposive sampling technique. Self-administered questionnaire via online was employed as data collection methods in this research. The result of path analysis shows that OBA significantly influences the attitude, OBA significantly influences the purchase intention, and attitude significantly influences the purchase intention. Based on the research's result it was suggested that users' privacy should be considered carefully especially related to the tracking and profiling for OBA purpose, the display of OBA must be improved to attract attention and reach high click-through-rate.

**Keywords:** Online behavioural advertising (OBA), Consumer Attitudes, social media, Indonesia.

**JEL classification:** M31

### **1. Introduction**

The internet users are significantly increasing in Indonesia. The study of Association of Internet Services Providers of Indonesia (APJII) revealed that more than 50 percent of 256.2 million Indonesians, which equals to 132.7 million people, are active internet users (APJII, 2016). The increasing of internet users has been made as a beneficial business entity. This opportunity stimulates the rise of many e-commerce. E-Commerce is purchasing, selling, and marketing of goods or services through electronic system (Wong, 2010:33). The rise of e-commerce brings out the competitive atmosphere within the industry. The issue becomes a new opportunity for online advertisers. The use of online media as promotion platform has been considered beneficial, however the doers should undergo an appropriate strategy to gain an effective advertisement.

This current era, online advertisers cannot rely on consumer insight based on demography, they should be able to collaborate the information from online activity. Thus the advertisement will be suitable with the characteristic and interest of people. The practice of this kind of advertisement is called as online behavioral advertising (OBA). OBA is defined as a type of online advertisement which directly targeting the most related people with the product. Thus, it ends up with purchasing decision on an exclusive product only (Shimp, 2008:413). Based on fact, the use of OVA shows 95% of consumers who visited an e-commerce is not undergone a transaction at that time (www.adelement.com).

OBA is expected to stimulate purchasing by consumers toward the product they have seen before on particular e-commerce. Process of OBA is started with data collection from cookies of particular computers or devices that monitored the online activities on several domains ([www.iabuk.net](http://www.iabuk.net)). The collected data aims to advertisement purpose still considered as an action that break the consumer privacy.

OBA is seen as a beneficial for business actors, nevertheless it needs further observation of OBA from consumer's point of view. Measurement of behavior toward OBA is considered necessary to be done to assess the consumer's opinion of this practice. Behavior is asserted by Schiffman and Kanuk (2007) on Suryani (2013:127) as an expression of feeling within an individual that reflects the condition of themselves, whether they are happy or not, like or not, agree or not upon particular object. The research of Sanje and Senol (2012) finds a fact that consumers who have an experience in online buying possess a positive behavior toward OBA. Nevertheless, the research of McDonald and Cranor (2010) finds different result. It shows that consumers possess a negative behavior toward OBA. It is caused by the privacy offense and undesirable of advertisement based on interest. It found no real advantages. Based on that different result, this current research aims to fill the gap of between those two results.

Behavior is an interesting issue to be observed because it has significant role to stimulate purchase intention. Behavior has strong relation to stimuli response of advertisement message. Meanwhile, purchase intention is defined as consumer's tendency to buy particular brand or to take an action related to purchasing that has possibility to turns out into buying (Kotler dan Armstrong, 2014:173). The research of Barnard (2014) found that OBA has direct influence toward purchasing intention. Meanwhile in the research of Barnard (2014), it found that OBA can decrease purchase intention until 5% if there are worries within consumers feeling. Those several research can depict that OBA is a controversial of online advertisement practice.

OBA makes pro and cons, nevertheless OBA is still being an online advertisement on several websites including social media "Facebook.com". In this research, Facebook becomes site of research since Facebook is the most visited website or social media in Indonesia ([www.alexa.com](http://www.alexa.com)), Facebook contains their users' information and shows OBA advertisements. Demographically, the users of Facebook are diverse, thus it is representative. Therefore, this research aims to investigate the influence of online behavioural advertising (OBA) on attitude and their purchase intention, especially in the most popular social media platform in Indonesia namely Facebook.

## **2. Literature Review**

### **2.1. Online Behavioural Advertising**

Advertiser always faced with many questions related to how much budget that needs to be spent, how much return on investment that will be gained, how many advertising that will be right on target and how many advertising that fails. VanHoose (2011:197) asserts that marketer long knows that it will be more effective if they offer their product towards the consumer that tends to be interested in it, but they do not know which consumer that fulfill that criteria and with the help of OBA, the marketer are able to communicate directly to the interested consumer. McStay (2011:2) stated that OBA involves browsing activity tracing during a certain period of time with the purpose of presenting adjusted advertisement with the ones that offered by an organization to the consumer through advertiser and assumes that it is the interest of the consumer. According to Alnahdi et al' research (2014), the OBA indicators are privacy concerns, targeted visible advertising, and advertising characteristic.

### **2.2. Attitude**

The consumer attitude is an important psychological factor and needs to be understood because it has positive correlation on behavior. Hawkins (1989) in Ferrinadewi (2008:94) defines attitude as

a long term organization process of motivation, emotion, perception, and cognitive and related to environmental aspects around it. Attitude has three main components which are cognitive, affective, and conative (Schiffman and Kanuk, 2008:225). The cognitive component consists of several indicators which are attention, awareness, recognition, comprehension, and recall (Kriyantono, 2009:357). Affective component is related to consumer' feelings and emotion toward an attitude object (Suryani, 2013:122). Conative component is related to predisposition or individual tendency to do an action related to the attitude object (Suryani, 2013:122).

### 2.3. Purchase Intention

Interest is portrayed as a condition of one's willingness to take action, which can be the basis for predicting that behavior or action. The purchase interest by Kotler and Armstrong (2014: 173) is that consumers feel that they have a tendency to make purchases against a brand or take action related to a purchase and are measured at the level of likelihood of consumers making a purchase (Kotler and Armstrong, 2014: 173). Indicators of purchase intention consist of: interested in finding information about the product, considering buying, interested in trying, wanting to know the product, wanting to have the product (Schiffman and Kanuk, 2000: 470).

### 2.4. The relationship among OBA, Attitude, and Purchase Intention

OBA is an online advertising way that is currently rated as an effective advertising method because it directly targets consumers that interested in the products they offer. The applied OBA by the advertiser will affect a consumer's attitude to the advertisement' communicated message. Attitudes are usually preceded by the responses made to the used ads which promote the product. Research conducted by Sanje and Senol (2012) showed that OBA has a significant effect on consumer attitudes. Therefore, in this research, a hypothesis could be formulated as follow:

#### **H<sub>1</sub> : OBA has a significant Effect on Attitude**

Purchase intention is basically an affirmation or a reflection of the consumer's mental statement of future purchases. At first consumers who visit the e-commerce site and see a product or just leave the chart empty actually has arisen interest in buying the product. Through the help of OBA, previously viewed products by consumers will be displayed again either in the form of the product itself or similar products. Barnard (2014) has conducted research to look for the impact of OBA on purchase intention. Therefore, in this research, a hypothesis could be formulated as follow:

#### **H<sub>2</sub> : OBA has Significant Effect on purchase intention**

Consumer attitudes vary in response to a given stimulus based on a person's learning process. Attitudes affect a person's purchase intention because attitudes are psychological factors that organize motivation, emotions, and perceptions. Aqsa and Kartini (2015) in his research found that attitudes significantly influence the purchase intention of a person on an offered product. The results are also confirmed Brahim' study (2016) who found that attitudes significantly influence purchase intention. Therefore, in this research, a hypothesis could be formulated as follow:

#### **H<sub>3</sub> : Attitude has Significant Effect on purchase intention**

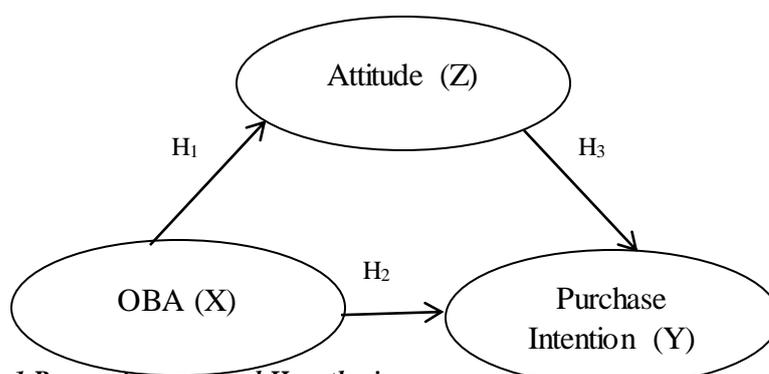


Figure 1. Research Model and Hypothesis

### 3. Research Methodology

Facebook was chosen to be the location in this research. This research is an explanatory through quantitative approach. Primary data is the source of this research with an online questionnaire selected to be a method of data collection. Participants were asked to rate, on the scale 1- "strongly disagree" to 5- "strongly agree" a series of questions about their perception on three research variables including OBA (exogenous variable), attitude (intervening variable) and purchase intention (endogenous variable). Respondents in this study are users of social networking site Facebook.com who has been seeing the look of OBA, aged 18 years and over, and had been doing online shopping in the last 6 months. A total of 145 respondents were the samples in this study by using purposive sampling technique. All indicators and research items have been tested and declared valid and reliable. Data analysis in this research is descriptive analysis and path analysis.

### 4. Results and Discussion

The result of the research on 145 respondents showed that the number of female respondents was 85 people (58.62%) and the male gender was 60 people (41.37%). Respondents aged 18-21 is dominating with 84 people (57.93%) with recent high school education and current professions as students with income or allowance of more than Rp. 2,000,000 - Rp. 3,000,000. It is known that the intensity of respondents doing online shopping in the last six months is more or equal to five times. Respondents perform online activities for 2-3 hours a day and do shopping online with the reason to ease of transaction. Table 1 shows the result of path analysis on this research.

| Exogenous Variable | Endogen Variable   | $\beta$ | $t_{value}$ | probability | Info |
|--------------------|--------------------|---------|-------------|-------------|------|
| OBA                | Attitude           | 0.720   | 12.400      | 0.000       | Sig. |
| OBA                | Purchase intention | 0.347   | 3.868       | 0.000       | Sig. |
| Attitude           | Purchase intention | 0.376   | 4.194       | 0.000       | Sig. |

Table 1. The Result of Path Analysis

The effect of OBA on attitudes is shown by the beta coefficient of 0.720;  $t_{value}$  12.400 with probability 0.000 ( $p < 0.05$ ), hypothesis which states OBA has significant effect on attitude is accepted. The effect of OBA on purchase intention is shown by beta coefficient 0.347;  $t_{value}$  3.868 with probability 0.000 ( $p < 0.05$ ), hypothesis which states that OBA gives significant effect on purchase intention is accepted. The effect of OBA on attitude is shown by beta coefficient 0.376;  $t_{value}$  4.194 with probability 0.000 ( $p < 0.05$ ), hypothesis which asserts that attitude has significant effect on purchase intention is accepted.

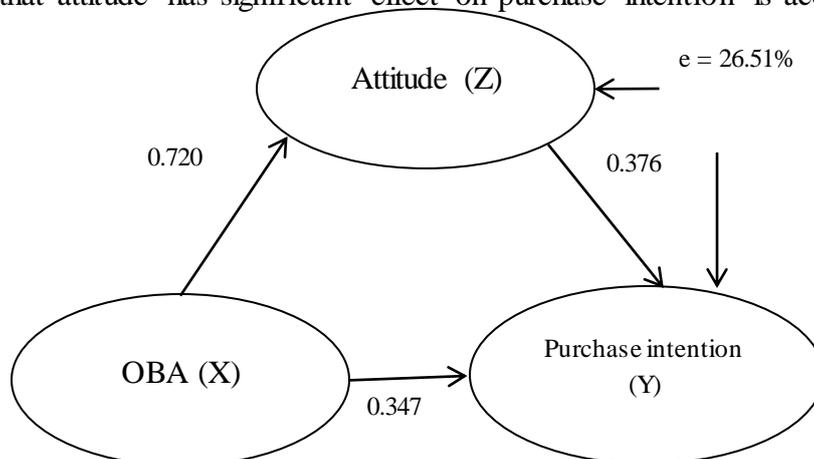


Figure 2. The Diagram of Path Analysis Result on OBA, Attitude, and Purchase intention

Based on the result of path analysis it is known that direct influence between variable has bigger effect than indirect influence. OBA direct influence on purchase intention has value 34.7%, while indirect influence has value 27%. This means that the presence of OBA on Facebook is able to arouse the purchase intention of Facebook users because OBA displays products that had previously been seen. OBA performs tracking aimed at sending ads that match personal relevance.

The influence of OBA on purchase intention has decreased when mediated by attitudes because in this study respondents tend to be less fond of the existence of OBA on Facebook. It is based on the fact that respondents in this study tend to pay attention to the privacy aspect compared to the other two aspects of OBA, which are advertising characteristic and targeted visible ads. Someone who concerns of the privacy aspect will have high expectations for the security of a site, but when OBA is displayed they feel that their privacy security is disrupted and attitudes may change towards disliking the OBA. It can also be triggered with a less attractive OBA display.

#### Model Determination

$$\begin{aligned}
 R^2 \text{ model} &= 1 - (1 - R_1^2)(1 - R_2^2) \\
 &= 1 - (1 - 0.518)(1 - 0.450) \\
 &= 1 - (0.482)(0.550) \\
 &= 1 - 0.2651 \\
 &= 0.7349 \text{ or } 73.49\%
 \end{aligned}$$

The result of calculation of model determination obtained 73.49%. This shows that the contribution of research model that is useful to explain the structural relationship of the three variables is 73.49% and other variable excluded from research model is 26.51%.

Based on research data of path analysis, it's known that OBA has significant effect on attitude with coefficient value 0.720 and probability 0.000 ( $p < 0.05$ ). OBA contribution to attitudes obtains coefficient of determination to 51.8% with other variables outside the research model 48.2%. The results of this study are in line with Sanje and Senol (2012) because there are some similarities in terms of samples. OBA has three indicators in which privacy concern contributes the greatest value. It shows that respondents tend to pay attention to privacy issues rather than others. There is self-confidence item on the privacy indicator which contributes the greatest value. Wohn *et al.* (2015) found that self-confidence can affect a person's attitude regarding privacy, high confidence will trigger high expectations for the security of a site.

In this study respondents perceive negative feelings towards OBA because they still find ads that are so much appropriate and Facebook is considered not able to maintain the security of its users. This unfavourable attitude can be seen from the low value of affective and conative aspects. Respondents are only limited to know that OBA is only broadcasting the cognitive aspect. The low value of affective and conative aspects can affect the acquisition of OBA indirect relationship toward purchase intention in attitude mediation which is only 0.270.

Based on research data of path analysis it's known that OBA has a significant effect on attitude with path coefficient value 0.347 and probability 0.000 ( $p < 0.05$ ). OBA contribution to attitudes obtained coefficient of determination 45.0% with other variables beyond the research model 55.0%.

The results of this study are in line with Barnard's (2014) that the OBA has a significant influence in generating purchase intention. OBA has a greater direct influence on purchase intention because according to Lang (2006) in Barnard (2014) says that the process of delivering message will be more effective when it comes to personal relevance. It is known that OBA is an ad that has a personal relevance due to the tracking and profiling process. This is also reinforced by the assumption that the advertised product is a product that was previously seen which means that there has been intention emerged in it.

The result of research data which is obtained through path analysis shows that OBA has significance to attitude with path value 0.376 and probability 0.000 ( $p < 0.05$ ). OBA's contribution to attitudes obtains the result of determination 45.0% with other variables outside the research model 55.0%. The results of this study support the research of Aqsa and Kartini (2015) which found that a positive attitude will encourage consumers to see, find information about the products that consumers will eventually be interested or have an intention to buy the product. Attitudes in this case can emerge purchase intention because attitude constitute senses and views on the assessment of an ad, if the ads can build awareness well, then consumers can also have a good assessment and trigger an action and intention to make a purchase. In this study, cognitive indicator have a high value, it indicates that respondents are aware if OBA is displayed on Facebook.

Through the awareness shown by the cognitive indicator value, then it can affect to the growth of purchase intention. Barnard (2014) found that with more relevant advertising messages, consumers will become more aware because they perceive it as if it portrays themselves, therefore purchase intention will grow by itself. However, respondents in this study did not do a click on the OBA displayed. It happens because of several causes, one of which is the location of OBA placement on Facebook. Surveys conducted by Nanigans (2016) who found that CTR of Facebook ads in Southeast Asia including Indonesia is only reach the number till 1.5% ([www.facebookmarketingpartners.com](http://www.facebookmarketingpartners.com)). Therefore, it can be concluded that beside an ad displayed, the condition and location of research also have a contribution towards the establishment of attitude. Thus, it can be concluded that there is a significant influence between OBA toward attitude, is a significant influence between OBA toward purchase intention as well as a significant influence between attitudes toward purchase intention. Direct influence in this study has found to be has a larger value compared to indirect influence. It means that OBA is an important variable for consumer in this research that affects for both their attitude and purchase intention.

#### **4. Conclusion and Recommendation**

The success of an advertisement depends on how close the advertiser understand the needs, desires and interests of the consumer. Today, the virtual world gives the opportunity to get a closer look at the consumer by analyzing their online behavior. Since online behavioral advertising uses a targeted approach and the advertisement of the retailer is directed to the most appropriate and interested consumer, online behavioral advertising becomes a very important tool especially for online retailers and online shopping environment in general. Through targeted advertising, the message will send to the selected audience that will find the offer most relevant and so all parties, retailers and consumers, will benefit from this targeted advertising approach. By means of internet, online retailers can reach to a targeted audience by analyzing their behavior and learning their interest based on their past activities. Consumers will receive information and offers about products and services they are interested in and retailers will spend their efforts to a relevant customer base. Lessons learned by advertisers about OBA are needed because it is still very limited and this is so as to avoid a sense of injustice felt by consumers related to the practice. It was suggested that users' privacy should be considered carefully especially related to the tracking and profiling for OBA purpose. Regarding to the findings of the study, one could suggest for Facebook users practically, that there is an option to enable or not to activate Cookies on Facebook, it is useful to keep the convenience of Facebook users and consumer rights regarding privacy issues that inherent to the practice of OBA. On the other hand, OBA in the form of *pop-ups* is likely annoying to the respondents in this study, therefore advertisers should avoid the use of *pop-ups*. It is conducted to obtain a higher click-through-rate (CTR).

For further research, it is suggested the additional number of sample and different sample characteristic should be considered, since in this study is still dominated by the college students sample and the distribution of questionnaire is only concentrated in certain cities in Indonesia. Also

other variables and social media platform should be considered for further research to see the impact of OBA.

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## Commodities Produced by Religious Communities on the Food Market: Competitive Advantage or Ruining Reputation?

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### Abstract

Recently the ecosystem of religious life had gone through radical changes: by the emerging of new religious movements the choices became freer than previously. Being born into a religious group does not necessarily mean that one needs to stay there forever. And by the emerging of free choices the nature of sacral life had changed in its fundamentals as well: religious communities are not in monopolistic situation anymore, they are not protected by the state in this position either, as before, and the number of believers may change rapidly as well. This means that churches need to take their maintenance and promotion into their own hands. In the present days religious communities engage themselves more and more often in commercial activities including marketing, PR and usually even for-profit activities such as service provision and product sales. Krishna-believers in Hungary started off as a self-serving economy, but soon overproduction made it possible for them to sell their products to the wider public as well. In my research I examined the products they offer and the effect of their commercial activities on their reputation. During the research process I compare the activities of Hungarian Krishna-believers to those of the communities in other countries. My aim was to find out how much the Krishna Valley in Hungary is a pioneer among the Krishna-conscious communities in Europe in the commercial activities and how these engagements affect their reputation. In my research I primarily relied on the results of my in-depth interviews and to draw conclusions about the effects of commercial activities on the reputation of churches. As my research has shown, engaging in commercial activities does not affect religious communities as badly as many would think, and this may even be a path of progress for Krishna-conscious groups around Europe.

**Keywords:** religion; religious marketing; new religious movements; religious economy; religious market.

**JEL classification:** M31

### 1. Introduction

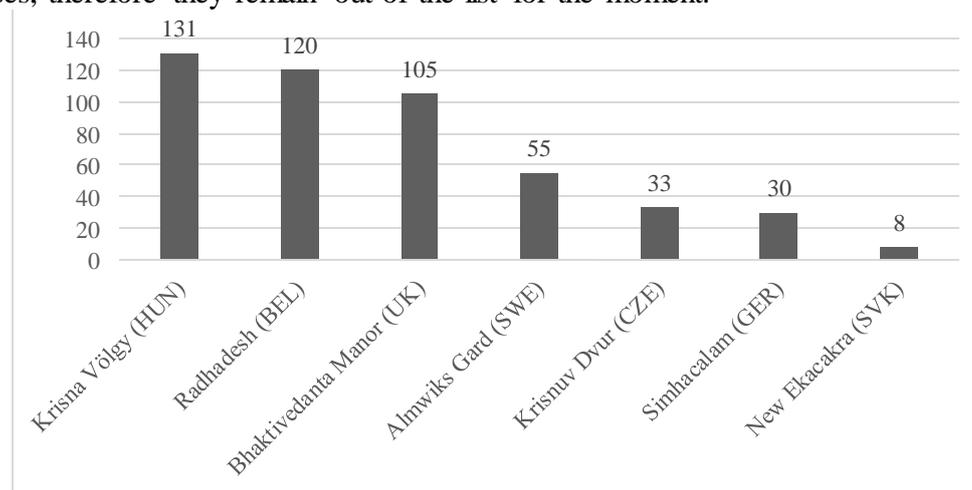
Krishna Valley has existed in Hungary since the year of 1996, growing and developing as a self-sustaining community year by year. In the first few years of development the primary aim of the agricultural activity in the village was to produce comestibles for the inhabitants of the Valley. They needed to become independent from sources outside the Valley, and – what is more important – they had to be able to grow ingredients that match the special dietary requirements of Krishna-consciousness. Being a religion originated in India, diets include numerous fruits, vegetables and spices not present in Hungary, which raised the need for growing and breeding them in the country – or if it was not possible, the community needed to find a substitute for their daily meals (Bence, 2014).

As the Krishna Valley grew both in terms of size and the number of inhabitants, the opportunities of production increased as well: bigger area meant larger amount of plants to be grown, and also possibility of a bigger variety. At the same time, demand – thanks to the more than 130 inhabitants – increased, but so did the amount of workforce and knowledge, which soon resulted in excess supplies. And as the basic theories of economy make it clear, when we produce more than there is actually demand for, we can either cut production back or start to seek for new markets. The leaders of the Krishna Valley have recognized the opportunity of penetrating markets other than the Krishna Valley itself and started to sell their products to customers outside their Valley as well (Bence, 2014).

Currently the Krishna Valley operates a webshop and a store in the Valley selling own branded items, such as jams, sauces, flour, vinegar; and numerous other products of different brands, such as clothing items, books, tokens and musical instruments. They also operate their own restaurant and guest house to serve the large number of tourists arriving to the area.

The German and Belgian communities examined in this paper are far older than the Krishna Valley of Hungary – due to the differences in social and religious improvement of these countries. Both Simhachalam of Jandelsbrunn, Germany and Radhadesh of Petite Somme, Belgium were founded in 1979, though their path of development turned out to be completely different. Radhadesh stepped on the path of continuous progress in the fields of community development and promoting the religion: besides the church located in an old Belgian castle they have opened a guest house, a restaurant, a bakery, a gift shop and a bookshop and a university as well throughout the years, and by 2016 the number of devotees living in the community is around 120. On the other hand, compared to Krishna Valley in Hungary, Radhadesh is self-sufficient ‘only’ in case of water supplies and heating, but not in agriculture. In these terms there is the potential, but at the moment there are not enough devotees, who are qualified in agriculture, which means a boundary to the improvement.

On the other hand Simhachalam remained low in terms of population with approximately 6-10 devotees on average, except for the past five years, when a progress started and now the number of inhabitants is 30. Just like Radhadesh and the Krishna Valley, Simhachalam also operates a guest house and restaurant, and there are also some items available in their shop, which is open upon request, but generally they focus more on maintenance and serving the community than on tourism. So far they managed to reach only a low level of self-sufficiency. By cooperating with locals, most of their daily needs they can fulfill on their own, the import from India focuses on rice and spices, but still, they are very much dependent on outside sources in their daily life. Figure 1. shows the number of devotees living in each community mentioned above; and also compared to some other European Krishna-conscious settlements. Currently the list is not completely full, - as the research is in progress at the moment - the number of communities on the continent is much higher, but there is no data available about the number of devotees in their cases, therefore they remain out of the list for the moment.



**Figure 1. Population of Krishna-conscious communities in Europe (person)**

Source: In-depth interviews

### 1.1 Research questions

In my research my primary focus was on the question: what kind of commercial activities do Krishna-conscious communities of Europe engage in. Formerly I studied general marketing issues, so now I primarily focused on tangible products, as they are more visible and obvious

to people. I also took an outlook on tourism, but now I focused on the issue of what actually these communities sell and under what circumstances they do it. And this has led to the second research question: after analyzing the sales of different products, the product range and the branding activities, I aimed to find out if these commercial activities affect the reputation of the community in a negative way. Do people regard products branded and sold by a religious community as something wrong, or are they able to accept this as a must of our material world nowadays? I tried to find answer to the question if product sales could be harmful for the reputation and consideration of the religious groups studied, which could provide interesting paths for further research and important information for them planning their future.

## 2. Methodology

I started off my research by revising the existing literature on the topic, covering the areas of the relationship of religion and marketing, the emerging of free choices in religious life, new religious movements and the strongly connected religious market theory. The literature of the topic is far broader than shown here though; in this paper the aim is to highlight the most important findings in order to support the research done.

This work had already started in 2014, when I made a research and analysis about the marketing activities of the Krishna Valley in Hungary; identifying the most important marketing tools and evaluating their effects on the overall reputation of the religious group by the visitors of the Krishna Valley. Back then the findings of my field research in the Valley have shown that Krishna Valley – and Krishna-believers in Hungary in general – carry out conscious and carefully planned marketing activities, based on an integrated marketingcommunication plan, which – surprisingly enough – is often derived from the general characteristics of the religion. The research of 2014 in the Krishna Valley had also shown that the majority of the public does not regard the commercial and marketing activities of the community harmful. The majority of the 238 respondents even explained that it could be clearly positive, if the tools and the income are used well (Bence, 2014).

In 2017 I decided to continue my research with a slightly altered path. My aim was to find out what kind of commercial activities other Krishna-conscious communities of Europe engage in, and how unique we may consider our community of Hungary. A slight alteration was that the focus shifted from marketing tools to rather commodities and own branded products sold by these groups.

In order to carry out my study, I contacted various Krishna-conscious communities in Europe to ask for help, and many have provided me with important information considering their community (See Figure1.). After the initial contact was made, I asked for permission to make study trips in various location, and the two communities examined, Simhachalam and Radhadesh were one of the first ones to grant the permission. My study trip took place on 11-17. July 2017, when I made observations in the two communities concerning the issues researched. In Simhachalam I made two in-depths interviews with the director and the guest house-crew of the place; and in Radhadesh four (with the leading tour guide of the museum, the assistant of the gift shop, one employee of the restaurant and the touristic director of the place) out of which there were many responses overlapping, therefore now I am only going to interpret the most important findings. The study trip was followed by a ‘refreshing’ visit in the Krishna Valley in Hungary on 21-23 July in order to refresh the data collected in 2014 and to compare the findings about the three Krishna-conscious communities. In order to support my research, I carried out one further in-depth interview with my main contact in the Valley throughout the past three years, who is a member of the Eco-Valley foundation.

Certainly, my research calls for further collection of numerical data concerning the effect of commercial activities of religious communities, and I also aim to extend the study to further communities to get a better picture of the European situation.

### **3. Marketing in religion**

According to the findings of Harvey (2000), religious movements may be divided into three main subcategories: world religions, indigenous religions and new religious movements. The concept world religion refers to those biggest religions that were able to go beyond the borders and appear in several countries, less influenced by different local cultures than other churches. The four world religions are: Christianity, Islam, Hinduism and Buddhism – in the order of their size, respectively. These four churches have currently the strongest influence on the religious life of people in the world. Indigenous religions may also be addressed as ethnic religions as they are indeed influenced by the local culture. These religions are much smaller in population than the world religions, and are mostly specific for one nation, culture or geographic area. New religious movements are – contradictory to their names – not always new. Their newness lies in their appearance in new countries: some may have history of centuries in the Far-East, but if they appeared in Western societies only in the 20th century, in that context they may be regarded as new religious movements (Harvey, 2000).

The appearance of new religious movements had implied a set of interesting changes in the life of the countries and religious communities. For long centuries churches have had strong influence in the life of a country, extending their power to almost all fields of life. In return, the leaders of the country protected the church from the so-called competitors – other religions appearing among the people. This resulted in one or another religion being in a monopolistic situation in most of the countries – so they could also be referred to as the ‘national church’. Social, cultural and economic development through the decades, made this phenomenon become weaker and weaker so the new religions had more space to gain power. As the social development made the people more flexible both geographically and mentally, the acceptance of new ideas and new religious theories increased, letting new religious movements spread (Einstein, 2008; Bence, 2014).

This transition in the religious life resulted in competition appearing in a field one would have never called a competitive market before. In order to survive, religions needed followers; and the more they had, the more appreciated they became. But there was no state to protect religions, an era of religious pluralism and a freedom of choice arrived, where traditional and world religions wanted to keep their status and crowd, while new religious movements became more and more popular (Wrenn-Mansfield, 2001).

As my previous research (Bence, 2014) has shown, Krishna Valley serves as a tool of marketing for the Hungarian Krishna-believers, with an aim of getting people more acquainted with the religion and the teachings of Lord Krishna. This brings us to the religious market theory – the work of Laurence Iannaccone in the 1990’s, revised recently by Young in 2016. Just like everything else, religion also does have a price, even if not (only) in financial terms. When someone chooses to put faith in a religion, the person has to dedicate time to participate in the activities of the church on a regular basis; and in most cases there is also a need to forgo of certain things (e.g. drinking alcohol, eating meat, smoking), give up some habits, and take some new ones like praying, preaching and attending church events. Just like goods or services, religions may also have higher or lower price: some communities expect followers to only attend worships on a regular basis, while others require to break every relationship with one’s family and friends. Some churches also ask for financial contribution or donation from the members, but generally in the case of religion financials are not the primary means or evaluating costs for somebody. These rather non-financial costs are – either consciously or

unconsciously – evaluated by people before deciding whether they will join a church or not (Iannaccone, 1992; Young, 2016).

The rational choice theory and the phenomena described above explain very well why religious communities need to engage themselves in marketing activities; and why it is not enough anymore to enjoy the protection and support of the state and wait for worshippers to come. Rational choice theory explains very well that people have choices, alternatives to choose from – and even though they do not do it completely rationally, they do make a choice. Since the primary aim of my research is not the discovery of consumer behavior related to religious communities and revealing the underlying motives behind people's choice of church; but rather to reveal the acts of churches to attract and retain worshippers, this theory serves as a satisfactory base to start from.

Clearly, the religious market theory – like practically all scientific theories – has been criticized from many aspects as well. Some researchers (e.g.: Robertson, 1992; Bruce, 1993; Young, 2016) claim that this concept ignores the human and cultural aspects of one's decision in religious questions. They highlight that decisions are not rational, and are not happening simply based on cognitive processes, but include several emotional and situational factors as well – which, on the other hand is a characteristic of normal consumer behavior in any market (Wuaku, 2012).

True, the religious market theory is primarily based on the rational choice approach, which says that 'individuals weigh the anticipated costs and benefits of their actions and act so as to maximize net benefits.' (Iannaccone, 1992, p.124). Scientists, who study religion on the basis of the rational choice theory, assume that humans act this way when choosing the products they buy; and also when they choose which religion they put their faith in. The fact is that neither goods, nor services, religious products nor anything else is chosen barely on the basis of rational choice. However, in many cases this simplified understanding of reality explains the situation better than anything else.

The choice of potential customers concerning religion may be fostered in many different ways, other from the costs as well. According to Attila Chikán (2008) services mean '*the application of resources for fulfilling consumer needs by non-producing activities*' (Chikán, 2008, p.120). If we consider this definition, we can recognize that churches do use their resources (knowledge about the religion and their right to carry out certain religious rituals etc.) in order to fulfill the needs of the public for religious products and the benefits they offer: happiness, peace belongingness and positive changes in life. During this process no tangible products are created and there is no change in possession either. Considering this we may conclude that in many senses religions have some similar characteristics as services in general from marketing perspective. The services provided by churches may differ by religion, culture, location and several other factors – some offer their services in the form of regular worships, others in forms of visits to one's home or performance of given religious rituals. The price of these services is, in most cases, identical with the price of the religious product; but more often than in the previous case, monetary means may appear as well. This connection of religion implies that in many cases the marketing activity of religious products will often resemble to those of services in general (Kolos and Kenesei, 2007; Einstein, 2008).

Religious products and religious services described above are highly intangible and therefore there is a high risk in the decision people need to make: people are not able to determine the real effect of joining a church; they are not capable of evaluating whether a religious service was performed well or not. As it is very often emphasized in services marketing as well, it is a good strategy to make the abstract commodity more tangible, more visible to customers in order to decrease uncertainty. What churches can do to tangibilize their abstract offers is to put an emphasis on the facilities they own (such as church buildings and common houses); look

carefully at the printed and online material published concerning their community (e.g. books, fliers, web pages); manage their human capital efficiently (things like dressing, behavior, proselytizing, face shown towards non-members); and to supervise the overall image spread about the given church. Many communities also sell some products characteristic, or even branded by their church, which can also diminish uncertainty about the intangible religious commodity (Kolos and Kenesei, 2007).

#### **4. Commodities of Krishna-conscious communities**

The products offered and produced by the three communities are completely different in nature and value, thanks to the different focus of the communities.

Krishna Valley has a large variety of different plants, which are all grown free from any chemicals, which enables them to produce a wide range of bio-products. During the growing phase they try to diminish the use of machine-power as much as possible, relying primarily on human- and animal-force in the daily agricultural life.

From these hundred-percent bio ingredients Krishna-believers produce a product line of delicious and unique comestibles. The main product categories are the following:

- syrups
- pies (pástétom in Hungarian)
- chutneys, mustards, sauces
- honey and nectars
- crops

The main features of the products are being completely vegan – free from any ingredients of animal origin – and bio. Some of the products are based on European recipes and rather match the Hungarian taste; while others represent the traditional cuisine of India with the oriental spices and preparation techniques. Besides these they also sell self-produced soaps and creams, which also are made after unique and completely organic receipts. The Krishna Valley products listed above are all branded and labelled by the Krisna Völgy (Krishna Valley) brand, having its unique design elements and packaging. The design and packaging techniques of the Krishna Valley have changed a lot during the past few years: initially they used simple white labels providing information about the ingredients.

The shop and webshop also offers a range of clothing items, jewelry, scents, musical instruments, cutlery and a set of books and audio-visual material for children and adults – but these are not produced by the locals, so they are not under the Krishna Valley brand either, but come from numerous India-based retailers.

#### **4.2 Radhadesh**

In Radhadesh, Belgium the selection is somewhat similar, but there are hardly any products of their own brand. The only branded products in the shop are fudges, which are produced by a lady on a daily basis, but there is no carefully designed brand image or packaging, only a simple sign with the label ‘Radhadesh’. The same is true for the products produced in the bakery: many items are produced on the spot (though not made of self-grown crops), but most of them are not packaged or labeled anyhow. The only things bearing a label are marzipans and biscuits, which are sold in small plastic sacks with a black label having a gold ‘Radhadesh’ sign on it. These solutions highly resemble to the old white Krishna Valley packaging of the Hungarian community, which, there, were not appreciated by the customers at all.

All the other products sold in Radhadesh are of different origins, usually Indian wholesalers in cases of scents, spices, cosmetics, oils and religious items, but comestibles are often provided by various multinational companies producing organic products.

The meals sold in the restaurant are also made of external ingredients, usually from local sources, as at the moment their self-grown supplies cannot serve the needs of the community either.

According to my interview with Krishna Das, a member of the management of Radhadesh the reason why they do not have their own labelled products is mainly the lack of self-sufficiency in the field of comestibles. Their production does not exceed the needs of their community, therefore the first focus should be on finding a way to achieve more in the fields of agriculture, before engaging in the sales of own-labeled products.

### **4.3 Simhachalam**

To my surprise even the smallest of the three communities examined does and did have some own products – though in this case we cannot expect professional labelling as in the case of the bigger villages. Dhira Nitai Das, the manager of the guest house explained that the original idea and goal of Bhaktivedanta Swami Prabhupáda, - the person, who brought Krishna Consciousness to the Western World – was to have Krishna-conscious communities creating manufactures and producing different products their devotees are qualified in. Their community has tried to follow this guideline from the very beginning: first of all the locals produced and sold candles in the area. Unfortunately candle-production disappeared years ago, however, at the moment they engage themselves in soap-production. The soaps are not labelled, and they are produced only occasionally, not on a regular basis, but still, we can see the efforts to follow Prabhupáda's guidance. Besides the soap, there is a limited sale of small cookies and biscuits, but again, they are not packaged or labeled in any distinctive way characteristic of Simhachalam.

Just like the other two communities, Simhachalam does also have a restaurant, but here also, the meals served are made of externally produced ingredients, from local and India-based sources.

### **4.4 Conclusion**

As the field research shows, at the moment Krishna Valley of Hungary is clearly a pioneer in creating and selling products of its own label. Their product range is fairly wide; but what is more important, they managed to create a product line of Niche-products; made of only locally grown ingredients, following strict guidelines of production and being completely organic. What more, by now Hungarian Krishna-believers managed to learn a lot about the characteristics of a good brand and brand management, and created a strong brand, which is getting more and more popular in the target group of organic products.

Radhadesh is a community well-developed in the area of marketing, but their product sales are limited so far, just like in the case of Simhachalam, who, however also need to improve in the field of marketing. In the case of Simhachalam the main boundary is the size of the community: as the population is currently around 30 inhabitants, they do not really have extra workforce besides maintaining the area on a daily basis and working in the gardens besides religious duties, so the extension of the daily tasks cannot happen without an increase in the number of people living there.

In Radhadesh the resources would be given, but there the focus is on tourism at the moment; and though the population is pretty high, and as Krishna Das explained, there is only lack of agriculture-specialized devotees at the moment. The main 'problem' originates from this, which is the lack of self-sufficiency. As the examples above show, communities do not engage much in selling own-branded products until they reach at least partial self-sufficiency in food production – and this at the moment is missing in Radhadesh and Simhachalam.

This finding, however, implies the need for further research to see if this assumption is true for further communities across Europe as well.

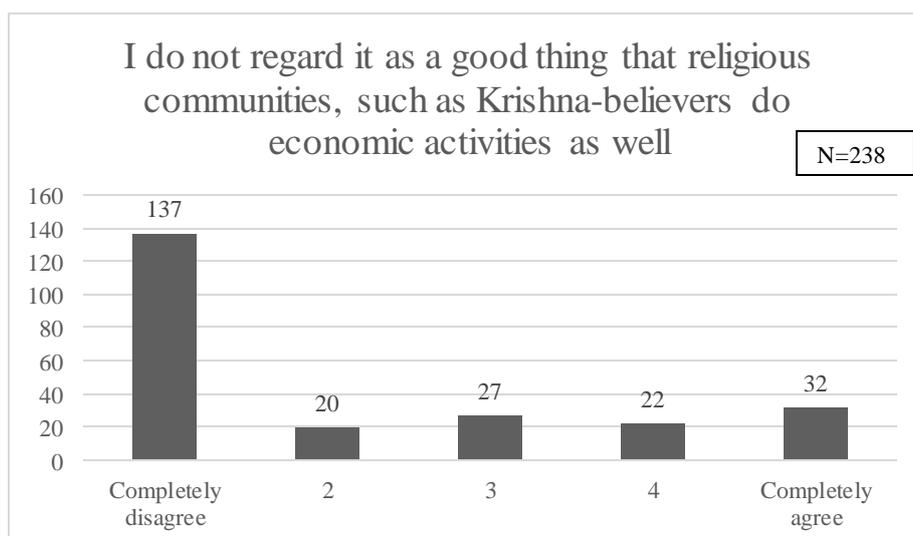
### 5. Can a religious community engage in economic activities without ruining its reputation?

After analyzing the situation of Krishna-conscious communities in three countries and getting acquainted with their level of self-sufficiency and their product sales, I turned to the second part of my research, which aimed to find out if selling different products has a negative effect on the reputation of the religion and the community.

The answer of Dhira Nitai Das was that they in Simhachalam and all devotees in Germany are usually still struggling with the label ‘sect’, regardless of selling products or not. Unfortunately in Europe this is a general and often appearing phenomenon concerning new religious movements, but he explained that – at least in Germany – there has been improvement throughout the past years.

Krishna Das in Radhadesh answered this question in a simple way: ‘We need to pay the bills.’ He explained that devotees would not need the castle and the restaurant for their daily lives, they only need it to serve the people, who arrive to learn about them and about Krishna Consciousness; and this way the money they earn from the product sales is invested in the maintenance of the area, which serves the aim of promoting the religion. This way they put the financial resources earned in the service of Krishna – and as my interviewee explained, people understand and accept this – they have received no negative feedback due to their material activities.

In the case of the Hungarian community I primarily relied on the results of my 2014 research, where I asked 238 respondents visiting the Krishna Valley if they regard it as a positive or a negative thing that religions engage in economic activities. Prior to the research I had an assumption that since religious groups are non-profit organizations, people will not be accepting and tolerant towards this phenomenon, but the answers proved the opposite. As Figure 2. shows, 57.5% of the respondents have no problems with Krishna-believers carrying out economic activities and only 13.4% is strongly opposing such engagement.



**Figure 2. Attitude towards the economic activities of Krishna-believers in the Krishna Valley, Hungary (person)**

Source: Research of 2014 (Bence, 2014)

The results so far show that economic activities of Krishna-believers are not disregarded, as many would think, but these initial findings call for a more detailed quantitative research, justifying the initial findings and providing a basis for further analysis.

The current research results show that engaging in economic activities did not mean a ruining of reputation for the Krishna-believers in Hungary or Belgium, and though the German community did not prove to be highly representative in this case, I could see that there they are still struggling with general reputation issues, being often regarded as a sect by the public.

## **6. Conclusions**

In my research I examined European Krishna-conscious communities from the perspective of economic activities and marketing. The social transformation of the past decades have brought important changes in religious life as well: by now most of the people are free to choose their religion instead of being born into one, which means that religious life resembles more to a market than before. Religious communities engage in marketing an economic activities, and they apply several means and try to tangibilize their beliefs and bring them closer to people to earn new followers to their community.

Within this phenomenon I turned my attention to Krishna-believers and their communities in Europe. They - being a new religious movement in the Western world – needed to apply marketing tools consciously to make people acquainted with their religion. By now there are numerous communities like Krishna Valley in Hungary or Radhadesh in Belgium, which are highly developed, and where complete touristic centers exist. Hungary is unique from the perspective that they have a huge range of self-made products of their own, successful brand. Radhadesh does also have some products of their own label, but they are still pretty new and only of a narrow range. According to their view they need to improve in self-sufficiency – something that is more developed in the case of the Hungarian community. The third group of Krishna-believers examined have a much smaller community, and their aim is now to step on the path of progress. Currently they produce soaps and sell them, but it is not branded and only occasional.

The three communities exist in completely different cultural environments, but as for the research, they have not experienced any negative effects due to engaging in economic activities. Even though my initial expectation was that these kind of activities are disregarded by the public, but they were generally understanding towards the communities and interested in the products as well.

This research, however, poses a huge number of new questions and sets further path to my work in the future, in the form of further field researches and quantitative analysis.

## **7. Implications for further research**

This research – though showed many interesting results – raised many new questions to be answered, and also highlighted the differences among the countries and communities. Therefore my further research is going to include a more detailed research of European Krishna-conscious communities in different countries and regions to be able to compare the phenomena across different European locations. Also – as explained before – a larger emphasis will be put on the quantitative research phase, aiming to reveal the relationship between the product sales and other economic activities and the general attitude towards Krishna-conscious communities.

These findings are going to help larger and more developed communities evaluating their current portfolio and identifying the further directions for development; while for new or small groups the research results can show directions how to build up a successful and working system.

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## **The Additive Manufacturing in the Industry 4.0 Era: The Case of an Italian FabLab**

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### **Abstract**

Nowadays it is possible to create a flexible, automated and agile production, implementing complex technologies, combining physical objects and information systems. Machines and robots are able to communicate each other, to take decisions in an independent way, to self-update and to self-adapt to changing context. The introduction of new automated techniques, the development of sophisticated and autonomous devices and machineries allow the creation of smart factories, giving origin to the Smart Manufacturing phenomenon. Additive manufacturing (AM) is one of the most widespread technologies in operational practices that with rapid prototyping and 3D printing, has revolutionized the production. It is an advanced technology to produce parts, using advanced computer-aided design software. As a consequence, the affirmation of digital fabrication labs, which aim is to promote digital culture, providing innovative tools and sharing knowledge, creating customized products. The present work provides a theoretical contribution to the extant literature of additive manufacturing technology and a practical example to encourage companies to adopt innovative tools. From a practical point of view, it is examined the characteristics and applications of 3D printing in a FabLab in the South of Italy. The methodology used is the case study technique, where information are collected through descriptive survey. The aim of this work is to investigate about the use of additive manufacturing technique, putting in evidence benefits and limits of this technology. In this way it is possible to understand about the development of Industry 4.0 in our country, in particular giving attention to the application of Additive Manufacturing technologies.

**Keywords:** Additive Manufacturing, 3D printing, Smart Factory, Smart Manufacturing, Digitalization.

**JEL classification:** O14

### **1. Introduction**

The development of digital innovation, thanks to the smart manufacturing technologies, represents a new production paradigm, based on the interaction between man and machines: it is an opportunity for production, technology and communication development, thank to which it is possible to interconnect human resources and ICT technologies, improving efficiency, product quality, productivity, business strategies, analyzing a significant amount of data in “clouds”.

In this sense, it is possible to guarantee the immediate measurement of parameters and the traceability of products or components: the use of sensors, placed directly on products, allows the reduction of structural complexity, realizing a more agile supply chain.

The new production paradigm is called “fourth industrial revolution” or “Industry 4.0”.

The manufacturing revolution has begun in 2011, when the German government promoted the Industry 4.0 initiative, in cooperation with industrial and scientific organization. The promotion of the industrial change and the acquisition of a leadership position in manufacturing sector in the world, were the main objectives of the country (Bartodziej, 2017). At the same time, USA developed the Advanced Manufactured Partnership, a re-industrialization plan, aimed at

innovating manufacturing through the adoption of intelligent production systems and improving the occupational level of the country. In 2011, the United States launched the “Advanced Manufacturing Partnership” plan, in order to innovate the manufacturing system of the country, increasing productivity and reducing costs. With a greater delay, in 2015, France launched the “Alliance for the Future” program, to implement the digitization process for support innovation, and in 2016, Italy, approved the “Industry 4.0” plan (<http://www.economyup.it>).

The originality of the work is to provide a theoretical contribution to the extant literature of additive manufacturing technology, providing a practical example of the application of 3D printing, presented the case of a FabLab in the South of Italy. The aim is to investigate about the widespread of additive manufacturing technology, trying to put in evidence the advantages, the disadvantages and the future development of the phenomenon.

## **2. The Industry 4.0 technologies**

According to a study conducted by the famous American consulting firm, the Boston Consulting Group, the enabling technologies of Industry 4.0 are the follows:

- Augmented Reality, which are a set of tools that allow you to add information to those actually feel;
- Simulations, aimed to optimize products and processes, minimizing the number of errors. The need to specialize in methods and tools, such as analytics and data visualization, simulation and forecasting, is considered vital for taking correct decisions in real time, improving critical situation;
- Vertical / Horizontal integration of information throughout the entire value chain, from the supplier to the consumer. The industry 4.0 allows the business functions union, both from an internal perspective and in a vertical direction;
- Cybersecurity, which represent the ability to achieve a complete connection due to the use of standard communication protocols;
- Big Data and Analytics, which are the collection and analysis of large amounts of data to improve products and production processes;
- Cloud computing, which represents the ability to obtain a set of data or IT resources, available by the Internet and accessible at all times;
- Industrial Internet of Things, which are a set of technologies and sensors that enable communication between the artificial world and people, including products and production processes. It defines the attitude on the part of the objects belonging to the business world to develop its own intelligence, qualified in terms of self identification, location, status diagnosis, acquisition / data processing and implementation;
- Additive Manufacturing, which refers to the development of processes capable of creating objects using additive manufacturing processes through 3D printing. The additive manufacturing allows companies to produce prototypes, finished products directly on the market, or producing individual components capable of enhancing the products also in terms of design. At the same time a number of indirect benefits, such as lower stock of raw materials and the reduction of costs associated with transport and logistics;
- Autonomous robots, which operate in the business world to carry out complex nature of tasks. Robots are autonomous, flexible and cooperative with each other and especially with man from whom they can learn independently (BCG, 2015; Rüßmann et al., 2015).

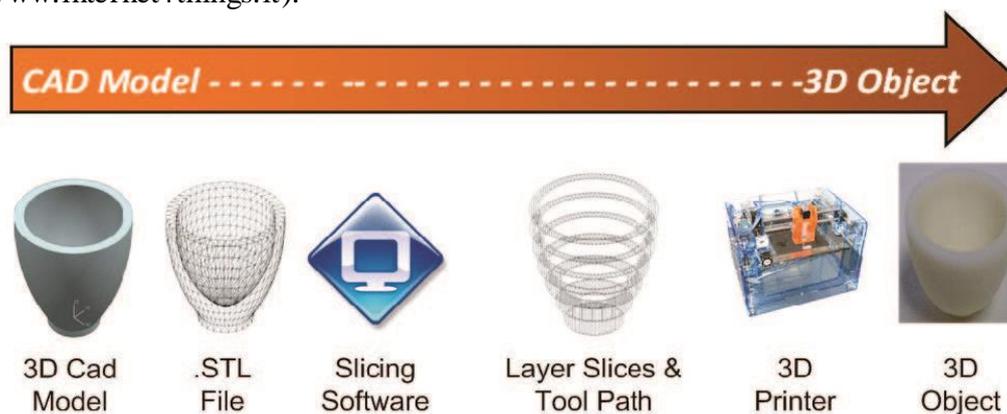


**Fig. 1: The Smart Manufacturing Technologies**

Source: The BCG, 2015

These kinds of technology are already in use, such as the 3D printers, the RFID technologies and the augmented reality. The actual change makes reference to the ability to create a new production model, realizing a new relationship between customers and suppliers.

With reference to the 3D printing, it represents the most disruptive digital technology in the Industry 4.0 program. This technology is a real revolution: the production is based on a virtual 3D model and it is “printed” layer by layer. The input of additive production process is the realization of a 3D model of the object (CAD design), followed by a semi-automatic STL file conversion process, which convert the object into printable layers. Finally, after the printing process, post-production and finishing activities are required. One of the peculiar elements of 3D printing technologies is the ability to create objects in a single printing process instead of the traditional production which made several individual components and then assembled them (<http://www.internet4things.it>).



**Fig. 2: The 3D printing process**

Source: <https://www.intechopen.com>

### 2.1. The development of Smart factory

Nowadays it is possible to create a flexible and agile production, implementing complex technologies, combining physical objects and information systems. The phenomenon is known as Smart Manufacturing and it has created a new production era: the Industry 4.0 (Wang et al., 2015).

The adjective “smart” makes reference to the expansion of functionality resulting from the interaction between physical objects and strong technologies (Radziwon et al., 2014). Moreover, it is very difficult the application of this technology to the business in order to realize intelligent production, making the products intelligent; probably, it is due to difficulties which historically afflict the industrial sector, and which are not passed.

In fact, despite the progressive definition of promising and resolving industrial paradigms, such as lean, agile and flexible manufacturing, the questions related to cost, quality production, planning activities and processes are not solved (Wang et al., 2015).

In the nineties, computers could be considered a way to resolve these problems, thanks to the business innovation: firstly the concept of U-Factory, secondly the Factory of Things (Zuehlke, 2010), represented the connection between the IoT technologies and traditional manufacturing paradigms. This concept has been developed into the contemporary concept of Smart Factory.

To create a successful Smart Factory it is necessary not only the use of data and advanced technologies but also the rearrangement of the organizational level, aimed to guarantee flexibility and adaptability (Davis et al., 2012). Obviously, the reorganization makes reference to the activities related to horizontal and vertical dimensions: the relationship with the outside world and internal relations within the enterprise.

The study conducted by Wang (2015) puts in evidence the differences between the use of “enabling technologies”, represented by the Smart Factory and the traditional production line (Wang et al., 2015, 6).

| <b>Smart factory production system</b>   | <b>Traditional production line</b>   |
|--|--|
| Diverse Resources. To produce multiple types of small-lot products, more resources of different types should be able to coexist in the system.   | Limited and Predetermined Resources. To build a fixed line for mass production of a special product type, the needed resources are carefully calculated, tailored, and configured to minimize resource redundancy. |
| Dynamic Routing. When switching between different types of products, the needed resources and the route to link these resources should be reconfigured automatically and on line.              | Fixed Routing. The production line is fixed unless manually reconfigured by people with system power down.   |
| Comprehensive Connections. The machines, products, information systems, and people are connected and interact with each other through the high speed network infrastructure.                   | Shop Floor Control Network. The field buses may be used to connect the controller with its slave stations. But communication among machines is not necessary.  |
| Deep Convergence. The smart factory operates in a networked environment where the IWN and the cloud integrate all the physical artifacts and information systems to form the IoT and services. | Separated Layer. The field devices are separated from the upper information systems.   |
| Self-Organization. The control function distributes to multiple entities. These smart entities negotiate with each other to organize themselves to cope with system dynamics.                  | Independent Control. Every machine is preprogrammed to perform the assigned functions. Any malfunction of single device will break the full line.  |
| Big Data. The smart artifacts can produce massive data, the high bandwidth network can transfer them, and the cloud can process the big data.  | Isolated Information. The machine may record its own process information. But this information is seldom used by others.   |

**Table 1: Technical aspects of a smart factory compared with those of a traditional factory**

Source: Wang et al., 2015, p.6

It is not easy for companies, especially for smaller size one, to realize a manufacturing technology changes: the most problematic aspects are connected to the high investment (Helu et al., 2015), infrastructure difficulties (both in physical and regulatory sense), professional and technical deficiencies, security and defense issues.

The creation of a smart factory will provide a set of benefits such as the reduction of capital needs, the reduction of production time, the drop in emissions, waste, energy consumption and better returns.

In the smart factory, one of the most important factor is communication between machines and robots, which are able to make decisions independently, to self-update, to self-learning and self-adapting to internal and external changes (National Academy of Science and Engineering, 2013; Rüßmann et al., 2015). As a consequence, the production process is optimized and the production lines are automated, bringing the reduction of errors, wastes, costs, time-to-market, improving the total quality (Oesterreich et al., 2016).

## **2.2. The Additive Manufacturing technology**

Among the different “smart” technologies, the Additive Manufacturing, also known as 3D printing, currently dominates the technology and media context, for its strong impact on business prospects (Ford & Despeisse, 2015).

The term additive manufacturing makes reference to the process of joining sheet materials by layer, starting from a virtual model: it is the opposite of traditional methods to realize goods and products. Additive manufacturing processes is a set of complex and varied techniques, which are different for the type of operation and materials used.

Additive manufacturing processes take the information from a computer-aided design (CAD) file that converts information into a stereolithography (STL) file. Additive Manufacturing uses digital design data to build up an object by depositing material layer-by-layer. To perform the printing, the 3D printer reads the digital data to form successive layers of material to build up the part (<https://www.optomec.com>).

From the technological point of view, this is not a recent innovation (3D printing has been used since the mid 80’s), but in recent years the opportunities to use this technology have expanded considerably thanks to the ability to “print” larger objects, in a wide range of materials (plastic, metal, ceramic, wax, plaster, composite materials, etc.), with the reduction of production times. Even the cost of the machines has decreased and all these factors have allowed a very important development of this technology (Centro Studi Confindustria, 2014).

The 3D printing has gone through four evolutionary stages, starting from the technology used by Charles Hull for the “prototyping” sector (Rayna & Striukova, 2015).

In fact the first use of three dimensional technologies associated with computer aided design (CAD) makes reference to the 80’, when it was created models thanks to the rapid prototyping: rapid prototyping is one of the initial additive manufacturing processes (Wong & Hernandez, 2012). The development of the rapid prototyping, allow the rapid realization of models, guaranteeing time and cost reductions (Ashley, 1991).

Over the years its application has been extended to the realization of “rapid tooling”, and then to the creation of “rapid manufacturing” including various industrial sectors. This phenomenon is developed in “home fabrication”: the use of 3D printers allows customers to make products directly from home. It is interesting to note that the evolution of technology has not led to abandon of areas in which this was originally applied (Rayna & Striukova, 2015).

Nowadays, these technologies are known as 3D printing and their origin makes reference to the rapid prototyping: the union between the computer aided design (CAD), computer aided manufacturing (CAM) and computer numerical control (CNC) gives the opportunity to realize three dimensional objects (Noorani, 2006; Kruth, 1991).

The 3D production has been treated by different points of view: some studies put the attention on the case study method (Mellor et al., 2013); other studies analyze the economic consequences of additive manufacturing (Weller et al., 2015); instead other authors put the attention of the future implication of this technology (Schniederjans, 2017).

The set of new features of Additive Manufacturing leads to the redefinition of products, services and business models, making the technology “disruptive” (Kietzmann et al., 2014).

The choice of using Additive Manufacturing to business has a strategic value and there is the necessity to set a detailed analysis in terms of trade-off (Mellor, 2014), considered the limits and the opportunities offered by this kind of technology. The benefits related to the adoption of 3D production are numerous: first of all it is possible to use a great number of material to realize objects (Columbus, 2015), so as a consequence, the increasing number of materials available has conducted to a major application of this technology in a great number of manufacturing industries (Bourell et al., 2009; Campbell et al., 2012; Gardan, 2015; Starr, 2015), in particular with reference to the aerospace sector, the automotive industry, the construction and healthcare industries. The consequence of 3D application differs from the traditional one: first of all in this case parts and components are produced in a short period of time, so that the time to market is really reduced, it is possible to realize the materials saving (Petrovic et al., 2011). 3D printers are fast, reliable and easy to use: with a 3D printer it is possible to create objects made up of different materials and from different physical and mechanical properties in a single process. The digital revolution, therefore, is no longer limited to computers and related devices: today production has also become digital, so that there is an industrial revolution developing a new production paradigm (<http://www.3dz.it>).

Connected to this type of production there are different disadvantages, such as the high production costs, considerable effort in application design and setting process parameters, a post-processing activity, discontinuous in production process, limited component in size and poor mechanical properties (<http://compositesmanufacturingmagazine.com>).

### **3. The methodology**

The application of Industry 4.0 plans and the adoption of additive manufacturing technique are very widespread phenomenon. This work aims to analyze the additive manufacturing event, reporting a case study of real life, trying to investigate about the advantages, disadvantages, difficulties and future scenarios related to the adoption of this technology in a FabLab, located in the South of Italy: interviews to owners and observation method are used to collect information and analyze the phenomenon.

First of all the questionnaire has been developed putting in evidence some aspects, such as the type of machineries used, their characteristics, the strong and weakness points of the technology application, the relations with the industrial sector, the future scenarios and the principle difficulties in the development of digital factories.

#### **3.1 The case study**

The digital fabrication laboratories have been developed thanks to the diffusion of additive manufacturing techniques. The concept of Fablab (fabrication laboratory) was developed by the Professor Neil Gershenfeld, who founded the first FabLab in 2003.

According to a census in Italy, there are currently 70 Italian laboratories operating on digital manufacturing. In Italy, the first FabLab was created in 2011 in Turin.

The FabLabs are seen as centers of innovation and integration, such as physical locations where creative minds can come together and interact. The basic idea is to create a workshop that offers personalized services in digital manufacturing; moreover the networks can collaborate remotely and realize projects in digital form. The laboratory activities aim to solve problems

related to technological improvement and the development of projects aligned with the needs of society and the market.

A FabLab is formed by a wide range of computer-based tools, such as the 3D printers, numerically controlled machines and laser machines. This kind of production can't compete today with mass production.

The case study analyzed makes reference to a FabLab located in Basilicata, which is important for 3D printing and digital fabrication technologies.

The FabLab is involved in several projects promoted by schools, associations and private entities, as well as being recognized and awarded for the best activities on the territory.

The aim of the association is to promote the knowledge of new technologies, facilitating the access to digital manufacturing.

The first aspect studied, makes reference to the machineries used: the FabLab works with RepRap 3D printers.

Specifically, it works with two printer models: the first is a magnetic printer, characterized by speed and precision, without making the process complex. It is a small dimension machinery used to perform a great variety of processes. In the laboratory it is tested the use of new materials which are officially unsupported, trying to make changes to improve performance. Moreover a FabLab promotes the development of "tools" that can be applied to the same printers, changing the original function.

The second type of printer allows the satisfaction of particular requirements in terms of processes especially those of larger physical size. The printer can be connected to a Wi-fi, and it supports a wide range of materials, realizing a highly precise printing.



**Fig. 3: The RepRap 3D printing**

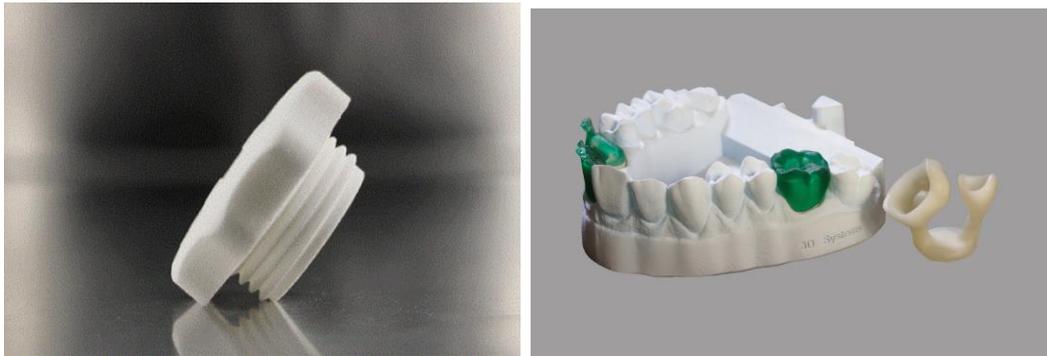
Source: <http://fab.cba.mit.edu>

As regards the relationships with industry and professionals, the company has made experiences with different business realities: for example it produces the oil plug for the great automotive sector, in particular for Fiat Multijet. The benefits of printing individual

components bring excellent results from the quality, functionality and cost perspectives. Other collaborations are realized with the electronic sector: the FabLab produces different components like sideburns for wireless charger in additive manufacturing, focusing on cost reduction and competitive products and prices. A great number of collaboration makes reference to the private sector: in particular the 3D supports for macro photographic, or handles for refrigerators, custom gadgets and machines to package local meats. As regards to the automotive industry it has been realized plastics components for vintage cars which have to be restored - in particular the actuators for the arrows and other controls on the steering wheel.

A great number of collaboration has been established with professionals and public sector. In particular, it has been realized collaborations with architecture experimental laboratory on the territory. Other collaborations are realized with a local design company which produces design and fashion items, which is interested in additive fabrication technique.

The company works with local dentists and dental clinicians to realize dental prosthesis: in this sector the 3D printing is applied with greater success. Also under medical realized, with the use of printer, it has been realized a prosthesis to treat the leg of a bird which is a risk of extinction. The FabLab works with health organizations and hospitals realizing a 3D reconstruction; another project makes reference to the development of a drone prototype printed in 3D using open source hardware.



**Fig. 4: Engine oil plug Fig. 5 : Dental components**

Source: <https://www.3space.us> Source: <https://www.3dz.it>



**Fig. 6: Automotive components Fig. 7: Architectural models**

Source: <https://www.3dz.it> Source: <https://www.3dz.it>

As regards the future projects the goal of the Smart Lab is the expansion of collaboration with the business world, trying to bypass the local limit and to individuate better opportunities.

The main obstacle to the development of digital manufacturing is the lack of a digital culture, the high costs of machineries, the slowness of processes, the scarcity of materials available. Generally, there is a cultural nature problem: before evaluating commercial aspects regarding the distribution of equipment to the general public, the definition of innovative materials, low cost and necessary to carry out varied and complex productions, it is vital to promote and develop a digital culture.

As regards the future prospects for digital manufacturing, the actual context is characterized by a constant change, where the uncertainty is typical of a technological environment. However, in the near future the traditional printers will be replaced by 3D printers. As a consequence, the born of a new category of consumers, known as “prosumers”: they are users who produce themselves goods. The use of this technology can significantly improve life, considering the ability to connect everything promoting the interaction between “things” from distance.

Fundamental is also the role of the community in the development of a Digital Lab. The community represents one of the most important factors to consider for the development of this technology, because it is necessary to study, to make experience, to keep up to date. It is necessary to take in consideration this aspect especially for small town, which suffer for the absence of young.

## 5. Conclusions

Industry 4.0 is a large and ever-evolving phenomenon. Additive manufacturing technology is the most representative of the new industrial paradigm and seems to be the most direct way to push towards manufacturing change. Developing this kind of technology is significant for companies: there are still a number of advantages respects to traditional production techniques. Moreover additive manufacturing can provide benefits not only for business but also for individual, which have the opportunity to produce personalized products, to create new object, to realize a self-production.

Additionally the additive manufacturing brings different kinds of advantages in a great number of sectors, as it has been experimented through the case study analyzed. First of all, additive manufacturing technologies are appreciated in the aerospace industry, for the possibility to manufacture lighter structures to reduce weight; in the automotive industry, to reproduce single small parts or components; in the healthcare sector, allowing the realization of precise model of a bone or body before a surgery; in the architectural modeling, to realize better solution and models (Wong & Hernandez, 2012). The case study demonstrates that the local entrepreneurs are investing in additive manufacturing activities, although the territorial context, especially in southern Italy, poses many difficulties in carrying out such activities.

However, there is still a lot of work before additive manufacturing processes become the standard in the manufacturing industry, reaching high levels of precision.

In conclusion, the adoption of these technologies will be successful and will bring significant benefits for corporate production and private individuals. In the second case, the development will inevitably be slower since companies have more resources than individuals.

The realization of sharing models represents an important stimulus to purchasing 3D printers because it allows the overcoming of CAD planning and design difficulties.

In general, there are some critical issues, which are technology-related, that should be perfected, but they don't represent an obstacle to 3D Printing development. So, in the next future a software exemplification is desirable to support the widespread of this kind of technology.

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## Digital Revolutions affecting Distribution within the Games Sector

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### Abstract

The paper addresses the two main revolutions the games industry underwent within the last decade in its distribution structures: The internet shift and the mobile revolution. The author observes and describes economic phenomena which he has witnessed in many workshops and interviews within several EU research projects. By modeling different scenarios of actors in the ecosystem he now shows that the structures have seen dramatic changes and shifting opportunities for all market participants. As a result, he shows that both revolutions have opened opportunities for fast movers, but over time those opportunities have been shrinking with more and more actors coming on board.

**Keywords:** digital shift, games industry, online revolution, mobile shift, mobile games.

**JEL classification:** D49, M31, Z10

### 1. Introduction

When the French Revolution broke out in 1789, Talleyrand (1891), writing in his memoirs, recalled how the Duke of La Rochefoucauld informed King Louis XVI of the precarious situation:

“Sire, the Bastille has been taken.”

“Taken? But by whom?” the King asked.

The Duke of La Rochefoucauld replied: “By the people.”

“Is it a revolt?”

“No, my King, it is a revolution.”

If examined in more detail, the revolution that subsequently swept through France was comprised of a series of upheavals – similar to the revolution that erupted in Russia well over a century later. In the case of the French, the first revolution was that of the Jacobins, who were later deposed by other less radical forces. Over the course of the following decade, this revolution in turn gave way to the Napoleonic era. The Russian revolution also involved several revolts occurring at different flashpoints throughout the year of 1917 (Bracher, 1983, p.38).

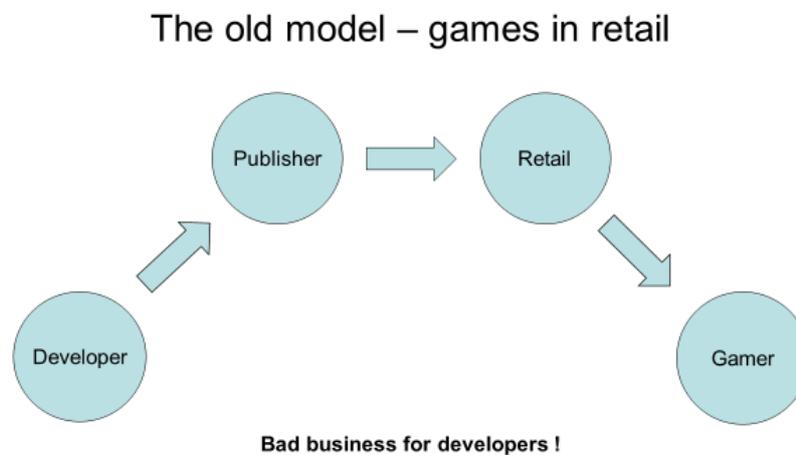
A similar process of 'multiple' revolutions within the digital revolution has been affecting the global media industry over the past 20 years – namely in the form of an internet and a mobile revolution. The music industry was the first to feel its impact with the arrival of Napster portal (Renner, 2004, p.153). Then it was the film industry's turn, followed by the computer game industry. Print is the latest sector to feel the digital 'scourge'. (Beyer, et.al, 2012, p. 83)

This paper will focus on the revolutions affecting the gaming sector, since game developers are a unique case when it comes to digitization: To be successful, they must be imaginative as well as technically and commercially astute. The development of business models within the games industry is therefore a very good point to commence a more detailed analysis of what the global media world is currently experiencing as a result of the revolutionizing process of digitization. And to begin the analysis, we must firstly understand that the history of the digital revolutions can be divided into three acts.

## 2. First act

Before the PC gaming distribution process became digitized, computer games were predominantly produced as CDs, packaged into boxes and finally sold in stores. Although this still occurs to some extent today, it is nowhere near the degree it was 15 years ago.

The developer was not unlike the author at that time, in that they developed a project they then presented to publishers, usually in the form of a prototype or demo produced at their own expense. Developers typically had at this point very little resources of their own. As such, they were often all too ready to sign any contract put before them. The game publisher, if it deemed the game had merit, then funded its completion and brought the game to market. The business model at play here is also similar to the music industry, in that it is based on an advance that is later recouped through eventual sales.



**Figure 1. The old model – games in retail**

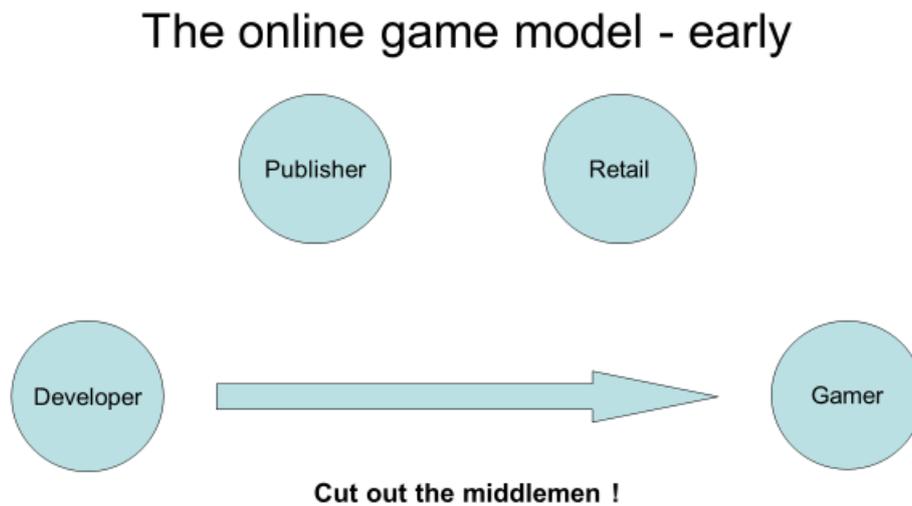
Source: Own Illustration

Caves (2000, p.57) describes the “Advance against Royalties” arrangement for the music industry. It allows computer game publishers to retain further royalty payments until their advance has been recouped. If the game is not particularly successful, the developer receives nothing more than their advance. As a result, advances are often the only payment a developer ever receives for the game they developed.

This phase was firmly rooted in the period of analogue economics when it was advantageous to maintain large distribution structures. The most expensive part of the computer game publishing process at that time was managing and paying a small army of salespeople who, as representatives, drove from business to business to ensure the games reached the shelves.

## 3. Second act

Digitization began to affect the distribution of computer games from the middle of the first decade of the new millennium, when it suddenly became possible to download games over the Internet. The new generation of gamers now registered online. Technically this was already possible, and small groups of gamers had previously received their games in this fashion. But in the broader sense, the concept of online computer games was a novelty. During the first dotcom boom, Moorhuhn could establish itself here in Germany as an online game. Then the bubble burst, and the market shifted dramatically.



**Figure 2. The online game model - early**

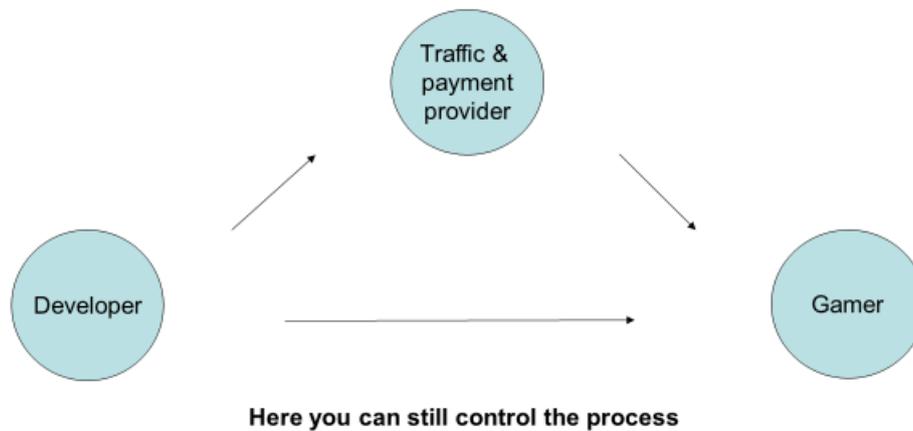
Source: Own Illustration

To understand this upheaval more precisely, one must accept that technical innovation alone is not necessarily the decisive trigger for digitization, rather that the behavior of the mass market can be considered an independent phenomenon. When and why users suddenly decided to go online cannot be predicted. And that decision does not depend solely on the technical prerequisites either. A contextual relationship can already come into being because of the possibility of substitution, in that it becomes possible to replace one solution with something better – in this case the then new possibility to play *with* and *against* other people online. Of course, economic factors are of great importance from the point of view of users too, in that they will generally choose the much cheaper option – legal or illegal.

When considering the factors that led to online games gaining mass market appeal within Germany, we cannot ignore the psychological phenomenon (Ferrari, 2010) of browser games. At first, it was only a small community of German developers who produced computer games playable directly in the browser without the need to download a control program. The great advantage of this design was that you could play games online without leaving data traces (particularly useful if the games were played at work) or inadvertently installing a virus. The entry threshold for the players was also much lower. These factors, among others, contributed to the growth of browser games particularly in Germany, where users are generally considered to be more conservative concerning their fear of viruses and monitoring at the workplace.

Browser games experienced their real breakthrough in 2006 when the firm Bigpoint and the television channel SAT1 concluded a revenue share deal related to the FIFA World Cup. The arrangement saw all non-allocated advertising spots being allocated to Bigpoint, with revenues being shared between the two partners as result. There are many such spots on a private station when the World Cup is taking place in a country within public television. Following the World Cup, Bigpoint reached several million users for the first time. Between 2006 and 2010, Bigpoint and its main competitor GameForge assumed a global user base that exceeded several hundred million users. These were the golden days.

## The online game model - midstage



**Figure 3. The online game model - midstage**

Source: Own Illustration

It is important to note that the real advantage for computer game companies was that they could communicate directly with the end user – a contact that guaranteed data sovereignty. This period also saw the transition from classic retail to online retail around the world.

In 2008 the distribution structure shifted entirely. The new model, in which the game developer had direct contact with the user, became more and more relevant. Computer games themselves also changed significantly through this new business model (Schultheiss, 2007). The game experiences shifted from being principally narrative structures to participatory virtual worlds. There was the possibility that several players could play together in the same game at the same time. Competition was no longer with the machine but held virtually against other real players. Multiplayer versions also have the effect that the real world is being extended around a virtual one.

The new business model was called *Free to Play* (Alha, 2014). It was created based on the popular *Follow the Free* strategy (Beyer, et al., 2012, p.222). Since this development, computer games have been offered initially free on the Internet. During the game, additional virtual items (Rauda, 2013) or other game advantages are offered at certain points which can be purchased for real money. Only about 1-5% of players use this opportunity, while the remaining 95-99% play on for free. This development also changed the content of computer games. Now developers were having to design worlds where they could request money in specific places. This model was developed in South Korea and then implemented in other parts of the Western world (especially in the USA), with Germany seeing a quicker uptake of the concept than elsewhere. For me, this development was a clear indication that Europeans should work more closely with East Asians. We can only learn. On the other hand, East Asian gaming firms should cease to attach their European offices to a US Headquarter. Europe is a significant market and location.

One main criticism of digitization is that one should traditionally be able to distinguish between the real and the virtual world. In my opinion, this distinction is a major misunderstanding. The

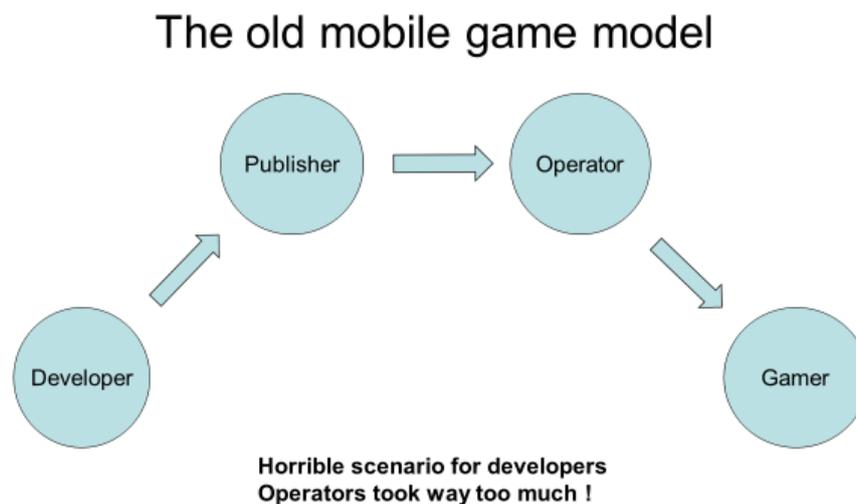
real world is expanded around the virtual world. We continue to live in a world containing real and virtual elements.

Another important factor in this development is that of the corresponding evolution in the online advertising industry. For many years, it has been possible to advertise computer games online in other computer gaming portals via banner ads. Online gamers are continually visiting new websites because of this process. This has seen a rise in the amount of agencies that place advertising banners to motivate players to register themselves in new games. From the agency's point of view, you could argue that they assume the risk of generating new players by running ads until users have responded to them. In other words, players can be 'bought' in the realm of online gaming.

This 'player trading' has seen the advertising industry assume a highly influential role, as it is in this space that the commercial success of a computer game can be measured: if you can buy users and the reproduction of the product is free, then logically you can generate higher margins by generating more users alone. The key point is to ensure that every paying user statistically spends more money than the user acquisition cost. We are talking about conversion here. In time, the number of so-called traffic and payment providers rose worldwide, and Germany lost its pre-eminence.

#### 4. Third act

After the year 2008 we then saw the market moving in a direction few had predicted: the mobile revolution had begun. What is often forgotten when discussing digitization today is that over the past ten years, two very different revolutions have occurred: first, the digitalization of distribution over the Internet, and then the shift to mobile platforms. In the old days, mobile developers had a hard time surviving in the ecosystem. They were depending on telephone operators who took control over the market and took high margins.



**Figure 4. The old mobile game model**

Source: Own Illustration

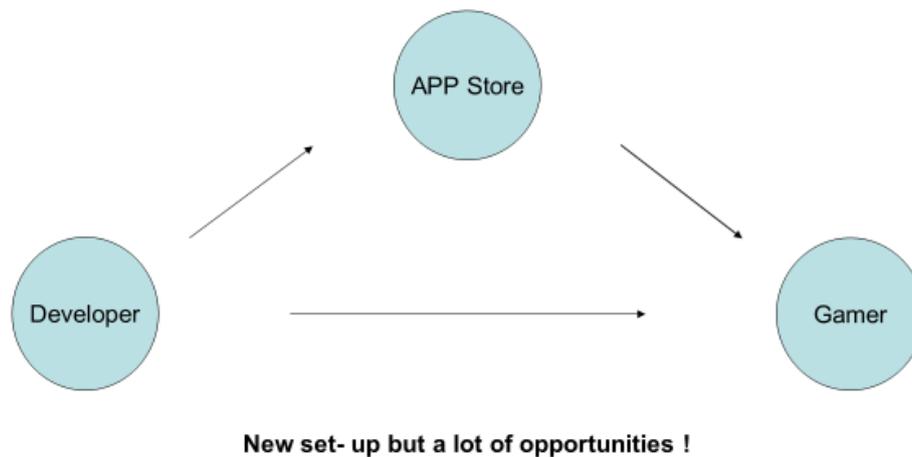
The new mobile platform business model was a positive development from the perspective of computer game developers. Even before the mobile revolution, some computer game developers had attempted to make games for mobile phones. But telecom companies had a

monopoly over the distribution of such games. They could only be downloaded from the portals of the operators, i.e. Deutsche Telekom, Orange or Vodafone etc. And the telecoms did not give the content producers great margins. In principle, they had kept more than half of the cake, and game developers were then forced to assume the risk of an entire production with often less than a quarter of the revenue to be expected in return. It was little wonder that many developers of mobile phone games went bankrupt before the launch of the iPhone.

The iPhone brought about further fundamental changes. It was suddenly possible to download computer games via the App Store without interacting with other actors, especially the operators (Behrmann, 2013, p.4) Here, too, the agent was cut out. Just as brick and mortar retailers had previously been affected by the online development, now it was the telecommunication companies that suffered: They were excluded from the value chain (Behrmann, 2013, p.6).

For the most part, the mobile development went largely uncharted among German gaming firms. From a European perspective, Finland became particularly relevant to this segment. Stars like Rovio and Supercell shot to prominence with games played worldwide. This rise was certainly because a lot of mobile know-how exists in the Nordic countries, and that the economic system is geared towards it, since everyday use of the mobile phones is more widespread than in Germany.

## The I-Phone mobile game model



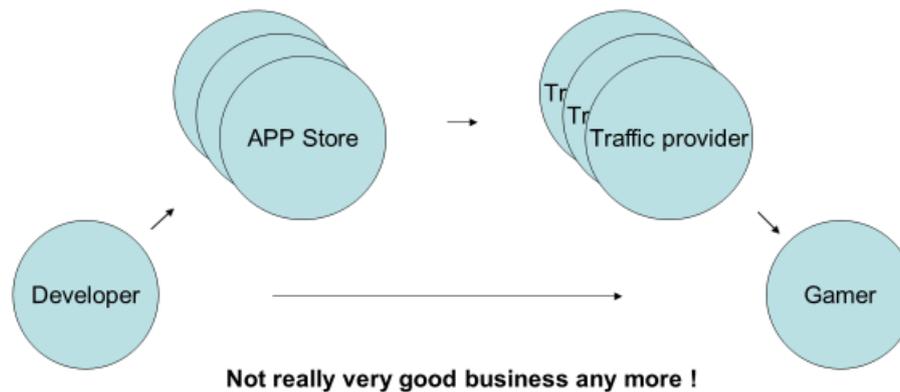
**Figure 5. The I-Phone mobile game model**

Source: Own Illustration

After the mobile revolution, the App Stores took control. Apple's App Store does not allow third-party providers onto the platform, and prioritizes internal rating systems. Ironically, the closed system of Apple is better for the back-office structure of the content developer: With Android, traffic and payment providers are permitted onto the platform, who in turn can earn a commission on sale. The result is that developers can rely more on Apple's direct payments (APP ANNIE INTELLEGENCE cited in Behrmann, 2013, p.13). This makes it possible to make money as a content provider because of the closed end-to-end structure, albeit at relatively strange conditions. I will never forget a conversation I heard in 2010 between two mobile game

developers. The one said to another: “Apple is a strange shop. They’ve paid us \$9 million in royalties, but we do not know anyone there – just the general, non-personalized email address for developer contacts.”

### The mobile game model - now



**Figure 6. The mobile game model - now**

Source: Own Illustration

In Google Play’s open platform approach, the chance of external influence is much stronger. Here, as in the online arena, there is greater ability for traffic and payment providers to earn revenue. Game developers therefore usually earn less on Google Play for the same app on Apple’s App Store. In the mobile sector, we are currently being confronted with similar issues that affected the online realm in the past.

In this paper, we have examined the two revolutions which have characterized the changes in the distribution structures of computer games within the last decade. We found that we must deal with more than one revolution, more specifically the internet and the mobile revolution. We also found, that other players such as traffic and payment providers play an increasing role within the ecosystems.

### 5. Conclusion

There is not only one digital revolution, but several. In addition to the Internet revolution, the mobile revolution has happened in the games business. It is hard to predict, when the digital shift hits. We observe different principles. These different principles lead to different behavior in the online and mobile space. We can see that both revolutions have opened opportunities for fast movers, but over time those opportunities have been shrinking with more and more actors coming on board.

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## **“3G” Business Model for Marketing 4.0: Implications for Circular Economy**

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### **Abstract**

During the last decades the world is in a permanent flux due to the rapid development of ICT. Marketing practice is changing with the same pace while marketing academia is still lagging behind. Digital technologies are being integrated with marketing activities continuously or disruptively to reach Marketing 4.0, a new generation of marketing approaches, methods, tools, and practices (Jara et al., 2012). In this paper, the author argues that technologies will transform marketing organization and reshape market space, and companies should acknowledge that they have to transform their business models to ensure a sustainable market leadership position. During the last few years digitization and sustainability are closely related with the principles of circular economy. It is considered that digitization is changing business models by removing cost and waste and by stepping up the company's development. The aim of this paper is to explore how organizations can transformed successfully their business models to fit to the requirements both of digitization and circular economy. Following the literature review a conceptual model of “3G” business model is proposed. It integrates contemporary marketing practice and digital transformation of value creation. Comparative research on the attitudes toward circular economy and its benefits in six European countries is accomplished. Based on the results from the study several implications for the implementation of “3G” business model according to principles of circular economy are drawn.

**Keywords:** business model, Marketing 4.0, circular economy.

**JEL classification:** M31, M37

### **1. Introduction**

While business is getting more complex, the environment and markets are becoming more turbulent and unpredictable. Many companies and their managers realize that the world is in a constant and relentless state of change. The shortening of the business model lifecycles in many industries leads to greater frequency of disruption and dislocation (Lindgardt et al., 2009). Both time pressure and capability to change are becoming a crucial factor for company survival, especially in service industry where the service delivery process as a key element in building (or destroying) customer satisfaction is severely affected by digital disruption.

Modern business faces a new class of problems, new competitors, fluidity of technology, rise of nontraditional risks. In the information society and knowledge economy, consumers are well informed, have high demands and expect personalized marketing offers that not only satisfy but also exceed their expectations. The media space is highly fragmented and is experiencing the strong impact of interactive communications that are in the Web 4.0 phase. Managers are shaken by dynamically changing consumer demands, on the one hand, and the pressure for high returns on investment, on the other. This situation is extremely stressful for the business of all industries because the rules, principles, procedures, methods and techniques used so far do not work in the new market space and the information and communication environment.

This paper presents the concept of “3G” business models. The strategic focus of these models is to minimize the negative impact of the market environment by implementation of Marketing

4.0 tools and techniques according to the principles of circular economy. The author presents the components of “3G” business models, as well as their possibilities to gain sustainable market leadership position by applying the circular economy approach.

## 2. Marketing 4.0 and the challenges of circular economy

Marketing 4.0 appears as a result of the complex changes provoked by turbulent markets, aggressive global competition, demanding customers, rapid emergence of new technologies, and disruptive innovation. It could be explored as more or less extremely fast cybernetic marketing system of stimulus, feedback, and reaction with a focus on flexibility and profound understanding of business (Dholakia et al., 2010). Such an open dynamic system allows a real-time monitoring of the global transactions and customer activities worldwide. Marketing system transformation calls in turn for a new approach to marketing organization. Customers are placed at the center of this new digitally-based marketing system. This requires that the system elements and their relationships should be precisely planned to stimulate customers' interactions with the products, to offer customers emotional personal experience (through the so called ‘touch points’) and to add value during the value creation process. Digitization transforms the purchase decision making process, including the way customers search for information, consider and evaluate products and services, interact with the organization, and make purchases. Transformed process which replaces traditional customer purchase decision making is called ‘digital consumer decision journey’ (van Bommel et al., 2014). Following the changes during the last decades because of the information technologies evolution, marketing is undergoing a transformation reaching its new generation - Marketing 4.0 (Jara, et al., 2012). This new generation is required, since customers are not only looking for products to satisfy their basic needs, wants, desires, and concerns. They also need to satisfy their creativity and values such as defined in Marketing 3.0. Moreover, they require being part of the production process (so called ‘interwoven informationalization’ of business models) which is a distinctive feature of Marketing 4.0 and behaving as responsible citizens as well.

The circular economy is the latest in a number of concepts, such as zero waste, which has been used to describe a more resource efficient approach to the use of raw materials in our economy. Various EU programmes which includes the Thematic Strategy on the Sustainable Use of Natural Resources, Sustainable Consumption and Production, Integrated Product Policy, and the resource-efficient Europe flagship initiative Roadmap to a Resource Efficient Europe deal with the principles and tools of circular economy. Largely through the Leadership of the Ellen MacArthur Foundation, the EU has now progressing much of these initiatives in policy proposals framed as circular economy and is expected to introduce changes to existing EU legislation, including more ambitious recycling targets. The European Commission has also produced Closing the Loop – An EU action plan for the Circular Economy, which sets out some innovative proposals around products, manufacturing. The main concepts and definitions connected with circular economy which are used throughout the paper are presented in Table 1.

| Concept                   | Definition   |
|---------------------------|--|
| Circular economy          | A circular economy is an industrial economy that is restorative and regenerative by design (promotes greater resource productivity aiming to reduce waste and avoid pollution), and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles. |
| Green entrepreneurship    | Green entrepreneurship is the activity of consciously addressing an environmental/social problem/need through the realization of entrepreneurial ideas with a high level of risk, which has a net positive effect on the natural environment and at the same time is financially sustainable.  |
| Servitisation of products | The servitisation of products describes the strategy of creating value by adding services to products or even replacing a product with a service.  |

|                       |  |
|-----------------------|--|
| Closed loop recycling | Closed loop recycling is a production system in which the waste or byproduct of one process or product is used in making another product. For example, recycling waste newspaper to make paper-board or other types of paper.  |
| Open-loop recycling   | Open-loop recycling includes the conversion of material from one or more products into a new product, involving a change in the inherent properties of the material itself (often a degradation in quality). For example, recycling plastic bottles into plastic drainage pipes. Often called downcycling or reprocessing. |

**Table 1. Circular economy: key concepts and definitions**

Source: Adapted by the European Commission. Green growth and circular economy - environment - European Commission; European Commission. Resource efficiency - environment - European Commission

### 3. The concept of “3G” business model

Following the widespread penetration of information technology into business activities of companies and customers' lives, there is a tendency of overexposure to any technological innovation without prior consideration and commitment to long-term company strategies. The “blind” use of any new technology, especially for the purposes of micro-targeting, leads to a relatively low level of novelty and marginally increased overall value for the customer. Reactive tracking of every smallest technological change in the distribution of information completely ignores the complex network environment and lowers marketing activities to a tactical level. This causes constant chaotic fluctuations in the marketing system that are transmitted to other components of the organizational system. The above statements are based on the fact that the network focus on business models and business processes is a proactive concept that represents a new way of thinking aimed at simplifying complexity, which as a theoretical concept has very little touch with technology. On the other hand, digital disruption necessitates long-term business model changes with short-term costs.

| Authors   | Definition   |
|---|--|
| Afuah and Tucci (2001: 3-4)                     | A business model is a method by which the company builds and uses its resources to offer its users better value than their competitors and to generate cash revenue through it.                                    |
| Amit and Zott (2001: 501), Zott and Amit (2007) | A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities.   |
| Johnson, Christensen, and Kagermann (2008)      | The business model consists of four interrelated elements that create and deliver value. Ranked by their significance, these are: value proposition for the user, profit formula, key resources and key processes. |
| Osterwalder and Pigneur (2010)                  | The business model describes the logical basis on which the organization creates, delivers, and maintains value to users.  |

**Table 2. Basic definitions of business model**

Source: Adapted by: Sorensen, H.E. 2012. Business Development. A Market-Oriented Perspective, John Wiley & Sons Ltd., p. 156, Table 5.1.

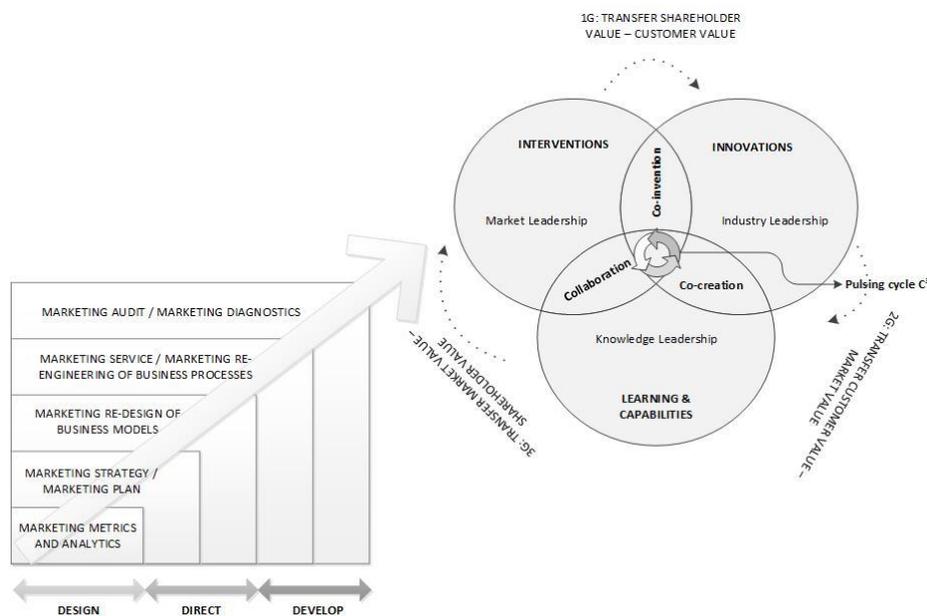
This paper follows the notion of the business model as a representation of the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities (Zott and Amit, 2007). Widespread digitization requires reinvention of traditional business models to fit to the principles of agility. Reinvention should start with defining the scope of transformation: product, channel, customer segment, and the phase of customer engagement. The construction and management of agile business models requires a new type of creativity, a new type of interface and communication between different groups and types of people, and different types of business, culture and behavior that embrace the sharing of knowledge as a springboard for collaborative innovation throughout the value creation process (Table 3).

|                              | <b>Traditional business model</b>                       | <b>Agile business model</b>  |
|------------------------------|---|--|
| Level of digital maturity    | Emerging  | Developing and mature  |
| Business processes           | Linear vertical processes                               | Dynamic collaborative  |
| Operational management       | Task-based assignments                                  | Real-time work allocation  |
| Stage of marketing evolution | Marketing 1.0 and 2.0                                   | Marketing 3.0 and 4.0  |
| Marketing orientation        | Product-oriented  | Customer-oriented  |
| Organizational structure     | Hierarchy / Rigid                                       | Network / Dynamic  |
| Content of business model    | Resources   | Information  |
| Structure of business model  | Centrality of position; Nature of ties; Network density | Order and timing of exchanges; Flexibility and adaptability of transaction structure |

**Table 3. Traditional vs agile business models**

Source: Author's work

Amit & Zott (2001: 500) argue that the multitude of value drivers suggested in the literature on value creation raises the question of precisely which sources of value are of particular importance in e-business, and whether unique value drivers can be identified in the context of e-business. Based on comprehensive research they suggest that novelty, lock-in, complementarities and efficiency are the main sources of value creation in e-business. The section below represents the concept of “3G” business model which is developed as a framework to support the establishment of agile marketing organization as a response to the digital transformation of business. The conceptual model is based on the literature review and author's previous research (Vassileva, 2017).



**Figure 1. The concept of “3G” business model**

Source: Author's work

“3G” business model reflects the notion of marketing management in Marketing 4.0 as self-generating and self-renewing process of activating, adapting and anticipating the challenges of the extremely dynamic environment (represented by the pulsing cycle “collaboration - co-

invention - co-creation” in the center of the figure). The left corner of the model reflects the stages of marketing management process in Marketing 4.0 which are delineated in Table 4.

| Stage   | Focus             | Key issues  | Research scope   | Author   |
|---------|-------------------|---|--|--|
| Design  | Processes         | Marketing metrics and analytics   | Internet recommendation system<br>Performance of search engines<br><br>Level of price competition between firms (both digital and non-digital product attributes)<br>Customers' visit behavior on the Internet   | Ansari et al. (2000)<br>Bradlow and Schmittlein (2000)<br>Lal and Sarvary (1999)<br><br>Moe and Fader (2000)   |
| Direct  | Work flows        | Marketing strategy /<br>Marketing planning<br>Marketing re-design of business models                                | Direct vs conventional retail channels<br>Optimal form of offering digital information goods<br>Internet as an efficient “frictionless” market<br>Customers acquisition on the web<br><br>Price sensitivity<br>Online/offline price sensitivity<br>Customers' experience “flow”<br>Pricing strategies for online and offline offers<br>Syndication as business model<br>Online/offline pricing and communications strategies | Balasubramanian (1998)<br><br>Bakos and Brynjolfsson (1999, 2000)<br>Brynjolfsson and Smith (2000)<br>Hoffman and Novak (2000)<br>Lynch and Ariely (2000)<br>Shankar et al. (1999)<br>Novak et al. (2000)<br>Venkatesh and Chatterjee (2000)<br>Werbach (2000)<br>Zettelmeyer (2000) |
| Develop | Talent management | Marketing service /<br>Marketing re-engineering of business processes<br>Marketing audit /<br>Marketing diagnostics | Online vs offline consumer's choice behavior<br>Recommendation systems for preliminary and advanced screening<br>Type of customers' knowledge<br><br>Type of digital information aimed at heterogeneous customers  | Degeratu et al. (2000)<br><br>Haubl and Trifts (2000)<br><br>Mittal and Sawhney (2001)<br>Shapiro and Varian (1998)  |

**Table 4. Design – Direct – Develop marketing management stages in “3G” business model**

Source: Author's work

Following the logic of Marketing 4.0 principles (see paragraph 2 above) organizations should implement the “3G” business model grounded on a matrix of customers, market, and digital skills to guide the key businesses over the next five to ten years. This requires new talents for the C-suite to be able to manage the three genes of the model. Gene G1 - Market Leadership - requires companies to strive for market leadership through corporate interventions. The purpose of these interventions is to build and maintain marketing security for a proactive response to market risks, during market entry and market exit. Gene G2 - Industry Leadership - requires innovation in brand markets through integrated outbound-inbound strategies. Strategic interventions provide synchronization between changes in business model design and business process reengineering, on the one hand, and brand marketing decisions on markets, on the other hand. Gene G3 - Knowledge Leadership - requires companies to invest in building creative marketing engineering competencies to reach digital maturity level, which creates potential for implementation of the four major digital technologies (social media and networks, mobile technologies, analytics and cloud technologies ) on an equal footing and integrated into all intervention areas.

#### 4. Results and discussion

The study consists of qualitative stage (desk research and in-depth interviews with experts) and quantitative stage (online survey with representatives of SMEs). It covers six EU countries – UK, Spain, Romania, Greece, Bulgaria, and Malta. The questionnaire consists of three sections. The first section focuses on the attitudes toward innovative green entrepreneurship. The second section deals with the conditions for developing circular economy and current state of circular economy implementation in respondents' countries. The third section is devoted to the attitudes toward circular economy implementation.

The questionnaire is translated into the following languages: Bulgarian, Spanish, Romanian, and Greek. LimeSurvey platform was used to configure the questionnaires. The survey was administered online (April-May 2017). A total number of 152 respondents participated in this survey.

The highest level of awareness toward circular economy and green entrepreneurship is observed for UK respondents. The least aware about circular economy and green entrepreneurship are Maltese and Spanish respondents. 'Innovative Green Entrepreneurship' is associated mainly with the following terms and concepts: sustainability (sustainable thinking, sustainable use of resources, sustainable environment), eco friendly processes / eco business, environment friendly businesses, recycling, reuse of waste, ecology (environmental protection, ecological products), renewable energy.

The most important characteristics which should be possessed by an innovative green entrepreneur company differ slightly by countries. Environmental stability is ranked on the first place by the respondents from Malta, UK, and Greece but on third place by Romanian respondents (Table 6). Clear organisation strategy, vision, mission, goals, culture is the most important characteristic according to Romanian and Bulgarian respondents.

| Malta  | 1     | 2     | 3     | 4     | 5     |
|--|-------|-------|-------|-------|-------|
| Successful, motivated, contented employees                   | 12.50 | 12.50 | -     | 12.50 | 12.50 |
| Financial strength   | -     | 25.00 | -     | 12.50 | 12.50 |
| Clear organisation strategy, vision, mission, goals, culture | 12.50 | 12.50 | 12.50 | 12.50 | -     |
| Good public relations (customers, partners, shareholders)    | -     | -     | -     | -     | 12.50 |
| Strong reputation  | -     | -     | -     | 12.50 | -     |
| Quality products   | 12.50 | 12.50 | 12.50 | 12.50 | 37.50 |
| Ecological and social awareness                              | 25.00 | -     | 12.50 | 25.00 | 12.50 |
| Environmental sustainability                                 | 37.50 | 25.00 | 12.50 | 12.50 | 12.50 |
| Adaptability, flexibility                                    | -     | 12.50 | 50.00 | -     | -     |
| Romania  | 1     | 2     | 3     | 4     | 5     |
| Successful, motivated, contented employees                   | -     | -     | 11.76 | 5.88  | 18.75 |
| Financial strength   | 11.76 | 5.88  | 11.76 | 5.88  | 12.50 |
| Clear organisation strategy, vision, mission, goals, culture | 47.06 | 5.88  | 17.65 | -     | 6.25  |
| Good public relations (customers, partners, shareholders)    | -     | -     | 5.88  | 11.76 | 18.75 |
| Strong reputation  | 11.76 | -     | -     | 5.88  | -     |
| Quality products   | -     | 11.76 | -     | 29.41 | 6.25  |
| Ecological and social awareness                              | 17.65 | 47.06 | 11.76 | -     | 12.50 |
| Environmental sustainability                                 | 11.76 | 17.65 | 23.53 | 29.41 | -     |
| Adaptability, flexibility                                    | -     | 11.76 | 17.65 | 5.88  | 25.00 |
| Bulgaria   | 1     | 2     | 3     | 4     | 5     |
| Successful, motivated, contented employees                   | 13.33 | -     | 13.33 | 13.33 | 13.33 |
| Financial strength   | -     | 20.00 | 13.33 | 13.33 | 13.33 |
| Clear organisation strategy, vision, mission, goals, culture | 60.00 | -     | 6.67  | 13.33 | 13.33 |
| Good public relations (customers, partners, shareholders)    | -     | -     | -     | 20.00 | 13.33 |
| Strong reputation  | -     | -     | -     | -     | 13.33 |
| Quality products   | 6.67  | 20.00 | 26.67 | 13.33 | 6.67  |
| Ecological and social awareness                              | 20.00 | 46.67 | 6.67  | 13.33 | 13.33 |
| Environmental sustainability                                 | -     | 6.67  | 13.33 | 6.67  | 6.67  |

|  |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| Adaptability, flexibility                                    | -        | 6.67     | 20.00    | 6.67     | 6.67     |
| <b>UK</b>  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| Successful, motivated, contented employees                   | 15.79    | -        | -        | 10.53    | 15.79    |
| Financial strength   | 5.26     | 15.79    | 10.53    | 5.26     | 5.26     |
| Clear organisation strategy, vision, mission, goals, culture | 21.05    | 5.26     | -        | 21.05    | 15.79    |
| Good public relations (customers, partners, shareholders)    | -        | 5.26     | 5.26     | 15.79    | 10.53    |
| Strong reputation  | -        | 10.53    | 5.26     | 10.53    | 10.53    |
| Quality products   | 10.53    | 15.79    | 15.79    | 10.53    | 10.53    |
| Ecological and social awareness                              | 10.53    | 31.58    | 31.58    | 5.26     | -        |
| Environmental sustainability                                 | 36.84    | 5.26     | 21.05    | 15.79    | 5.26     |
| Adaptability, flexibility                                    | -        | 10.53    | 10.53    | 5.26     | 15.79    |
| <b>Greece</b>  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| Successful, motivated, contented employees                   | -        | -        | -        | 25.00    | 28.57    |
| Financial strength   | -        | -        | -        | -        | -        |
| Clear organisation strategy, vision, mission, goals, culture | 25.00    | 25.00    | 12.50    | 25.00    | -        |
| Good public relations (customers, partners, shareholders)    | -        | -        | -        | -        | 14.29    |
| Strong reputation  | -        | -        | 12.50    | -        | 42.86    |
| Quality products   | -        | 12.50    | 50.00    | -        | 14.29    |
| Ecological and social awareness                              | 25.00    | 37.50    | 12.50    | 25.00    | -        |
| Environmental sustainability                                 | 37.50    | 25.00    | 12.50    | -        | -        |
| Adaptability, flexibility                                    | 12.50    | -        | -        | 25.00    | -        |
| <b>Spain</b>   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
| Successful, motivated, contented employees                   | 15.15    | 15.62    | 6.25     | 15.62    | 19.35    |
| Financial strength   | 12.12    | 15.62    | 3.12     | 6.25     | 3.23     |
| Clear organisation strategy, vision, mission, goals, culture | 15.15    | 18.75    | 25.00    | 9.38     | 6.45     |
| Good public relations (customers, partners, shareholders)    | -        | -        | 9.38     | 6.25     | 6.45     |
| Strong reputation  | -        | -        | 9.38     | 3.12     | 6.45     |
| Quality products   | 6.06     | 9.38     | 21.88    | 25.00    | 12.90    |
| Ecological and social awareness                              | 33.33    | 18.75    | 3.12     | 9.38     | 9.68     |
| Environmental sustainability                                 | 18.18    | 18.75    | 6.25     | 18.75    | 22.58    |
| Adaptability, flexibility                                    | -        | 3.12     | 15.62    | 6.25     | 12.90    |

**Table 6. Importance of the characteristics of an innovative green entrepreneur by countries, %**

Note: The following measurement scale is used: 1 = the least important; 5 = the most important

Source: Author's work

The main benefits of applying innovative green entrepreneurship are evaluated by respondents on the following dimensions: contribution to societal issues, customer satisfaction, product / brand support, and influence on organisation values, culture, mission, goals (Table 7).

| Main benefits   | MT         | RO          | BG          | UK        | EL         | ES        |
|---|------------|-------------|-------------|-----------|------------|-----------|
| Recognition by the public and stakeholders                | 4 (75.0)   | 3/4 (43.75) | 4 (27.27)   | 5 (47.06) | 4 (75.00)  | 3 (40.00) |
| Image and reputation enhancement                          | 4 (87.5)   | 4 (35.29)   | 4 (31.82)   | 5 (50.00) | 4 (71.43)  | 3 (40.00) |
| Contribution to societal issues                           | 5 (50.0)   | 4 (35.29)   | 5 (66.67)   | 5 (66.67) | 5 (50.00)  | 5 (46.67) |
| Staff motivation and loyalty                              | 3 (50.0)   | 4 (43.75)   | 5 (28.57)   | 4 (47.06) | 4 (85.71)  | 4 (43.33) |
| Financial efficiency                                      | 3/4 (37.5) | 4 (40.00)   | 5 (40.91)   | 3 (37.50) | 3/4 (37.5) | 3 (35.48) |
| Influence on organisation values, culture, mission, goals | 4 (62.5)   | 5 (50.00)   | 5 (33.33)   | 4 (47.06) | 4 (42.86)  | 4 (46.67) |
| Product / brand support                                   | 4 (50.0)   | 5 (43.75)   | 5 (28.57)   | 4 (50.00) | 4 (71.43)  | 4 (54.84) |
| Market position support                                   | 4/5 (37.5) | 4 (33.33)   | 4/5 (28.57) | 4 (46.67) | 4 (57.14)  | 3 (50.00) |
| Customer satisfaction                                     | 4 (50.0)   | 5 (53.33)   | 5 (52.38)   | 4 (50.00) | 4 (62.50)  | 4 (48.28) |
| Staff recruitment and retention                           | 3 (37.5)   | 3 (33.33)   | 5 (33.33)   | 4 (37.50) | 4 (57.14)  | 4 (28.57) |
| Trust-building among stakeholders                         | 4 (50.0)   | 4 (46.67)   | 5 (33.33)   | 3 (50.00) | 4 (62.50)  | 4 (48.39) |

**Table 7. Main benefits of applying innovative green entrepreneurship by countries, mode, % (in brackets)**

Note: The following measurement scale is used: 1 = Not benefit at all, 3 = Relative benefit, 5 = Strong benefit

Source: Author's work

The opinion of the respondents regarding the importance of different aspects of circular economy is quite diverse by countries. The most frequent answers (measured by mode) include the following: principles of circular economy, green entrepreneurs, recycling (closed loop recycling), recycling (open), recovery, eco-design. The findings are calculated as weighted mean as well (Table 8). According to the received results several specific patterns could be identified. Recycling is considered very important by all participating countries except Greece. New business models and green entrepreneurship are important for Malta, Romania and Greece. Reuse and design for circular economy are important for UK while eco-design – for Malta.

| Aspects of circular economy       | MT   | RO   | BG   | UK   | EL   | ES   |
|-----------------------------------|------|------|------|------|------|------|
| Principles of circular economy    | 4.00 | 3.71 | 3.29 | 3.89 | 4.18 | 3.45 |
| New business models               | 4.22 | 4.18 | 3.00 | 3.63 | 4.00 | 3.67 |
| Green entrepreneurs               | 4.11 | 4.18 | 3.41 | 3.79 | 4.09 | 3.73 |
| Servitisation                     | 3.67 | 3.29 | 3.12 | 2.84 | 2.09 | 3.42 |
| Reuse                             | 3.89 | 4.18 | 3.76 | 4.37 | 3.00 | 3.79 |
| Recycling (closed loop recycling) | 4.33 | 4.35 | 4.00 | 4.26 | 2.45 | 3.97 |
| Recycling (open)                  | 4.22 | 4.18 | 3.88 | 3.68 | 2.91 | 3.85 |
| Recovery                          | 4.00 | 4.18 | 3.65 | 3.63 | 2.82 | 3.64 |
| Design for circular economy       | 4.11 | 4.18 | 3.06 | 4.16 | 2.73 | 3.27 |
| Eco-design                        | 4.44 | 3.47 | 2.06 | 3.79 | 2.73 | 2.61 |

**Table 8. Importance of different aspects of circular economy by countries, weighted mean**

Note: 1 = unimportant to 5 = very important. Results are presented by weighted mean.

Source: Author's work

Based on results presented above three opportunity zones with corresponding implications for circular economy in digital environment are identified (Table 9).

| Stage   | Focus             | Opportunity zone  | Implications for circular economy  |
|---------|-------------------|---|--|
| Design  | Processes         | Business model and key actors (challengers)                 | The culture and operating style should be adjusted to the company's digital strategy<br>Human-centered experiences including green products/ services<br>Digital dashboard (incl. carbon footprint) (it provides important markers beyond traditional financial metrics)<br>Key operational KPIs related<br>Adoption of agile principles<br>Understand how digital can upend business models |
| Direct  | Work flows        | Value creation  | Reinvention (a zero-based redesign of the customer experience of a given task)<br>Implementation of sprint-based processes (to maintain pace and a focus on creating value quickly)<br>Regular check-ins<br>Test-and-learn sessions<br>Agile product development (it emphasizes a test-and-learn approach)   |
| Develop | Talent management | Providing knowledge / Develop skills, attitudes, and habits | Providing knowledge (digital and environment friendly)<br>Creating agile habits<br>Ability to commit time<br>Cross-functional teams  |

**Table 9. Opportunity zones for implication of "3G" business model according**

Source: Author's work

In order to exploit the abovementioned opportunities top management needs better knowledge about the technology environment, its potential impact on different parts of the company and

its value chain, and thus about how digital can undermine existing strategies and stimulate the need for new ones. Management boards should invest in experimental initiatives (including circular economy) that could reshape markets. Additionally, today's strategic discussions need to match the speed of disruption and respond to real-time market signals about digital and eco-oriented shifts. Designing a customer-centered solution should be the core of Design stage (Table 9). This requires reimagining the entire journey and to identify the most important processes to reimagine according to the principles of circular economy. New talents are needed to accomplish these activities such as user-experience designers, data storytellers, customer experience officers, qualified analysts.

## 5. Conclusion and implications for future research

Digital technologies will transform marketing organization and reshape market space, and companies should acknowledge that they have to transform their business models to ensure a sustainable market leadership position. During the last few years digitization and sustainability are closely related with the principles of circular economy. It is considered that digitization is changing business models by removing cost and waste and by stepping up the company's development. Implementation of "3G" business model could help organizations to transform successfully their business to fit to the requirements both of digitization and circular economy.

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## **Marketing Capabilities and Selling Capabilities. Implementing a Framework Guide for a Business Performance**

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### **Abstract**

Business performance depends on many factors: economic context, market trends, competitive environment, customer behavior, managerial competences, marketing and selling capabilities. The literature review offers different approaches to understanding the role of marketing and selling in explaining business performance differences between firms. The case of multinational companies that engage in professional selling based on marketing support differs significantly from small businesses based on entrepreneurial selling. Managers need to find solutions to get a competitive market position and implement successful competitive strategies. In this article, the authors explore the nature of business performance obtained through the marketing and selling capabilities of the firm and develop a conceptual framework guide for analyzing and managing the elements involved in achieving performance. The purpose of this guide is to be a reference for managers who implement the concept of marketing and selling in the company's business. An effective marketing - selling interface is a determining factor for the creation of highly differentiated products / services by the company and perceived by the customers as most suitable for their needs.

**Keywords:** marketing capabilities, selling capabilities, business performance, marketing strategies.

**JEL classification:** M31

### **1. Conceptual framework**

The relationship between the organization's marketing skills and business performance has been studied in the literature of many authors (Bonoma 1985, Day 1994, Hunt and Morgan 1995, Vorhies and Morgan 2005, West and others 2006, Varadarajan 2010).

The conclusion is clear: Business success requires both managerial skills and marketing skills, a balanced mix of visions, strategies, tactics, analysis methods, and working tools. The efforts made for this purpose will be directed towards achieving competitive advantage on the reference market. This requires having obvious abilities to combine different resources and turn them into outputs to achieve the proposed managerial and marketing goals.

Marketing managers need to adapt quickly to the competitive environment and try to harness the market opportunities identified by market analysis, combine company resources with the most appropriate competitive marketing strategies to achieve positive results and business performance.

Only in this situation, by implementing strategic marketing concepts, will create customer value and generate good profits globally.

Kotler (2000) considers that market orientation is an essential managerial vision in marketing, which involves the analysis and knowledge of both the consumers and the competitors of the firm. Knowing the market competitors, their strengths and competitive behaviors on the reference market allows the selection and initiation of appropriate marketing decisions in order to obtain a strong competitive position in the business environment.

Akroush (2012) believes that marketing is the best means of achieving the competitive edge that will enable the company to attract and retain target consumers.

Market orientation is specific to those companies who know how to identify and exploit market opportunities and develop offensive competition behavior focused on developing strong competitive skills.

*Hamel and Prahalad (1994), Slater and Narver (1994) have shown that market orientation provides the foundation for value creation capabilities that enable business to consistently deliver superior value to customers.*

Spanos and Lioukas (2001) believe that organizations are trying to deliver a real benefit to their customers because of a set of core capabilities they have in managerial, marketing and technology.

Marketing capabilities are required to formulate a marketing strategy based on the segmentation, targeting, positioning and marketing mix design.

Slater and Olson (2001) believe that marketing decision should be seen as a set of integrated decisions and actions whereby a business achieves its marketing objectives and fulfills the value requirement of its customers.

*Returning to the marketing capabilities of the organization, Hunt and Morgan (1995), Vorhies and Morgan (2003) consider that they are based on the four components of the marketing mix - product, price, distribution and promotion - and marketing tactics required to implement the marketing strategy. Chang (1997, p.231) adds that a firm's success results from its ability to create customer value, which requires good adaptive capability in developing a product and marketing mix suitable to its target consumers.*

In practice, it is considered that marketing is about value created in the minds of consumers based on clear elements of strong differentiation from other competitors' offers. To achieve this goal, a clear marketing strategy is needed that can answer the following questions:

- What will we sell? Developing a product concept based on advantages and obvious benefits,
- Who will we sell to? Segmentation, targeting, and positioning applied to create and deliver value to the target audience,
- How to sell? Through marketing tactics practically addressed by the company's sales force.

Due to the role and skills of the company's sales force, it will be the one that will implement in practice the marketing strategy adopted by the company's marketing specialists. That's why the company's sales capabilities are just as necessary and important as marketing.

Webster (2002) suggests that the relationship between marketing and selling has never been resolved. As a rule, at the relational level, the marketing specialists and the sales force of the company frequently encounter conflicts arising from marketing policy, and there is a discrepancy between marketing and sales objectives. Lack of communication between marketers and sales agents accentuates this discrepancy because the former do not clearly explain what the company is pursuing by promoting products and what goals they are pursuing in the long run while salespeople are trying to sell what they know and how they know Well, through direct contact with customers.

Guenzi and Troilo (2007) consider that an effective marketing-sales interface is a determining factor for the creation, delivery and communication of value produced by the company and desired by the customer.

Thus, it becomes necessary to understand the role of the sales force in implementing the company's marketing strategy and the development of sales capabilities that will lead to the synergy of all marketing activity through:

- coordination of corporate and marketing objectives with current sales efforts undertaken by sales agents,
- Establishing a relationship between corporate goals, marketing objectives and identified needs of consumers,
- Improve the efficiency of sales by understanding the implications of sales decisions on the company.

## 2. Framework guide for a business performance

Company managers need to be very careful when deciding on a marketing strategy because it can lead to business performance or, on the contrary, to business failure. Understanding the role of sales force in implementing marketing strategy and building customer relationships is a major asset in achieving organizational performance.

How should sales force activity be considered in the relational context between marketing and sales? The answer presents different facets depending on the particularities of the product / service made by the company, the target market, but also the managerial skills held.

In order to choose the best marketing strategy, managers will develop a marketing plan for their business based on four main stages: market analysis, marketing strategy, marketing mix and expected results.

Within each stage of the marketing plan, there are different questions, issues and concrete activities that will be developed based on the marketing and sales capabilities of the company. Business performance can only be achieved through the collaboration of the two types of capabilities, concretely through the collaboration of marketers with the company's sales representatives.

In the first stage, market analysis will involve marketing specialists and sales representatives of the company as they will collect and provide relevant information about market size and evolution, direct competitors and their competitive behavior, purchasing behavior, and Consumption, consumer segments, etc. If marketers can carefully analyze information about the target market and business environment for marketing decisions, the sales force will be the one to establish and communicate with the target audience.

Marketers need to perform a proper benchmark analysis and succeed in providing relevant information to establish a marketing strategy capable of giving the company a strong competitive position on the market.

In order to determine the best marketing strategy in the analyzed context and according to the company's competencies, it is necessary to establish specific objectives:

- financial objectives (sales and profit)
- non-financial objectives (brand awareness, brand perception, internet based objectives...)
- customer objectives (attracting new customers and retaining existing customers)
- strategic objectives (target positioning).

The marketing strategy is adopted following a thorough process that is based on the following stages: segmentation, targeting and positioning.

Starting from the definition given by Kotler & Keller (2009) marketing strategy, the marketing strategy lays out the target markets and the value proposition that will be offered, based on an analysis of the best market opportunities, clearly shows the need to choose a Realistic, original strategic variants and, obviously, hard to copy by competitors.

The third stage of the marketing plan involves describing the marketing mix that will be implemented to achieve the proposed goals. Starting from creating a product, describing its benefits and advantages, positioning itself within the chosen market segment, and then proposing different strategic variations according to product size and product lifecycle, the marketing and sales team will develop skills In knowing the product and creating a unique value to be passed on to the target audience.

The following decisions aim at establishing the most appropriate price level based on costs, demand and competitors, but also on the targeted marketing objectives, penetration of the market, maximizing profits. Market studies on consumer price acceptability are very useful to the company, with actual information being gathered through the sales force.

Distribution is another aspect to be addressed within the marketing mix, with major implications for finding the most appropriate marketing channels for target consumers. Again, the sales force plays an important role, and it is also involved in the distribution of products to final consumers.

The marketing communication provides optimal variants of the company's product / service promotion, focusing on the many communication techniques (advertising sales promotion, public relations, direct marketing and sales force) that will be part of the integrated communication to achieve product sales and obtaining the expected profit. In the integrated marketing communication, the sales force, due to direct contact with consumers, plays a particularly important role in promoting the product and developing a partnership relationship with the target audience, supported by other supporting communication techniques. But this vision is not coincidental, nor at the fingertips of any company. The practical approach to sales force as a component of the communication mix, with a decisive role in supporting product promotion and developing long-term customer relationships, is a practice of competitive companies with well-defined marketing and sales skills.

The final stage of the marketing plan, expected results, involves describing the marketing budget needed to achieve the goals set in the marketing plan to support the most appropriate marketing strategy. It is necessary to develop metrics for financial, non-financial, customer and strategic objectives to assess the extent to which they have been achieved. In fact, measurement of business performance is vital at this time, with analyzes that take into account financial indicators such as: cash flow, cost, margin, profit, ROI, market value and others.

Schematic, a conceptual framework for business performance, can be presented as follows:

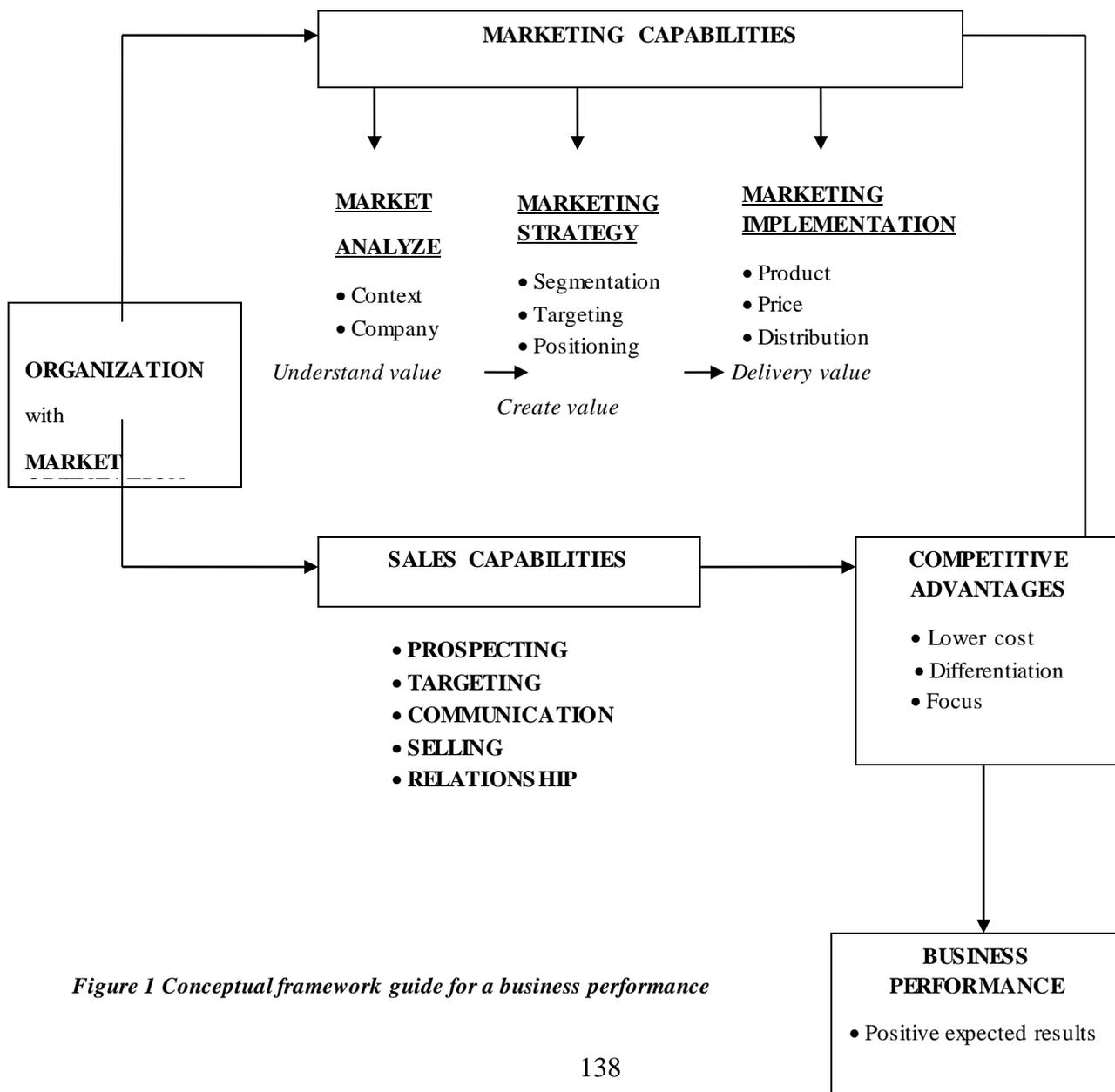
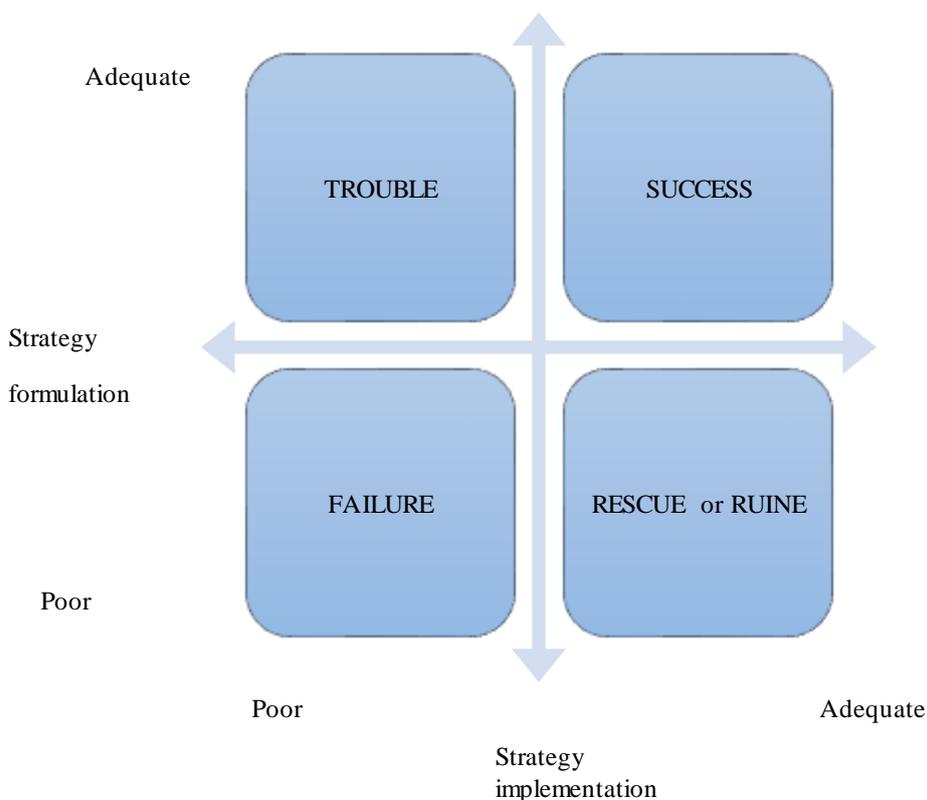


Figure 1 Conceptual framework guide for a business performance

Therefore, the managerial approach of the marketing activity carried out within a company implies knowledge of all endogenous and exogenous variables that influence the implementation of the marketing strategy. Marketing specialists need to pay more attention to these variables of influence and succeed in combining marketing and sales capabilities to increase the performance of the organization.

As it is well known, there are situations where the marketing strategy formulated by the marketers of the company may be appropriate to the situation under consideration, but implementation of the strategy is poor. Sales force has a significant role in implementing marketing strategy and therefore it needs to know the marketing objectives pursued by the company. When the marketing strategy is well formulated, and the effective implementation achieved, the result will be positive. Managers can use a grid to sketch the adoption and implementation of their own marketing strategy.



**Figure 2 The Marketing strategy formulation- implementation grid**

Source: West, Ford and Ibrahim, 2006, p. 401

In conclusion, the success of the marketing strategy depends on the company's ability to adopt the most appropriate variant and to implement it effectively by marketing tactics appropriate to the objectives. Therefore, we argue that in order to achieve business performance, a correlation between the marketing and sales capabilities of the company is required.

### 3. Discussions and implications

Addressing a strong competitive environment, the global economic crisis, the effects of globalization, and the impact of the pace of technological change make the business managers

have a strategic approach to their actions and activities to win a competitive position in the target market.

The conceptual framework guide for business performance has significant implications for managers and marketers alike. Even if the concepts presented in this article are known at the theoretical level, their application in practice often raises serious problems.

First of all, the market orientation of the company must be supported at the practical level through marketing decisions and concrete actions transposed to marketing tactics. A very good collaboration between marketers and the company's sales force increases the chances of implementing marketing strategy and achieving business performance.

Depending on the activity profile and the level of competitiveness developed, the company can describe a conceptual framework model based on a number of specific variables that will be analyzed through market studies. Correct identification and careful analysis of variables that can directly influence business performance is a fundamental element in this respect.

Secondly, the integration of the management-marketing concept at the company-wide level gives it a plus in the work done and, in the same way, supports the market orientation in a practical way.

Thirdly, marketing research is needed to identify direct links between marketing capabilities and sales capabilities developed to increase business performance. This marketing research involves marketing specialists, researchers and sales representatives who will seek answers to questions as to whether and how marketing and sales actions determine business performance. And last but not least, the dynamic nature of the relationship between marketing and business performance needs to be sustained by maximizing the marketing and sales capabilities of the company.

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## Research of Commercialization Models of Scientific Developments in Projects of Technological Entrepreneurship

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### Abstract

The article is devoted to the development a system of training future entrepreneurs for commercialization of scientific developments, which come from the Institute of Applied Physics the Russian Academy of Sciences (IAF RAS). In the thorough analysis of the existing models of commercialization of scientific research was carried out, which are used in Russia and abroad. It was noted that at the moment there are 7 basic models of commercialization, which are the most successful. The most successful projects in the commercialization of scientific research IAF RAS were studied in the article. They are ZAO NPP "boom", NTK OOO "Medusa" and "Center of scientific and technological development". As a result of this study it was proposed to implement the developed commercialization model it was asked to create a separate structural unit within the IAF RAS - the Center for Technology Transfer.

**Keywords:** technological entrepreneurship, scientific developments, commercialization model.

**JEL classification:** O320

### 1. Introduction

Today, market conditions are varying rapidly, and companies also need to respond quickly to these changes to remain competitive. Creation and introduction of innovative products and technologies on the market allow many firms to remain leaders of their industry.

Currently during the formation and establishment of national innovation system, there is a need to develop specific mechanisms to optimize the process of commercialization of scientific breakthroughs. The problem is the absence of an interactive effective mechanism between research institutions and business, which does not allow realizing the majority of Russian scientific research.

If we consider scientific organizations that are primarily engaged in science and discoveries, now more and more of them are forced to provide them financing. Commercialization of the acquired knowledge and technologies in scientific organizations will allow them to receive financial benefits from their activities.

Today, the role of universities and scientific organizations primarily in the innovation economy is reduced not only to educational activities, but also to the creation of scientific knowledge, new technologies and scientific developments that are the centers of innovation breakthroughs. The purpose of creating scientific discoveries and technologies is to introduce them into the real sector of the economy. As organizations need new technologies to preserve and acquire new competitive advantages, it is necessary to build close relationships with other companies and with universities (Aarikka-Stenroos, 2014). In order to profitably realize the development, it is necessary to understand who is experiencing the need for it and how to sell it to it. It is the model of commercialization that describes through which channels one can reach a buyer, how to present a new product or discovery, how to deal in the best way, and what resources are needed in the process.

It should be noted that the success of the commercialization of scientific breakthroughs directly depends on the chosen form of technology transfer. Also, the model used influences of how

indirect benefits, profits and risks will be distributed among the participants in the innovation process.

The chosen commercialization model of scientific technology plays an almost a vital role in the development of technological entrepreneurship.

In connection with the entry into force of the law on reforming the RAS system, the situation there has changed radically. Funding for the structures of the Russian Academy of Sciences has significantly decreased. Therefore, in the current conditions, the most effective way of obtaining funding for institutes is the commercialization of their scientific breakthroughs.

In this paper, mechanisms for interaction between participants in the process of commercialization of scientific discoveries for the Federal State Budget Scientific Institution "Federal Research Center of the Institute of Applied Physics of the Russian Academy of Sciences" have been developed.

## 2. Literature review

In order to study in detail the commercialization models used by the Institute of Applied Physics the Russian Academy of Sciences (IPF RAS) projects, it is necessary to determine what a technology transfer is.

There are several approaches to the definition of the concept of technological entrepreneurship:

- Creation of a new technological enterprise (Jones-Evans, 1995);
- Joint efforts to interpret ambiguous data, shared understanding to maintain technology designation and a constant, coordinated effort to achieve scientific and technological progress (Necoechea-Mondragon, 2013);
- A set of different actors, each involved in engaging with technology and, in the course of its activities, creates a contribution that leads to the transformation of evolving technological progress (Garud, 2003);
- Ways of employing resources by entrepreneurs to take advantage of the opportunities of emerging technologies (Liu et al., 2005).

Analyzing the existing definitions of technological entrepreneurship, we can conclude that it includes a number of characteristic features:

- Leadership of a small company, which is owned by inventors and scientists;
- Finding problems or applying a separate technology;
- Launching a new risky business, implementing a new application or using opportunities that rely on scientific and technical knowledge;
- Implementation of technological changes.

Over the past few years, scientific literature has seen an increased interest in technological entrepreneurship as an important global phenomenon. It allows ensuring a stable growth of the company, differentiation of products, as well as acquisition of important competitive advantages, not only at the level of a separate economic entity, but also at the level of the region and the country as a whole.

In this paper, the following definition was used: technology transfer is a rather multidimensional process that intentionally promotes the use of scientific breakthroughs and technologies. The transfer of scientific developments begins in the process of creating technologies and ends in the process of implementing scientific breakthroughs. This process involves several stakeholders and certain resources, and includes activities related to the transfer and implementation of new technologies (Aidis, 2008).

The most important aspect of the activity for a technology entrepreneur is the commercialization of technology. In this paper, models and forms of commercialization of scientific discoveries of technological projects will be studied; therefore, it is necessary to consider the conceptual apparatus of the "commercialization model".

The term "technology" is a fairly broad concept and, depending on the field of application, it has a different meaning.

For example, Webster in his work gives three definitions to the word "technology": 1) science or teaching about practical experience in the field of industry; 2) the term used in science in technical terminology; 3) applied science (Bozeman, 2000).

Speaking about the term "technology transfer", he also has a number of different interpretations. Rosesner gives the following definition: technology transfer is the movement of know-how, technical knowledge or technology from one organization to another (Bozeman, 2000).

At present, the role of universities and scientific organizations in the innovation economy boils down not only to educational activities, but also to the creation of scientific knowledge, new technologies and scientific breakthroughs that are the centers of innovation development. The purpose of creating scientific breakthroughs and technologies is their transfer to industry, introduction to the real sector of the economy. As companies need new technologies to retain and acquire new competitive advantages, it is necessary to build close relationships with other companies and with universities (Audretsch et al., 2012). In order to profitably implement the discovery, it is necessary to understand who needs it and how to sell it to this person or organization. It is the model of commercialization that describes through which channels one can reach a buyer, how to present a new product or development, how to deal in the best way, and what resources are needed in the process.

The payback and profitability of new products or services in the company largely depends on the chosen model of commercialization of scientific breakthroughs. Also, the model used influences how indirect benefits, profits and risks will be distributed among the participants in the innovation process.

The role of universities in this process is recognized as critically important, and therefore they seek to formalize the processes of commercialization of results of intellectual activity (RID) and technology transfer (Rolfo and Finardi, 2012). Transfer of technology can bring significant benefits to the organization in the form of revenues, established links with industry and increased economic development of the region and the country as a whole. For this purpose, universities and scientific organizations build internal processes for the commercialization of the results of intellectual activity by creating technology transfer centers, centers for evaluating commercial prospects (Gulbranson and Audretsch, 2008), whose responsibility is to build and apply various models of RID commercialization.

Bozeman proposes in his work a model describing some performance indicators, including various characteristics of the technology, the transfer agent and the recipient of the technology. The most important characteristics of this model is that there are a number of factors that affect the efficiency of technology transfer, such as market influence, political pressure, the impact of people involved in this process. Also, resources available for other purposes and for other scientific and technical objects have a significant impact on the efficiency of technology transfer.

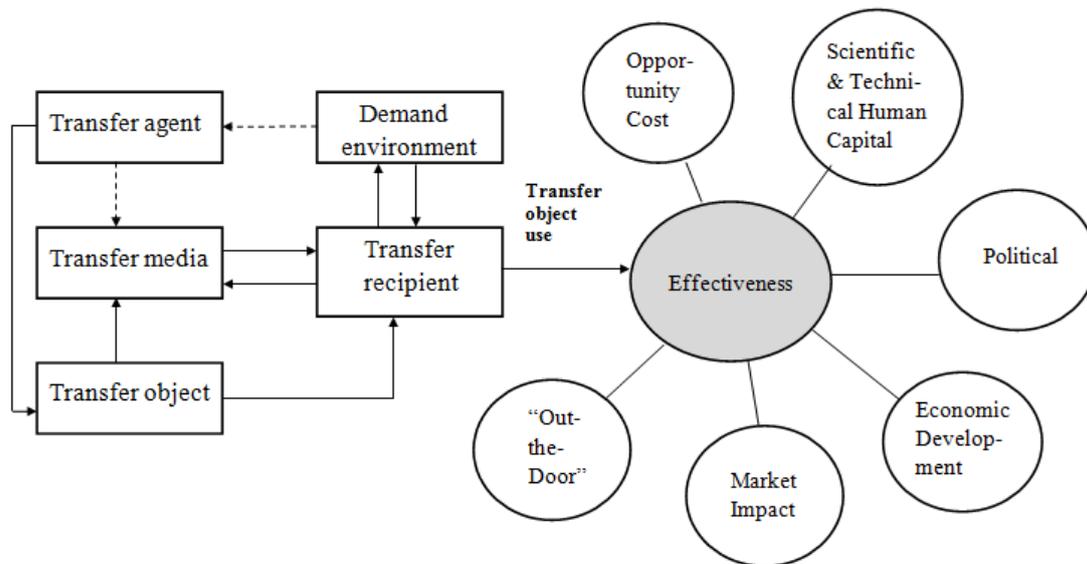


Fig. 1. A successful model of technology transfer (Bozeman, 2000)

**Transfer agent.** The author of this model implies an agent under the transfer agent, which has its own history, culture.

The technology carrier is open literature, patents, licenses, acquisitions, informal sources of information, personal communication, demonstration of goods on Internet sites, spin-offs of the company.

**Object of transfer.** Its tasks are to determine the technological niche of a new product, designate a mission, the sector of the economy, and the necessary resources. In addition, it is important to understand the geography of the application of the new product, as well as the political restrictions that may hinder the spread of a new product in the territory under consideration. Objects of transfer are: scientific knowledge, physical technologies, technological design, processes, know-how, skill.

Technologies can be used to use them as resources for other processes, in the form of production experience, market opportunities, distribution geography, product diversification or production, and as a business strategy.

In the thorough analysis of the existing models of commercialization, which are used in Russia and abroad, a scientific research was carried out. It was noted that at the moment there are 7 basic models of commercialization, which are the most successful. Each of these models has been discussed in detail, described as a graph and test format. They are (Audretsch, 2012; Bauer, 2010):

- Licensing;
- Creation of spin-off companies;
- Opening of joint university laboratories with industrial companies;
- Implementation of R & D at the request of an industrial company;
- Sale of all intellectual property;
- Creation of joint ventures;
- Strategic alliances.

Analyzing the use of models in Russia and abroad, it is worth noting that in most other countries the licensing model is most often used. One of the reasons for the frequent use of this model is the quality of scientific discoveries and their relevance to the market. From the literature review of abroad scientist, research organizations often fully sell their intellectual property, and begin to engage in research in another industry or make new developments in the current. In Russia,

the situation is reversed; the model of creation of spin-off companies is most often used. This trend is regulated by the requirements of the state to establish small innovative enterprises by universities and scientific organizations.

In addition, it is worthwhile to consider other models for the commercialization of scientific breakthroughs at the Institute, which are also used by many scientific organizations.

The list of models of commercialization of scientific developments considered above is not exhaustive. The work presented models that are applied both by scientific organizations and institutions, and by companies.

It is worth noting that there is no correct or universal innovation model of commercialization. The choice of this or that model depends on the situation in the scientific organization, and on the discovery itself. In general, many institutions use several models, but at different times and in different conditions, which, above all, depend on a changing market. The choice of a certain model of commercialization should be carried out consciously, weighing all the pros and cons, and regularly reviewed.

Researchers study these models from the point of view of efficiency and features of their application, paying attention to time costs, potential profit or benefit for the university, as well as the complexity of the commercialization procedure. Among the factors that influence the process of commercialization of intellectual activity, researchers identify the structure of funding, research activities, the legal environment in the university, the institutional environment; among the factors that increase the activity of commercialization, reward the employees of the university for their active participation in the process of commercialization of the results of intellectual activity, proximity to regions with a high concentration of high-tech companies, experience of the structures responsible for transfer of technology (Heinzl, 2008).

In order to compare the different models of commercialization of scientific breakthroughs of the scientific organizations, it is necessary to develop criteria for their evaluation. To do this, we turn once again to the notion of "technology commercialization". Commercialization is the process of developing and implementing a series of activities through which the results of research and development can be offered in the markets of goods and services for commercial purposes.

All models of commercialization of scientific breakthroughs of the University can be compared by the following criteria:

- Intellectual property rights;
- Readiness of development;
- Demand for scientific discovery or research;
- The magnitude of the financial impact of the commercialization of development.

Summing up a small result to the considered models of commercialization of scientific breakthroughs of the Institute, it is worth noting that in this process there are always two sides: the institute and the company. And it is very important to take into account the interests of both sides when choosing a model. Only in this case, such cooperation will be mutually beneficial and profitable.

### **3. Methodology**

A large number of technological enterprises are concentrated in the Nizhny Novgorod region, which were created during the last several decades. The region has a great scientific potential and quite good conditions for the development of innovative entrepreneurship, but there are a number of significant problems that sometimes hamper the activities of such companies.

Official statistics indicates a large number of technology projects, but only about 10% of them carry out their activities in the market. Institute of Applied Physics of the Russian Academy of

Sciences is one of the leading research organizations in the region, which creates technological projects. These projects show good results, including financial ones, to start a business, but there is no further development of the projects.

IAF RAS is one of the most powerful scientific organizations in the region. It conducts fundamental and applied research in the field of plasma physics, high power electronics, atmospheric physics, hydrophysics and quantum electronics.

Despite the absence of a system for the commercialization of scientific breakthroughs, several companies have been created around IAF RAS since 1990 on the basis of the intellectual property belonging to the Institute. Also IAF RAS successfully transfers its technologies.

At present, about 30 patents of the Russian Federation for inventions, 5 certificates for computer programs, 2 secretions of know-how are supported in the IPF RAS, as well as 6 foreign patents for inventions registered in China, South Africa, South Korea, Hong Kong, Japan, USA. But at the current time the institute does not have a system for the commercialization of its discoveries, which makes this process difficult and causes a number of difficulties. Despite the absence of a system for the commercialization of scientific breakthroughs, several companies have been created around IPF RAS since 1990 on the basis of the intellectual property belonging to the Institute. Also IAF RAS successfully transfers its technologies.

The Institute of Applied Physics of the Russian Academy of Sciences does not stop there. The Institute constantly develops new products or substances that will be commercialized in the future. Accordingly, the issue of commercialization of scientific developments in this institute is considered quite important.

The unit of analysis is one company from the IAF RAS. The selected companies are the most successful and have achieved great results during their existence. In this research, 3 companies were studied, they are: CST NPP «Gikom», NTK LLC «Meduza» and LLC «Center for Scientific and Technical Development».

The data was collected in 2016 from the Internet, the official company's sites, the company's internal documentation, and in this study interviews with the company's managers were conducted. The conversation with company representatives was recorded on the recorder, and written notes were taken during the interview. The total time of the interview was not more than 50 minutes. The guide for the interview was compiled on the basis of an analysis of information from foreign and Russian authors on existing models of the commercialization of scientific discoveries of the Institute, on the possible problems of this process.

For each company, information was obtained on the following parameters:

- a brief description of the company;
- available intellectual property;
- commercialization model;
- participation of the developer in commercialization;
- Achievement of the project.

Such data allow us to draw conclusions about what prevents the commercialization of scientific developments in companies, as well as to offer a new model of commercialization.

Speaking about the model of commercialization of scientific breakthroughs of the companies examined, it should be noted that all of them currently maintain close ties with the institute. The 1990s were a difficult period, including for small innovative enterprises. There was no official transfer of technology, so all companies protected their intellectual property in a know-how mode. Since the beginning of the 2000s, the country's leadership has increasingly started talking about innovations and scientific developments, and legislative acts have begun to appear that officially consolidate and protect the transfer of technology. LLC "Center for

Scientific and Technical Development" has already been established for 217 Federal law with the participation of the Institute, which also consolidated its status.

The basic principle that must be observed when developing recommendations for the successful commercialization of discoveries in the IAF RAS is to observe the interests of all parties involved in this process.

None of the above models of commercialization of scientific breakthroughs in a scientific organization is found in its pure form, which is due to the market and the economic situation. In this case, it is necessary to carry out a complex work both inside the research organization for the training of researchers, and work with spin-off companies, helping them to develop independently.

#### **4. Results**

In the course of the analysis of the activities of the three companies that come from the IAF RAS, it is worth noting that all have similar difficulties, such as a lack of qualified personnel, knowledge lack and experience in doing business at the time of the company's creation, lack of demand for innovative products in the country or from the industry, and also that companies do not know in which direction they should develop further, improve their products or come up with new ones, enter new markets, or look for new niches in Russia.

In order to prepare scientists more carefully to create their own business using the created intellectual property, it is necessary to develop a system of training future entrepreneurs within the institute. The most effective way is to break the whole process into 3 stages: training, preparation for commercialization and the creation of SME. Let's consider each stage separately.

1. Training. This stage involves familiarizing students and employees with the entrepreneurial sphere, with business.

2. Preparing for commercialization. At this stage, young researchers need to listen to a number of courses on the notion of intellectual property, models of its commercialization, the forms of technology transfer abroad, legal and financial aspects of the commercialization of scientific development.

3. Creation of small and medium-sized enterprises (SME). This stage involves the registration of the spin-off of the company, escort on issues related to the activities of SME. Undoubtedly, there should be organizational structures responsible for these stages and accompanying scientific personnel in this process.

The initial stage of training should be carried out under the leadership of the sector of innovative programs directly, which exists at the Institute of Applied Physics of the Russian Academy of Sciences today. The main tasks of this structural unit are to ensure mutually beneficial cooperation with laboratories and departments of universities of the Nizhny Novgorod region, which are associated with new technologies and discoveries. This is necessary in order to conduct courses of introduction to the specialty for real university students on the basis of them, in order to show young people the possibility of a scientific career and further prospects.

If we talk about the stage of preparing the scientific breakthrough for commercialization, then the presence of the Sector-Innovative Programs of the IAF RAS is important, and it is also advisable to create an Association of spin-off companies whose members would share their personal experience with young scientists in the issues of technology commercialization.

The objectives of the structure of the institute are the initial evaluation of technology, their selection, recommendations for finalization, advice on the legal design of intellectual property, market research of the market and consumers of this technology.

The Association of spin-off companies is the association of several of the most successful spin-off companies that are ready to share a recipe for success with the younger generation and give practical recommendations at the stage of creating and developing a technology business. They can act as coaches or mentors. The creation of such a structure is extremely important, because when about technological entrepreneurs write in books - this is one thing, and when you can personally get to know them and ask all the questions or get professional advice, this gives more confidence to young scientists in their abilities.

The main objectives of such an association should be the following:

- Advising and assisting young scientists in the commercialization of their developments;
- Act as partners in the most promising technological projects;
- To develop the market of technological entrepreneurship in the region.

The last stage is the creation of a small innovative enterprise. An important role is played by external partners, such as HSE, Business Incubator, Technopark Ankudinovka and others. Here, the creation of a business incubator based on the IAF RAS together with the Higher School of Economics - Nizhny Novgorod would be most appropriate. Such an association will allow the preparation of projects only by the IAF RAS for commercialization proceeding from the peculiarities of the technologies of this institute. At this stage, they act as consultants, mentors, assist in organizing meetings with investors, train young scientists for high-level talks, and provide assistance as a technology broker. Such assistance is extremely important for MIPs, because Leaving the university walls, they fall into a tough competitive market, where it is difficult to survive, especially a young start-up company. Such structures help the company spin-off to enter the market, advise how to act in different situations and give clues.

The most effective way will be to develop a new model of commercialization, which would include the creation of spin-off companies from the institute and the creation of joint ventures. It suggests that the institute will develop a new technology or product within the laboratory or department. Further, the institute together with another company (commercial or other scientific institute) creates a separate enterprise in which employees of both sides will work. The Institute invests in the authorized capital of intellectual property and equipment (if any), and another company - finances, and provides the young company with human resources for conducting activities. As a result of this interaction, the newly established enterprise has all the necessary resources for a successful start of its business.

With the implementation of this model, the institute's employees would have the opportunity to earn additional income and realize their knowledge in a separate company in a time free from their main work, which would be an additional motivation for continuing to engage in scientific activity.

Speaking about the interests of a third-party partner company, it is also an additional income for its employees, as well as additional earnings for the company itself as a result of the successful promotion of a new product or technology to the market.

To make this model work well enough and make a profit, the Institute of IAF RAS needs to make some changes. First of all, it is necessary to create a structure inside the institute that would be engaged in the commercialization of scientific breakthroughs, the search for partners, choosing the most successful way of implementing new products or technology. An example of such a structure is the Center for Technology Transfer of the IAF RAS. In addition, you need to think in more detail about the interaction with partners who will invest in the creation of a new enterprise, how many will invest in the creation of a new enterprise, who will make important decisions, who will have the final say, how the intellectual property will be formalized and who it will belong to and many other nuances, which will arise in the process of interaction with each other. All this information is described in more details in the

concept of creating the Center for Technology Transfer of the IAF RAS, which is presented in the next section of this chapter.

No less important is the development of a program involving employees in the process of creating an innovative product and its subsequent commercialization in conjunction with another company. Here it is necessary to differentiate the functional duties of employees in the work at the institute and also evolve a program for motivating specialists.

In the process of implementing any model of commercialization of scientific discoveries of the institute, it is worth remembering that this process will be successful if the interests of all involved parties are taken into account. Only in this case, each company will be satisfied with the whole process of commercialization.

As a result of this study the commercialization model of scientific research IAF RAS has been developed, which will not only commercialize existing and future breakthroughs of the Institute, as well as elaborate these developments as a part of the new company. To implement the developed commercialization model it was asked to create a separate structural unit within the Institute of Applied Physics Academy of Sciences - the Center for Technology Transfer, for which the work has been spelled out the concept of creation, as well as an action plan for 2016-2018.

The results can be used for further research models commercialization of scientific research technological entrepreneurship projects in other regions.

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## **Profile Evolution Analysis of the Persons with a Healthy Lifestyle**

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### **Abstract**

The article aims to capture the profile evolution of the persons with a healthy lifestyle. The research was done with the aid of SNA Focus. The research is based on data gathered by BRAT between November 2015 and November 2016. The questionnaire was completed by 10,240 urban people aged 14-74. In order to have comparable data between the two years we have reduced the access to research data by 2008. The study's main subjects are the persons that chose to live a healthy lifestyle, consuming rather fruits and vegetables, seeking to buy grocery without additives and doing sports. From the point of view of opinions and attitudes, in these 9 years the profile of those who lead a healthy lifestyle has not changed significantly. From the point of view of nutrition, there are those who consume less calories, rather vegetarians and those who avoid food with fat. Yet the main conclusion is that this segment of population has increased during the analysed period. This kind of description analysis is needed for proper development of organic and healthy products market - local and direct distribution systems for all kinds of producers and distributors.

**Keywords:** marketing research, consumer behaviour, healthy lifestyle, profile evolution.

**JEL classification:** M31

### **1. Introduction**

The link between life quality and nutrition is intensely studied for many years. (Petrini and Watson 2001). With the industrialization of food production and the removal of production factors from the place of consumption, a new eating and eating behaviour has emerged. (Roberts and Wortzel 1979), (Fonte 2002). Developed countries were the first place where moves to return to organic production have taken place. (Murdoch and Miele 1999). New standards of production have been imposed with the adoption of the principles of increasing the quality of life. (Kilbourne et al 1997), (Gracia and Albisu 2001). Romania is a state that has recently moved from planned mass production to capitalist production. Over this transition has overlapped the transition to an ecological production. This makes the purchase behavior to be a unique one. (Gurau and Ranchhod 2005), (Lubieniechi 2002).

## 2. Methodology research

Consumption and lifestyle research is done with the SNA FOCUS study. In 2003, BRAT decided to develop a Consumer Survey based on research already established by SNA. SNA FOCUS was launched in October 2005 and the first results were delivered in October 2006, replacing TGI ® (former consumer and lifestyle survey) conducted in Romania by Mercury Research. The research objectives achieved by SNA Focus are:

- Getting full information about media penetration, purchasing and consumption behaviour for products and services, and socio-cultural behaviour.
- Media consumption behaviour is being analysed: print, radio, TV, internet, cinema and outdoor adverts.

SNA-FOCUS thus shapes the complex media consumer profile into a single consolidated resource with two components: one to measure readers, and another to measure product and service consumption as well as lifestyle.

Our focus is on the last component, because this kind of description analysis is needed for proper development of organic and healthy products/services market – knowing who your consumer is and how it looks from behavioural point of view is the key to success.

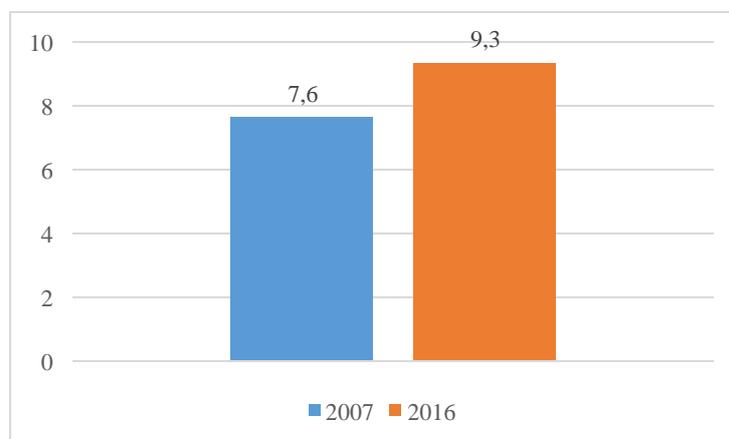
- The purpose of the research is to see how the marketplace of people claiming to lead a healthy lifestyle is segmented. And if a dynamic analysis can be made to see how this market has changed in recent years.
- That's why we chose the main questions that come to this topic from the database, namely: 11 Likert type statements from food mode, 2 of the beverage area and 4 of the leisure area. These are:
  1. AI03. Vegetables and fruits are dominant in my diet.
  2. AI05. I often have restrictions on the consumption of sweets.
  3. AI06. I'm used to eating dishes / fast food.
  4. AI08. My food is vegetarian.
  5. AI10. They usually consume fewer calories.
  6. AI13. I'm looking to consume products without Es.
  7. AI14. It often happens that I do not have lunch.

8. AI22. It's a fad to eat only food.
9. AI23. Mute or eat sweets instead of a meal during the day.
10. B01. Acid drinks are detrimental to health.
11. B09. I prefer to drink low-alcohol drinks than hard drinks.
12. Timp01. For me it is very important to practice a sport.
13. Timp04. I prefer to go for walks than to stay in the house.
14. Timp13. I'm trying to make time for outdoor walks.
15. Timp14. At sea I go more to have the opportunity to swim, to move.

### 3. Results

The research is based on data gathered by BRAT between November 2015 and November 2016, this being the most recent basis on which to work when writing this book. The questionnaire responded to 10,240 people in urban areas aged 14-74 years, the results could be extended to 7,825,000 Romanians. In order to have comparable data between the two years, we reduced research at the level of access to data from 2008, 14-64 years, effectively removing people aged over 64 years.

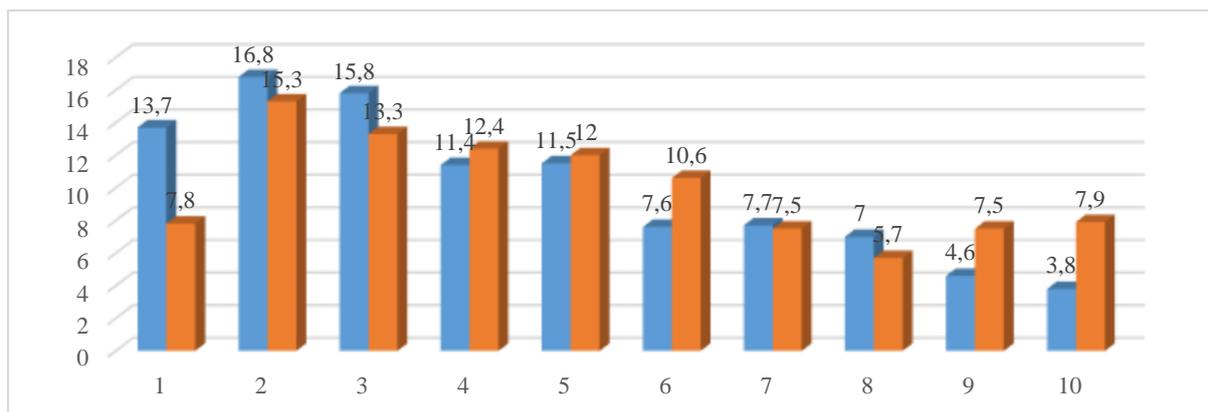
The first aspect that stands out is that over the period of 9 years, between the 2007-2016 surveys, the segment of the population that has gone to a healthier lifestyle is growing by over 20%. Thus we can see an increase from 7.6% of the total population to 9.3% of the total. This is very important for new products that address this market segment.



*Fig. 1 Evolution of Healthy Lifestyle Segment 2007-2016*

From the age point of view, however, we find aspects that are not very satisfying for the future of this segment. We see a decrease in the first three age groups 14-18, 19-24 and 25-29 compared to the 2007 comparative year. More worrying is that for the segment 14-18 the segment population almost halved. Trends are contradictory, one of the possible explanations would be the reduction in the size of the generation due to the negative population growth of this period, but also a change in affinity indexes, which makes it somewhat difficult to analyze. Thus, in the 19-24 years category this index decreased although for 14-18 and 25-29 it increased.

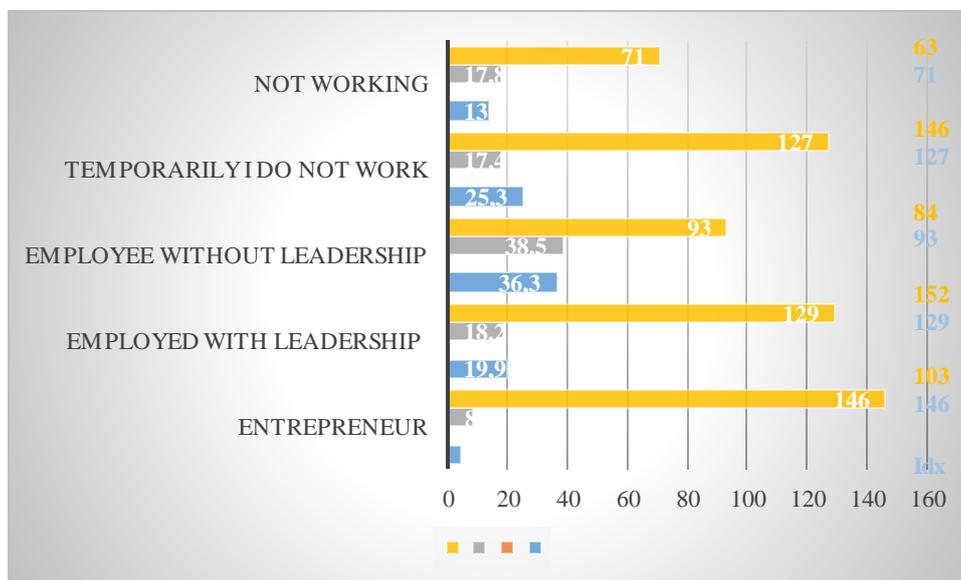
In contrast, for the most active segments in shopping for 30-45 years, there is a slight increase in the segment.



*Fig. 2 Comparison on age groups 2007-2016 healthy lifestyle segment*

Small changes have taken place from other perspectives even though married people represent the largest segment 43.5% affinity index shows that it is not these who develop the tendency for a healthier life but unmarried and those who are in relationships of affinity, having an affinity index greater than 120. From the perspective of the number of years with the partner one can see a higher share in those who have the same partner of 5 -15 years as well as those who are at the beginning of the relationship. A change is also from the perspective of education. The highest segment was represented by those with secondary and higher education (high school, post-secondary school, college, university), increasing from 68.8% in 2007 to 7.6% in

2016. And among the population that continues studies show an emphasis on care for healthy life, students and postgraduate students with affinity indexes above 140 or 160. We see changes from the perspective of occupation. In these years, we see an increase in the segment of private entrepreneurs, which also has the best affinity index, although the largest group continues to be non-managerial employees. As an affinity index, we can see that a strong trend is registered among employees with senior management positions and higher education as well as those who temporarily do not work, many of whom are also found here.



*Fig. 3 Occupational comparison 2007-2016 healthy lifestyle segment*

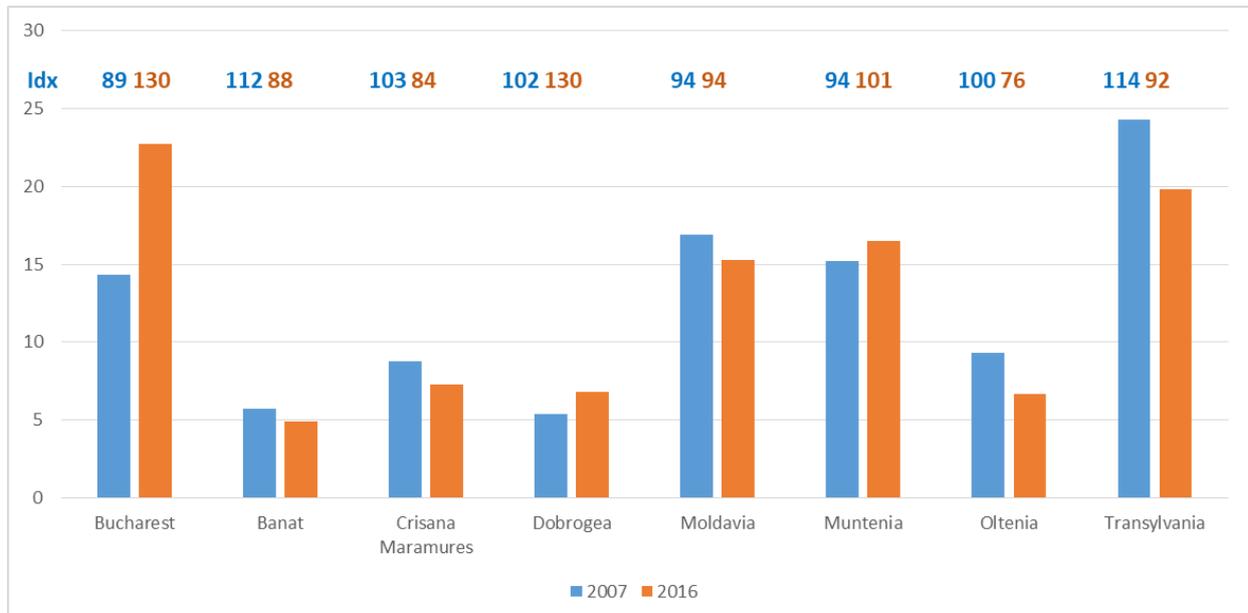
And from the point of view of the fields of activity, interesting transformations took place. We observe that the field of marketing remains with the highest affinity index, and even increased by 7% between the two comparative years. The areas with the highest affinities are, besides marketing / advertising and market research, those of business and legal advice. The highest decrease in affinity is observed in the tourism sector, where the share of those with this occupation decreased from 0.8% in 2007 to 0.2% in 2016 and the affinity collapsed 3 times, from a level of 182 at a level of 68. It is worth mentioning that the areas with the highest affinity (over 120) bring under 15% of the number of consumers, while the first three areas, together bringing together almost 40% of the number of employees, have all affinities under 100.

| Domain                                 | % total 2016 | % total professions 2016 | Idx 2007 | Idx 2016 | Index evolution |
|--|--------------|--------------------------|----------|----------|-----------------|
| Marketing/Advertising/Market research  | 1.30%        | 2.1%                     | 233      | 250      | 1.07            |
| Business Consultancy                   | 0.50%        | 0.8%                     | 170      | 171      | 1.01            |
| Low                                    | 1%           | 1.6%                     | 128      | 146      | 1.14            |
| Army/Police/other security services    | 3%           | 4.9%                     | 144      | 138      | 0.96            |
| Culture/Sports/Entertainment           | 0.60%        | 1.0%                     | 163      | 131      | 0.80            |
| Computers/IT/Internet                  | 1.80%        | 3.0%                     | 160      | 128      | 0.80            |
| Finance/Banks/Insurance/Accountancy    | 3.50%        | 5.8%                     | 180      | 127      | 0.71            |
| Public Administration                  | 2.40%        | 3.9%                     | 143      | 125      | 0.87            |
| Education/Research                     | 4.30%        | 7.1%                     | 141      | 117      | 0.83            |
| Health/Social Assistance               | 4.10%        | 6.7%                     | 99       | 112      | 1.13            |
| Communications/Telecommunications/Post | 0.80%        | 1.3%                     | 104      | 106      | 1.02            |
| Other                                  | 4.30%        | 7.1%                     | 104      | 101      | 0.97            |
| Mass Media/Press                       | 0.30%        | 0.5%                     | 82       | 99       | 1.21            |
| Services                               | 6.70%        | 11.0%                    | 88       | 97       | 1.10            |
| Commerce                               | 7.80%        | 12.8%                    | 110      | 95       | 0.86            |
| Transports                             | 3.20%        | 5.3%                     | 100      | 91       | 0.91            |
| Agriculture/ Forestry / Fisheries      | 1.20%        | 2.0%                     | 84       | 88       | 1.05            |

|                                   |               |                |            |           |             |
|-----------------------------------|---------------|----------------|------------|-----------|-------------|
| <b>Constructions/Architecture</b> | <b>3.80%</b>  | <b>6.3%</b>    | <b>72</b>  | <b>81</b> | <b>1.13</b> |
| <b>Industrial Sector</b>          | <b>9.70%</b>  | <b>16.0%</b>   | <b>86</b>  | <b>79</b> | <b>0.92</b> |
| <b>Real Estate Business</b>       | <b>0.30%</b>  | <b>0.5%</b>    | <b>53</b>  | <b>78</b> | <b>1.47</b> |
| <b>Tourism</b>                    | <b>0.20%</b>  | <b>0.3%</b>    | <b>182</b> | <b>68</b> | <b>0.37</b> |
| <b>Total</b>                      | <b>60.80%</b> | <b>100.00%</b> |            |           |             |

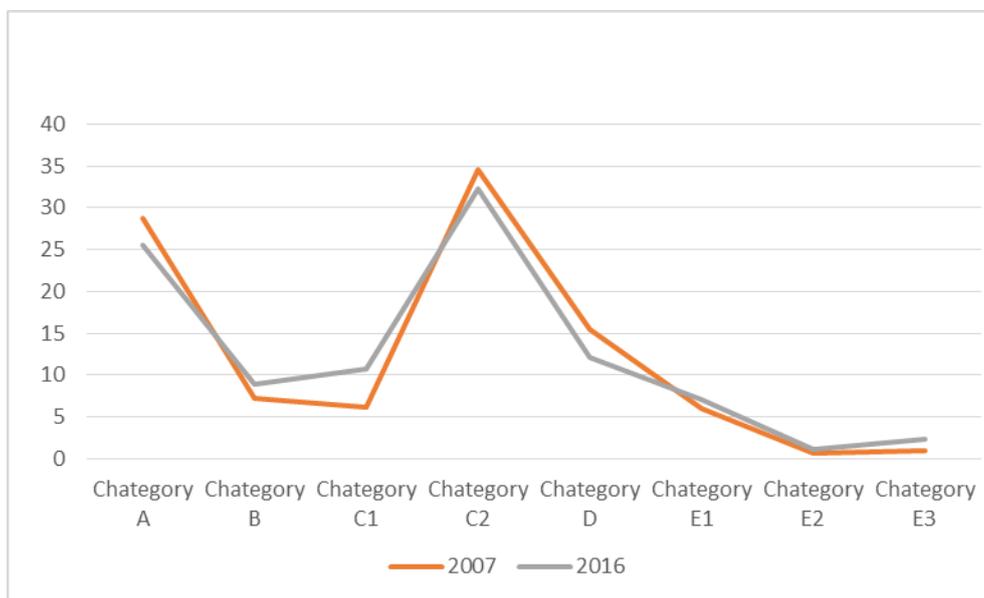
*Table 1 Data Comparison for the Healthy Lifestyle Segment 2007-2016*

From the point of view of the historical regions we notice during this period an important increase of the affinity of Bucharest, at this moment being the area with the highest number of people who have gone to a healthy beef style. The second largest market is the Transylvanian market, this is no wonder, the two areas being the most developed regions of the country. Within the important regions for healthy lifestyle, we can consider Dobrogea and Muntenia because of their higher affinity.



*Fig. 4 Weight ratio and affinity index on regions 2007-2016 healthy lifestyle segment*

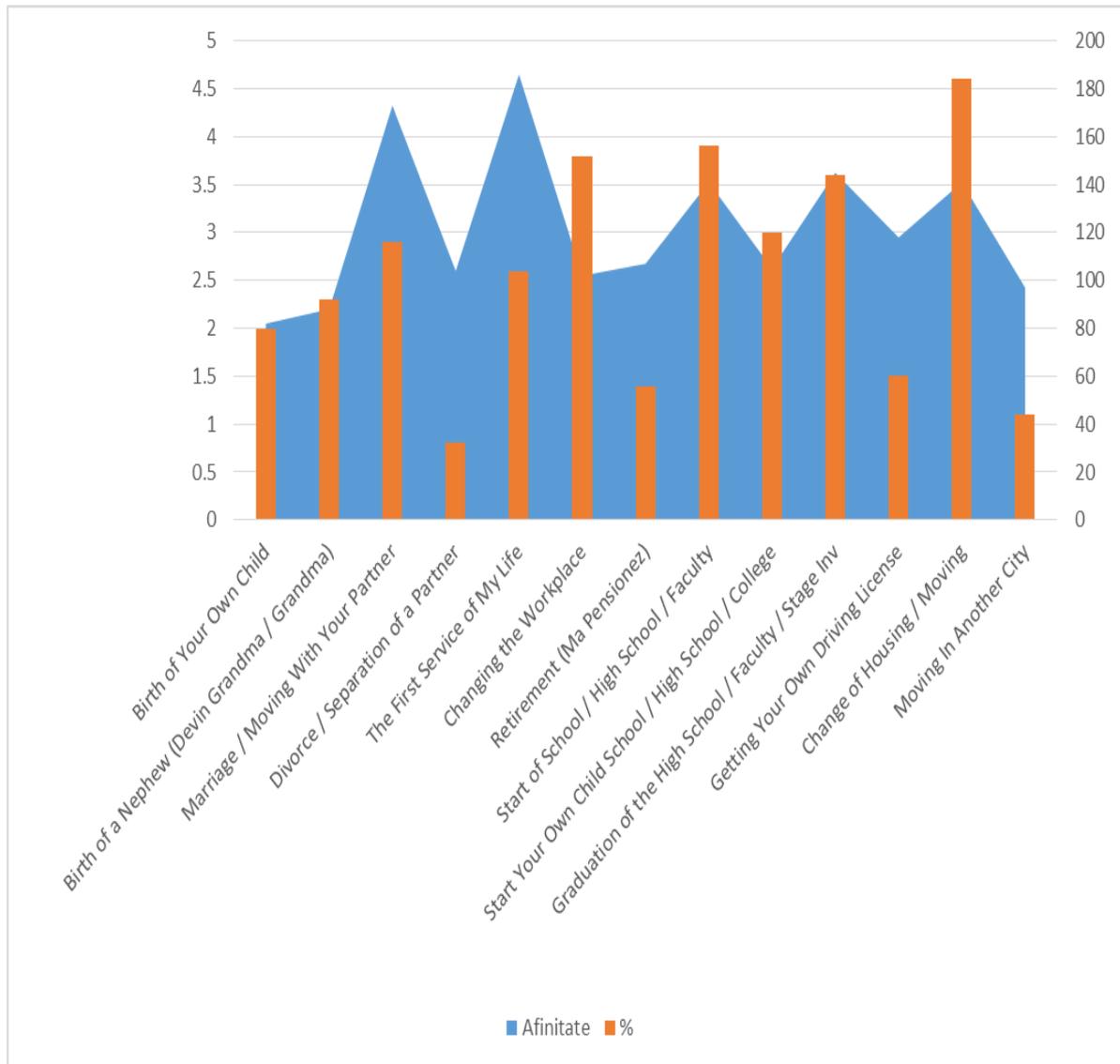
From the point of view of ESOMAR social categories, the data did not change substantially during the analyzed period, category A and B remain with the highest affinities for a healthy lifestyle probably due to both education and financial possibilities, however the highest share it is provided by those with medium studies who do not have management positions and generally have office work (C2).



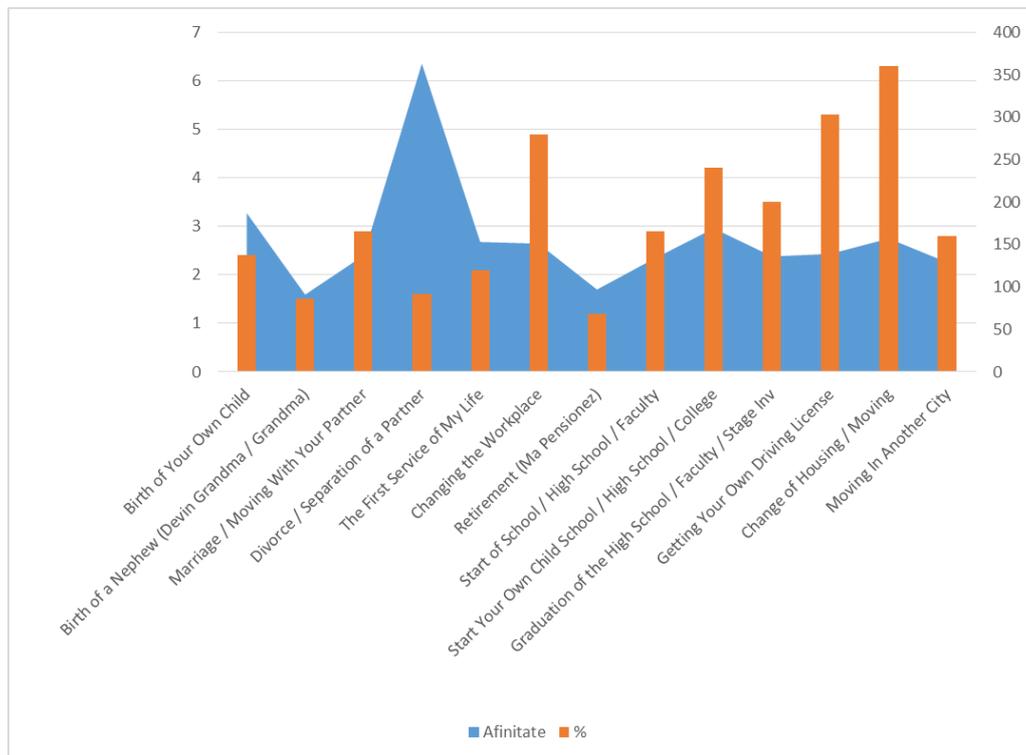
**Fig. 5 Weight Comparison Categories ESOMAR 2007-2016 Healthy Lifestyle Segment**

As far as the major events of life are concerned, we can say that there are some interesting correlations. If the first child is born, there is an increase in affinity, but after birth the affinity decreases by more than 100 points. The thing is self-evident, the care for you, what handcuffs is very important in the last months of pregnancy, but in the first months after birth you do not have time for sports and all the attention is directed to the child and not to your own style of life. Instead, when a grandson appears, the changes are not so dramatic. Changes in life that raise awareness of a healthy lifestyle are: Marriage / move with partner, first service, start or graduate high school, get driving license, change home. All these actions are rather made at the

age of youth and the great changes, hence perhaps association with age rather than with the situation itself. With all these possible explanations that the birth of the first child can be identified for each situation in the part, knowing new people when entering a new school, job, family, city, we take more care of our style life. Preparing for retirement and when you become a grandparent, associated with third age, have a lower degree of affinity.



**Fig. 6 Major life events in the last 12 months**



**Fig. 7 Weight and affinity index on major life events over the next 12 months**

From the point of view of opinions and attitudes, in these nine years, the profile of those who lead a healthy lifestyle has not changed significantly, from the point of view of food are those who consume less calories, rather vegetarian and those who avoid food with fat. They disagree with the idea that it is a fad to hand over only natural products. Consume moderate alcohol, prefer a glass of wine to the table, do not have life-style people who consume more beers a row and are not so big coffee drinkers. They are people oriented towards the future, they work hard to win a position in society, give up many, sometimes sacrifice from their family time to build a career, look for new challenges all the time, are optimistic about what the future holds, of people who lead not to be led, and are not oriented towards the past, the lowest affinity is recorded with the assertion that whatever would have been better before. The car is part of their lives, although it considers it an important source of pollution, studying long before buying it and considering the car to look good and reflect the social status. Also from the clothing point

of view, they are careful about how they dress and try to always match the jewelry (women's) jewelery and say they spend a lot on their clothes. I'm in step with the technology trends, buy gadgets, latest models and any life-saving device, not considering the new devices have too many facilities. They have the latest mobile phone models and are restless if they do not have them when they leave the acesa, House and children are important to them so they spend a lot on these things, trying to keep up with time and always looking for new ideas. They are also people who care for animals and buy the best products for their own animals. They like to shop, do not look at money when they want something, they are informed buyers, and do not consider the price, an important criterion in choosing products. Consider quality as an important feature and are open to new products, I use services that help them gain time for example banking services, considering the bank something that helps them in what they want to do. They take care of their own health, they get used to routine checks, and they are interested in non-food organic goods such as organic cosmetics. He does not consider the TV as the main means of entertainment; moreover, he prefers to watch a movie at the cinema rather than on television. They are complex media consumers, take part in newspaper contests, listen to the radio when they go by car and get a lot of information from the internet. They are active, they often go on small trips, take risks, they like to live dangerously, they always go to other places, and they like to discover new countries.

#### **4. Conclusions**

In conclusion, we can say that during the analyzed period, the consumer segment increased the expected amount of the economic and social development of the country during this period. But this growth is not found in all consumer segments. We notice a worrying decline in the seasons 14-29 years, the most exposed segemte of unhealthy lifestyle. Instead, there is an increase in all segments between 30 and 64 years. The capital is the one leading this development of the segment followed by Muntenia region, unfortunately in the rest of the regions there is a slight regress.

Employees or entrepreneurs with higher education and office work form the main thrust, observing a greater adherence to the principles of a healthy life and in categories A and C Esomar.

However, important moments in life: a child's birth, wedding or even divorce are key moments in the decision to move to a healthy lifestyle.

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## The Moderating Factors of Click on Intrusive Online Advertising

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### Abstract

The advent of new media such as Internet, has allowed the advertising communication a new boom. Now integrated into the communication strategy, online advertising is not only means of budgetary savings but also an essential tool for the brand and sales development. In the context of intrusive advertising on websites, the major objective of this study is to shed light on most important variables that influence the click behavior among Internet users and identify the consequences on the brand and the company for a greater understanding and perception of this advertising message. The methodology of the study is carried out in the form of experimentation of a population of 960 people exposed to 34 combinations of different forms of intrusive advertisements. This study is being experimented no results can be exposed. The implications are set out at the end of this article.

**Keywords:** online advertising, web-site object, behavior, click, intrusion, comprehension, characteristics of online advertising, perception.

**JEL classification:** M31

### 1. Introduction: History and Stakes

Wanting to retrace the history of online advertising, this one was recently born in 1994 in the United States with the first banner published on the site HotWired.com for the launch of the advertising campaign AT & T realized by the agency Modem Media.

The dizzying development of programming, especially the Java language, made it possible, in 1995, for the first time to appear on major search engines such as Yahoo (1996) and Google (1998). And it is therefore, only two years after the United States, that the French canvas launches the first online advertisement (1996).

The continued development of new information and communication technologies such as Flash Software by Macromedia and Realplayer G2 (1997), Quicktime 0.4 by Apple and Media player 6 by Microsoft (1999) have enabled the renewal of online advertising and birth of new types of online advertising such as interstitials (1997) and banner ads (1999). The growth of the online advertising industry and its influence on the economy in general and the management of the company in particular, brought together the professionals of the field for the optimization of this practice by the creation of IAB Usa in 1996 and the Advertising Bureau in 1996 in France. Indeed, the attention of the latter quickly turned to a crucial debate which is the effectiveness of it and have created tools to measure the effectiveness of advertising companions on the Internet and the return on investment. As a result, in 1999, AdNetTrack was the first service to identify, and list the banners on the website according to the CECODIP nomenclature.

In 2000, advertising on mobile phones made its first appearance in Finland and created a real enthusiasm among advertisers. In parallel, other forms of online advertising continue to develop and marked the creation of Pop-ups and Flash Rectangles. In constant evolution, online advertisement has allowed to integrate interactive content including sound and video, in support of text and image. Indeed, in 2001 the great automaker BMW, used the so-called Rich Media technology to promote its website "Blues". The various advertising formats mentioned above, and others such as the Skyscrapers, were the subject of a standard and official definition by the American IAB in 2002. Finally, in 2006, a real revolution in online advertising

was led by the young Startup specialized in multimedia who is named IDSide through the use of hypertext technology and which allows to click on the advertising content.

From the first decade of the launch of Internet advertising, static data have confirmed the success of this new medium and position it as the main competitor of classical media. Indeed, according to a study carried out by Médiamétrie (2007), 66% of Internet users are e-buyers. On the other hand, social media have taken part in this success by allowing online advertising an unprecedented platform to interact with web users. One of the best known examples of this success is the "Gorilla" companion launched by Cadbury Schweppes and seen 6 million times on community video sites. Since 2008, Google has positioned itself as the leader in online advertising by partnering with Yahoo and thus discarding Microsoft's takeover offers.

Putting online advertising at the center of marketing managers' concerns, online Medias have advanced traditional Medias. According to Interactive Advertising Bureau (IAB), spending in 2012, online advertising has reached \$ 36 trillion, an increase of 15% over the previous year. This trend was underlined in Canada (about 16% in 2011) and more than 15% the same year in Europe. The migration of advertisers to the Internet is probably the result of the efficiency of the Internet reaching a maximum audience (Journal of Advertising Research, 2013). However, the effectiveness of online advertising has been the subject of controversial debates (Machanda, Dupé, Goh, and Chintagunta, 2006). In the current context, where the web is full of intrusive advertisements that incite more and more resistant to Internet users, marketing managers are faced with the challenge of developing other advertising strategies to gain audience and retain customers.

## **2. Context and positioning of research**

At a time when research is focusing on the effectiveness of online advertising in general and on intrusive advertising in particular, the question of how advertisers can improve this negative image among Internet users remains relatively unanswered. There is some exploratory research on intrusive advertising, which does not provide real answers to managers about effective practices in this subject.

This study is positioned in relation to intrusive advertising on websites and focuses on the case of interstitial advertising. Considering it the most disturbing and annoying form, the interstitials are classified among the more intrusive advertisements ahead of the pop-ups (Chouk, and Guiot, 2013). This format can negatively influence the image of the brand and that of the site hosting the advertisement. The importance of this study is to take an extensive view of the factors influencing the click on this form of advertising and the consequences on the brand and the firm.

In this sense, the experimentation of our sample will shed light on several questions that are still ambiguous. First, we will first try to understand what intrusive advertising is and what are the forms of resistance? In a second step, we will identify the variables that can influence the user's behavior and finally provide the answers essential for a better practice of intrusive advertising.

## **3. Definition of intrusive advertising**

In order to define intrusive advertising, it is necessary to observe this phenomenon deliberately on the web. Unlike traditional media where the consumer is accustomed to advertising interruptions such as television, for example, intrusive advertising is totally unpredictable and invades the screen until interrupting the user's activity. At this time, this new advertising format is opposed to the cognitive process of the individual.

In this sense, a definition has been proposed by Li, Edwards and Lee (2002), which defines intrusive advertising as a psychological reaction to those that interfere with the consumer's

current cognitive process" (p.39). Xia and Sudharshan (2006) add that intrusive advertisements are designed to gain attention, and are pushed towards the audience that is intended for them. Despite the development of technologies, and the targeting tools for a better visibility of advertisements on the Internet, the rate of click on them remains very low. In 2013, a study was conducted on consumer opinion regarding online advertising as part of targeted audience. Choicestream (2013), announces that 60% of Internet users ignore these advertisements and only 2.5% click on them and convert their click into purchase. In order to better understand this avoidance phenomenon, it is useful to define intrusive web advertising formats (see Table 1).

| <i>Advertising format</i> | <i>Level of intrusiveness</i> | <i>Characteristics</i>   | <i>Rate of click</i> |
|---------------------------|-------------------------------|--|----------------------|
| <i>Pop-Up / Under-pop</i> | <i>Middle</i>                 | <i>Windows of variable dimensions that appear above (pop-up) or below (pop-under) of the active web page. They have been developed to compensate for the very low click-through rates of classic banners</i> | <i>0.5 to 5%</i>     |
| <i>Flash transparent</i>  | <i>High</i>                   | <i>This is an animation created on a transparent layer that allows you to see the rest of the page. The duration of the animation should be short so as not to interfere with navigation</i>                 | <i>0.5%</i>          |
| <i>Interstitial</i>       | <i>Low</i>                    | <i>The interstitial is a format that loads itself before the home page of a site (interstitial pre-home) or intercalates between two pages of the same site (interstitial session)</i>                       | <i>0.1% to 0.3%</i>  |

**Table 1. Different formats of intrusive online advertising**

Source: Chouk & Guiot, 2013

Advertising agents were confronted with several forms of resistance on the part of Internet users. Effectively, there are in practice software that can block all forms of online advertising (IAB France, 2012). At the same time, the least vigilant Internet users limit themselves to the physical resistance of pop-ups, for example by closing the window or ignoring them. In a qualitative study, Chouk and Guiot (2013) have identified four forms of resistance, including functional resistance, ideological resistance, conative avoidance, and nonresistance. In another study, the researchers add that advertisements on information sites are perceived even more intrusive (W. Zha and H.D. Wu, 2014). At this level of reflection, does the nature of the sites that host advertisements such as pop-ups and interstitials influence the perception of intrusiveness?

#### **4. The moderating variables of the click**

The review of the online advertising literature revealed an important set of variables influencing the effectiveness of online advertising. To better understand these theoretical

contributions, it was useful to categorize these variables according to the level of influence in the pattern of exposure to intrusive advertising.

#### **4.1. Characteristics of advertising (moderating variables)**

Research on online advertising has focused primarily on the effectiveness of banners as the most successful model in the web. Indeed, A. Kameya and K. Zmija (2002) only bring animation as a revolution in advertising by integrating flash technology, as well as the size of advertising (large or small). And the position of advertising on the website have a considerable impact on the recognition, and recall of the brand. In parallel, Macias (2003); Wang, Zhang, Choi, and Eredita (2002) suggest that the level of interactivity of advertising influences positively the understanding and persuasion of the advertising message. In the same sense, Lohtia and Donthu, Edmund, and Hershber (2003); Huang, Su, Zhou, and Liu (2012) add that the content of advertising (cognitive or emotional) and the elements of design (video, color, and animation) have an attitudinal influence.

A recent extensive study on the characteristics of online banners, conducted by Flores, Che and Ross (2014), notes that the format of advertising, form, and language are the variables Moderators of the effectiveness of online advertising. The latter, specify the format of advertising a major impact on the attitude towards advertising and brand. On the other hand, a series of research studies have focused on banners efficiency that take into account click, print and conversion as measurement tools. Indeed, Kuneinen (2012) studied the significant effect of the format and size of advertising on click or (CTR) Click Through Rates and conversion from click to buy (TCR).

#### **4.2. Individual characteristics (moderating variables)**

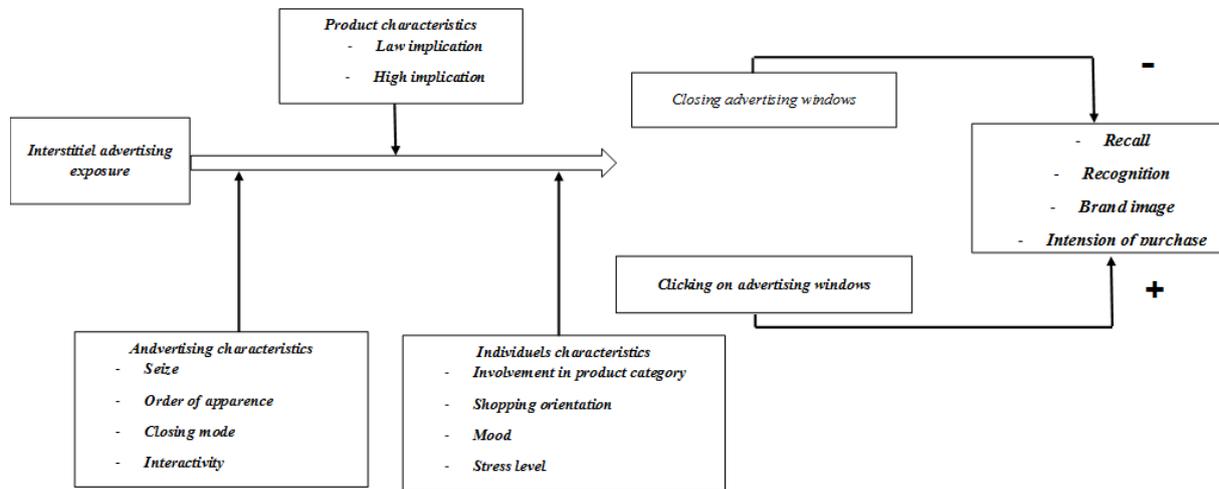
Research in advertising in general and online especially holds their evolution from the Integrated Advertising Model (IAM) and the model of understanding and persuasion (S.Rodgers and E.Thorson, 2000). Indeed, Rodgers and Thorson (2000), Wang, Zhang, Choi and Deredita (2002), Zorn, Olaru, Veheim, Zhao and Murphie (2012) studied the motivational variables in online research and the impact of the advertising format on its behavior. Sicilia and Ruiz (2007) and Macias (2003) argue that the current, identified as a form of interaction between the individual and the website hosting the advertisement, as well as the mastery of computer tools have an impact on attitude towards the site Web, and on buying intentions. They also add that the current is a variable dependent on a positive experience that reinforces the commitment to the brand and encourages positive word-of-mouth. Reijmersdal (2010) adds other individual variables, such as experience and familiarity in the web, degree of attention and involvement in the website as a control variable within intrusive advertising.

#### **4.3. Characteristics of the product (moderator variable)**

Much research has focused on the role played by the product in the attractiveness of advertising. These studies have investigated the influence of the product category and implication in the category, while others have measured the credibility of the advertiser and the website on attitude towards the brand (Marina, Choi, Rifon, and Nora, 2002). Flores and al. (2014), Grigorovici, and Constanton (2004) propose that the size of the product has a moderating effect on the consumer's click. According to them, the bigger the image of the product is related to the very involved products, the more consumers will be interested in advertising and unlike the lesser products, consumers will be more attracted to an advertisement containing only text. Rutz and Backlin (2007), in a descriptive study of the determinants of e-commerce, emphasize that the attributes of the product and the preference for these attributes play a moderating role on the click on the advertising offer.

## 5. Research methodology

The present research methodology was designed according to the variables chosen (see Figure 1).



**Figure 1. Conceptual Model of the Moderating Factors of Click on Intrusive Online Advertising: Interstitial Case.**

In the experiment, a heterogeneous sample was chosen and mathematically answered to 32 combinations multiplied by the theoretical number of statistical studies 30 individuals (32 x 30) (Marketing Research, 2006, p113). Thus, this study will include 960 individuals who will experiment with an exposure to interstitial advertising on the Internet. Compared to experimental conditions, the sample is located in France and Morocco, will be contacted by email for a maximum of 12 minutes. Additionally, advertising was declined under two themes, the promotion of the brand and sales content. According to the probability principles, the sample will receive an advertising theme in a random manner.

Initially, the sample will be directed to a streaming movies site that hosts the advertisement. At this point in the experiment, the sample will respond to a mini-questionnaire on individual and situational variables. Then we will see the behavior of click according to the two scenarios (click on the closing button or click on the advertisement). In the first case of experimentation (closure of the advertising window), the sample will respond to the questionnaire concerning the moderator variables studied in the conceptual framework (including the advertising and product characteristics) and finally the dependent variables related to the brand. If not, click on the advertisement, the individual will be directed to the site of the mark and therefore will answer the second part of the questionnaire. Note: the technical design phase of the experiment is being completed, it is planned to complete the empirical study at the end of August 2017.

## 6. Conclusion

### 6.1. The theoretical contribution

The development of advertising on the web represents an endless field of research. Indeed, the study of the effectiveness of online advertising and more particularly the intrusive advertising, presents itself as a field of research very complex whose factors of effectiveness are in perpetual evolution due to the development of the computer tools. This study sheds light on many types of variables such as situational, psychological, technical variables related to different formats and contents of advertising such us brand promotion or sales. The most important of this study is to classify the importance of these variables, depending on the influence of these variables on the coat and attitude of the consumer in terms of perception,

recall, recognition, purchase and of recommendation. Finally, the experimental study of click moderating factors on intrusive advertising will also help to understand whether the nature of the site hosting advertising has an effect on understanding, comprehension and attitude towards advertising.

## 6.2. The managerial contribution

The advertising landscape is characterized by the close combination between the various traditional media and online and social media. The purpose of this experimental study is not only to draw the attention of managers to the importance of online advertising, but also to shed light on practices that can negatively and positively influence their investment in terms of brand image, recognition, recall and purchase intentions and recommendations among connected consumers.

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## **The Development of Innovative Product Concept: A Case of Organic Rice in Thailand**

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### **Abstract**

Due to today competitive business environment and the dynamic of consumer behavior, especially their never-ending wants and demands, the product development is therefore essential for any organizations. In the new product development process, the concept development (product idea, product concept and product image) and testing are important steps prior to making decision on commercialization. This research aims to explore the new ideas in developing the innovative products using new raw material, Organic Rice, as an ingredient. It also investigates the new product concept acceptance and attitude of consumers on the new Organic Rice products in Thailand. This research applied the mixed research methods: qualitative research (literature review and in-depth interviews with 15 certified Organic agricultural manufacturers and processors) and quantitative research (field survey with 213 respondents). The results from qualitative content analysis included the clear details of new product concept development and the relevant target markets for the Organic Rice snack bar and the extracted Organic Rice facial press-powder products. Further, the quantitative research using the questionnaire survey was conducted to test the consumer's new product acceptance and attitudes on both Organic Rice products. Using SPSS program, the results showed the positive product acceptance of Organic Rice snack bar products with sweetened plant ingredients, rather than using sugar, with reasonable price. The respondents indicated positive buying intention if the product is produced and available in the market. Similarly, the extracted Organic Rice facial press-powder product, positive product acceptance was evident on the mild rice scent in the product, with reasonable price. However, the respondents were unsure whether they would buy the product in the future. This research contributes to the application of new product development in Thailand and other countries with similar products in providing insights to related businesses and practitioners in developing and testing new product concepts.

**Keywords:** Innovative Product, Product Development, Product Concept, Organic Rice, Thailand.

**JEL classification:** M31, M39

### **1. Introduction**

The new product development process includes the stages of identifying customer needs, generating concepts, selecting a concept (or a set of concepts), designing a product, testing prototypes of a new product, and launching the new product (Takai, 2009; Ulrich & Eppinger, 2011; Relich & Pawlewski, 2017). For companies to maintain success in competitive markets, they need to be innovative and keep developing new products and ideas (Banerjee & Soberman, 2013; Eisend & Evanschitzky, 2015; Hubert et al., 2017). The simultaneous development of product and production system is a promising approach to enhance the optimized development procedures (Gräßlera, et al. 2017) which include ability to use knowledge, creativity, skills and experience in technology or new product development and management, new manufacturing

processes or new services, in order to meet the market need. From the literature, innovation can be defined as bring a new concept or utilizing the exist ones in a new way in order to appreciate the economic benefits. In addition, innovation is defined as doing something different from others, grasping opportunity in dynamic environment and contribute the new ideas that is beneficial themselves and society (Eumpakdee, 2013). Innovation is consequently important because consumers value innovations highly, and innovative products have the potential to prompt purchases (Bartels & Reinders, 2011).

New Product Development (NPD) is the process of getting any new product or service to market. In NPD, speed-to-market is viewed as a vital weapon which can yield competitive advantage, gain higher profits and market share, and exploit opportunities within the market place (Nelson et al., 2016). Product development process (PDP) is a complex system, in which required activities and resources are connected to each other according to specific rules of the process (Fu, 2013). Due to the competitive and challenging global market, the innovative products requires companies a lot of effort (Schutzer et al., 2017). The creation of an appropriate strategy development, climate, protection of resources and preparing a launch system is a major challenge (Chwastyk & Kolosowski, 2014). Furthermore, companies involve users in the new product development process (Guo et al., 2017). Time, cost and quality are the three focused criteria in product development projects (Kandt et al., 2016). Initially, companies have mainly optimized processes in production and logistics. Now, an improve ment in the Product Development Process (PDP) further takes place (Dombroawski & Karl, 2016). Product development process can be divided into several phases, and each phase can be decomposed into a large number of design activities as well as other elements Fu, et al., 2014). Therefore, PDP can be considered as a large, complicated and unstructured network.

Rice is an important food crop in many parts of the world. It is vital for the nourishment of the population in Asia, as well as in Latin America and Africa (Alikhani et al., 2013). In Thailand, rice is one the most planted crops (11.59 Mha) for domestic consumption as well as worldwide export and is thus of high economic importance for the country (Office of Agricultural, 2014). In 2014, the total paddy rice product of Thailand was 36.8 Mt. Also Thailand was the world's 6th largest rice producer and the largest exporter in the world with an export of 10.3 Mt, accounting approximately a quarter of the total rice export in world market (Bank of Thailand, 2014). About 22% of the rice paddy is grown in northern Thailand due to the region's appropriate climate and geography (Rice Department of Thailand, 2014). The rice variety chiefly planted in the northern region during the wet season is Kao Dok Mali 105 (KDML 105), commonly referred to as fragrant jasmine rice. It is very popular around the world due to its high quality and high aroma scent. Its price in the rice world market is almost double that of other cultivars of rice (Kong-ngern et al., 2011).

It is of significant to Thailand or any main-produced agricultural countries, therefore it is vital to develop new products made from rice in order to maintain its competitiveness in the market. This research aims to explore the new ideas in developing the innovative products using new raw material as an ingredient, Organic Rice and investigates the new product concept acceptance and attitude of consumers on the new Organic Rice products in Thailand.

## **2. Literature review**

### **2.1 Innovative Product**

Product innovation is central for firms in developing and maintaining their competitive advantage (Jan et al., 2017) and increasing competition and accelerating product life cycles, therefore product innovation becomes even more important (Slater et al., 2014). Product innovation process is considered to be one of the key criteria for evaluating sustainable development and competitiveness of firms (Li & Ni, 2016). Typical early studies include in

recent years showed that product innovation affects the degree of product differentiation by reducing product substitutability (Tiwari et al., 2016).

## **2.2 Product Concept**

Designing and evaluating product concept is one of the most important phases in the early stages of the design process as it not only significantly affects the later stages of the design process but also influences the success of the final design solutions (Augustine et al., 2010). Concept selection is one of the most important decisions in product development, since success of the final product depends on the selected concept. The exploration and evaluation of alternatives early in the product development process reduces the amount and magnitude of changes in later stages and increases the likelihood of success of new product development projects (Arbelaez-Estrada & Osorio-Gomez, 2013). Therefore the decision-making activities through all the design process are crucial for the final product success (Yodkhum et al., 2017).

## **2.3 Organic Rice in Thailand**

Organic Rice production system is a system of rice production management that enhances the ecosystem, sustainable biodiversity and biological cycles. It emphasizes the use of natural materials by opposing the use of synthetic raw materials, transgenic plants, animals or microorganisms or raw materials derived from genetic modification. It also covers the product management, which carefully emphasizes on every processing step to maintain the organic integrity and quality of organic rice products (Sullivan, 2003). Thai Rice has been massively exported worldwide however the markets are becoming more competitive than the green market that ever has been promoted. In order to maintain the same level or enhance of competitiveness, Thai Rice needs to be considered for environmentally conscious products to meet the international environmental standards (Yodkhum et al., 2017).

## **3. Methodology**

There were two stages of this research; namely, exploratory qualitative research (literature review and in-depth interviews) and quantitative research.

The first stage included documentary research from secondary archival data of public and government data sources as well as electronic sources. In addition, in-depth interviews of semi-structure questions on Organic Rice production, new product concept development and the tendency of current market demand were conducted with 15 certified Organic Rice farmers and agricultural manufacturers and processors in Thawat Buri District, Pathumrat District, and Kaset Wisai District of Roi-Et Province, Muang District, and Chiang Yuen District of Maha Sarakham Province, Mueang District and Ban Had District of Khon Kaen Province, and Muang District, Kamala District, and Khao Wong District of Kalasin Province where most certified Organic Rice is planted and produced from April to June 2016. The content analysis was applied in qualitative research in order to identify additional important factors that related to relevant factors in product testing and product acceptance, and then to design the questionnaire in the next stage, quantitative research.

The second stage, quantitative research using the field questionnaire survey, was conducted to test the consumer's new product acceptance and attitudes on both Organic Rice products from September to November 2016.

The non-probability sampling was proceeded using purposive, quota and convenience sampling methods included selecting the market locations (Bangkok, Roi-Et, Khon Kaen, Mahasarakham and Kalasin) with 400 respondents and selection criteria included Thai nationality and experience on Organic Rice products. This means the respondents were asked whether they are Thai and had consumed (tried/bought) prior to taking the questionnaire in the

last 6 months. In total, 213 Organic Rice consumers completely responded to the questionnaires, therefore, the response rate was 53%. Each respondent was required to answer two sets of questionnaires: new product concept testing and product acceptance testing. The total of 426 usable questionnaires was collected and divided into two data sets: 213 questionnaires on new product concept testing and product acceptance testing from Thai consumers in four different provinces where the potential markets are; namely, Bangkok, Roi-Et, Khon Kaen, Mahasarakam and Kalasin, then analyzed using SPSS program such as percentage, mean, standard deviation and coefficient of sample correlation.

| <b>Respondent's Profile</b>                                       | <b>Frequency (person)</b> | <b>Percentage</b> |
|---|---------------------------|-------------------|
| Do you consume any Organic Rice?                                  |                           |                   |
| Yes   | 213                       | 100.0             |
| No  | 0                         | 0                 |
| Total   | 213                       | 100.0             |
| Have you consumed any Organic Rice products in the last 6 months? |                           |                   |
| Yes   | 213                       | 100.0             |
| No  | 0                         | 0                 |
| Total   | 213                       | 100.0             |
| Your residential province   |                           |                   |
| Bangkok   | 105                       | 49.3              |
| Roi-Et  | 27                        | 12.7              |
| Khon Kaen   | 27                        | 12.7              |
| Mahasarakam   | 27                        | 12.7              |
| Kalasin   | 27                        | 12.7              |
| Total   | 213                       | 100.0             |
| Gender  |                           |                   |
| Female  | 157                       | 73.7              |
| Male  | 56                        | 26.3              |
| Total   | 213                       | 100.0             |
| Age   |                           |                   |
| 18-30 years old   | 92                        | 43.2              |
| 31-50 years old   | 88                        | 41.3              |
| Above 51years old   | 33                        | 15.5              |
| Total   | 213                       | 100.0             |
| Marital Status  |                           |                   |
| Single  | 119                       | 55.9              |
| Married   | 83                        | 39.0              |
| Divorce/Widow   | 11                        | 5.2               |
| Total   | 213                       | 100.0             |
| Education Level   |                           |                   |
| Vocational level or equivalent                                    | 123                       | 57.7              |
| Primary school/Secondary school/High school or equivalent         | 48                        | 22.5              |
| Bachelor degree   |                           |                   |
| Higher than Bachelor degree                                       | 18                        | 8.5               |
| Total   | 24                        | 11.3              |
|   | 213                       | 100.0             |
| Occupation  |                           |                   |
| Private company officer   | 102                       | 47.9              |
| Entrepreneur/Business owner                                       | 38                        | 17.8              |
| Government officer  | 29                        | 13.6              |
| Freelance/Part-time job   | 22                        | 9.9               |

|                         |     |       |
|-------------------------|-----|-------|
| Student                 | 10  | 4.7   |
| Stay home parent        | 8   | 3.8   |
| Farmer                  | 5   | 2.3   |
| Total                   | 213 | 100.0 |
| Income (Baht per month) |     |       |
| 10,001-30,000           | 142 | 66.7  |
| Less than 10,000        | 46  | 21.6  |
| 30,001-50,000           | 16  | 7.5   |
| More than 50,000        | 9   | 4.2   |
| Total                   | 213 | 100.0 |

**Table 1** Quantitative Data Collection - Respondent's Profile

## 4. Findings

### 4.1 The Qualitative content analysis

At present, consumers can be divided into three different markets; namely, domestic, Asian, and European markets. Domestic and Asian markets are considered similar due to today consumers' busy lives and their consumption behaviors need more convenient products. On another hand, European market seems more fragmented based on different lifestyles.

The results from the qualitative content analysis find that the new product concept development and testing should be clear in details that is relevant and suits specific target markets for the Organic Rice snack bar and the extracted Organic Rice facial press-powder products. As mentioned, distinctive consumer wants come from domestic and overseas markets such as Asia and Europe. It is found that Snack Rice Organic products should be developed for domestic market and Asian market, while Organic Rice facial press-poder products should be developed for European market. In addition to specific target markets for these two new product concepts, the Organic Rice ingredients can also be used as the core and supplementary ingredients for those products. These new products' attributes are as follow: The Organic Rice snack bar is the processed Organic Rice in the square shape that is easy to eat (convenient) and therefore suitable for snacks or main meals. It has various nutrients and free of chemicals. It also has Beta-Carotene, Calcium and Vitamin E which are considered good for everyone's health. On another hand, the extracted Organic Rice facial press-powder products consist of extracted Organic Rice. It has two color tones: white and beige. It has Beta-Carotene and Gamma-Oryzanol which help restoring skin cell, preventing aging, and protecting skin from UV, Oryza-Ceramide helps smoothening skin, Vitamin-A helps reducing acne, and Niacin helps restoring skin.

### 4.2 The Quantitative Analysis

The majority of respondents indicates the need to understand these new products prior to making any buying decisions due to its innovative product nature (new to the market). Therefore their major buying criterion is buying experience on healthy products.

For the Organic Rice snack bar, the majority of respondents agree that it is suitable for working people who prefer convenience in mix-grain products. On another hand, for the Organic Rice pressed-power, the majority of respondents indicates the importance of mind rice scent of the product with the average price of 174.38 Baht. However, they are unsure whether they will buy the products if the products are available in the market. The results summary is demonstrated in Table 2.

| <b>Innovative Product Concept</b> | <b>The Organic Rice snack bar</b>   | <b>The extracted Organic Rice facial press-powder</b> |
|-----------------------------------|---|---|
| Product                           | The product is suitable for working people who seek convenience and mix-grain products.                               | The product consists of mind rice scent.              |
| Packaging                         | 1 Piece<br>1 Box (12 pieces)  | 1 Box per product                                     |
| Price ( $\bar{x}$ )               | 10 Bath per piece (49.5%), $\bar{x} = 12.27$ Baht<br>100 Bath = 48.2% per box (12 pieces),<br>$\bar{x} = 113.38$ Baht | 200 Bath (22.1%),<br>$\bar{x} = 174.38$ Baht          |
| Consumer Buying Intention         | May be (46.9% (   | Unsure (36.2% (                                       |

**Table 2 Result Summary of Innovation Product Concept Acceptance – Organic Rice**

The product testing results suggests that the product attributes and ingredients of the Organic Rice snack bars should be consisted of healthy nutrients such as vital Vitamins that are important for everyone's health. The majority of respondents likes the overall product image, especially color and scent. On another hand, Organic Rice pressed-powder must consist of Oryza-Ceramide and Extracted Organic Rice with Walnut shell or Talc that help smoothening skin. Both Formulas A and B pressed-powder products receive moderate score on overall image, however, they receive different score on delicacy, that is, Formula A pressed-powder receives high score on delicacy and Formula B receives moderate score on delicacy.

The most suitable marketing communication channel for both innovative products is tradeshow or exhibition. However, the packaging of snack bar needs improvement as it is similar to children product, which is repulsive and unattractive.

Although the product concept acceptant seems positive, the results of buying intention are mostly negative. Most respondents indicate they probably buy the product, however, they comment that the Organic Rice snack bar product is not delicious, the product texture is unappealing like eating foam, therefore it should not be produced. On another hand, the strong scent of the pressed-power seems to be the problem of the Organic Rice pressed-power product as well. The result summary of product testing is demonstrated in Table 3.

| <b>Attitude and Buying Intension</b> | <b>The Organic Rice snack bar and</b>           | <b>The extracted Organic Rice facial press-powder</b>   |  |
|--------------------------------------|---|---|--|
|                                      |   | <b>Formula A-White</b>  | <b>Formula B-Beige</b>                 |
| Marketing Communication              | Tradeshow or exhibition<br>( $\bar{x} = 4.30$ ( | Tradeshow or exhibition ( $\bar{x} = 4.20$ (  |  |
| Decision Making (what make them buy) | Nutritient for health<br>) $\bar{x} = 4.16$ (   | It has Beta-Carotene and Gamma-Oryzanol which help to restore skin cell, prevent aging, and protect skin from UV, Oryza-Ceramide helps smoothen skin, Vitamin-A helps reducing acne, and Niacin helps restoring skin.<br>It also has walnut shell or Talc that used for baby powder. ) $\bar{x} = 3.92$ ( |  |
| Packaging                            | High ( $\bar{x} = 3.69$ )                       | Moderate ( $\bar{x} = 3.49$ (   |  |
| Quality                              | High (color, $\bar{x} = 3.69$ (                 | High (delicacy, $\bar{x} = 3.59$ )  | Moderate (delicacy, $\bar{x} = 3.48$ ) |
| Overall Image                        | Moderate ( $\bar{x} = 3.27$ (                   | Moderate ( $\bar{x} = 3.43$ (   | Moderate ( $\bar{x} = 3.38$ (          |
| Buying intention                     | May be (48.8%)                                  | Unsure )46.0% (   |  |

**Table 3 Result Summary of Product Testing (Attitude and Buying Intention)**

**Note: Mean  $\bar{x}$  score is out of 5.**

## 5. Discussions

Although Organic Rice is not relatively new to the market as Suwongchang (2010) has developed the Cereal breakfast from Organic Rice which is similar to Organic Rice snack bar, these new innovative products are still considered new to other markets such as other parts of Thailand and other countries.

In product testing, respondents indicate their experience in buying and consuming Organic Rice products for healthy reason which consistent with Harper and Makatouni (2002). They study the attitude and consumer behavior toward Organic food in England and find that food safety and benefit are the most important criteria in making decision on Organic Rice products. However, those respondents who are uncertain to accept the products in the future indicate their unfamiliarity with less knowledge about the product value in the new product acceptance testing. On another hand, hard to find products, unsure whether it is really made from Organic Rice, waste of money and unnecessary are reasons not to buy the new Organic Rice products from those who indicate negatively to adopt the new products. This is also consistent with Radman (2005) that most consumers are unfamiliar with and have less knowledge about Organic Rice products. Therefore, they think the products were expensive and the packaging is unattractive. In addition, although Organic Rice consumers in Bangkok agree to the benefits of Organic Rice toward environment and health, they are still confused about the products (Roitner-Schobesberger et al., 2006). It is obvious that product knowledge is important in introducing the new products to consumers in order to educate them and encourage them to try and adopt the new products. This study finds that the new Organic Rice snack bars receive higher rate of product acceptance than the Organic Rice pressed-power products.

## 6. Conclusion, Limitation and Further Studies

This research aims to provide some insights on the new product concept development and product acceptance testing using the new ingredient, Organic Rice, from Thailand. Although this research may not contribute much on theoretical literature, it has substantial contribution in valuable insights in practical implication, especially for those developing countries that mainly focused on agricultural businesses. Further research and development on other local Rice types should be encourage in order to provide variety choice of products to consumers. Further studies on research and development of Organic Rice snack bar products on their packaging should be implemented in order to attract the specific target consumers who live their busy lives. On another hand, the Organic Rice pressed-powder products should emphasize on their distinctive benefits in order to compete with other products in the current market.

The limitation of this research includes it cannot be generalized due to its specific nature of new products and study setting (some provinces in Thailand). Further studies include continuous innovation of product development, product testing and market testing. Further studies on consumer behavior and value co-creation should be emphasized in term of theoretical contribution as they are important in order to further develop the new products for specific niche market targets with support from various actors in this specific business.

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## **Competences and Managerial Profile as Drivers of Hotel Internationalization: Implications on Firm's Internationalization Strategy Pattern**

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### **Abstract**

Literature indicates that internationalization is a phenomenon influenced by firm specific and environmental factors. However, the international entrepreneurship literature has recently attributed to entrepreneur manager a prominent role in the internationalization decisions. Combining economic and behavioural theories we deliver to international literature an integrated approach adding entrepreneurial principles for explain the Portuguese hotel sector internationalization. Beyond exploring the main internal and external motivational factors that leads to the decision of internationalization and its influence internalization patterns, this study also proposes to investigate the role of the manager facing firm's ownership advantages and international market opportunities. Since the research focuses on understanding and explaining the internationalization process of Portuguese hotel firms, a comprehensive multi-case study was applied as a research method. Evidence shows that stimulus responsible for internationalization were mainly competence based, within a strong managerial push component evidencing the appropriateness of resource based-view and international entrepreneurship as most appropriate theoretical foundations to support the explanation of the initiation of international activities. Concerning the relation between motivational factors and the patterns of internationalization, it was found a clear contribution from economic and behavioural theories evidencing the complementarity between the different theories as a valid and appropriate approach to support the explanation of internationalization phenomena. Several implications can be drawn from the study findings for corporate and public sector. The study further adds to international entrepreneurship literature a new perspective in the sense that the scope of the study goes beyond the creation of international new ventures being its integration with other models a credible approach between scholars. Directions for future research are provided with grounded proposition for further testing.

**Keywords:** Case Theoretic Approaches, Resource-Based View or Resource-Based Theory Competitive Advantage, Entrepreneurship Business Strategy, Travel and Tourism.

**JEL classification:** M30, M31

### **1.Introduction**

Literature shows that internationalization is a phenomenon influenced by several factors such as, firm characteristics and environment (Dunning, 1988). More recent studies introduced the firm manager as a strategic actor in the decision on firm's internationalization (Andersson & Florén, 2008; Oviatt & McDougal, 1994). Maseda et al. (2015) and Llorens et al. (2016) evidenced that in small and peripheral economies proactive managers can pull SME's competences to develop and implement firm's expansion strategies.

The present study seeks to extend the knowledge on contemporary international research by adding an entrepreneurial perspective to explain firm's internationalization. According Senik et al. (2010), the explanation of firm's internationalization can be studied through motives. The knowledge of environmental and organizational motivational factors can enable managers to prepare strategies during the process of internationalization (Kubickova et al., 2014). Tupurra

et al. (2008) emphasize the importance of the motivational stimulus and its impact on firm's strategic behavior

## **2. Study relevance**

The future of the Portuguese economy is based on the success of its companies in the international markets (Leite, 2010). Internationalization is an important strategy particularly for companies who are constrained by small markets (O'Gorman and Tierman, 2000). In a peripheral economy where 45% of the 1000 biggest companies are family-owned (Silva, 1997), and small and medium companies are responsible for 80% of the total employment, operating 60% of the gross value added (INE, 2014), the firm's tacit knowledge and managerial expertise (Kruesi et al. 2017) are fundamental for the development of expansion strategies. According the World Travel and Tourism Council (2013), the total contribution of tourism to GDP in 2012 was USD 26.4 billion, corresponding to 15.9% of Portuguese GDP. In this context, the Portuguese hotel firms (PHF's), which represents one of the most important components of the Portuguese tourist industry has been taking over internationalization in recent years as a business development strategy. The fact that 0.2% of the contribution of total international business in Portugal is only in the tourism sector (INE, 2014) is a relevant issue with an immense potential for growth and little explored by PHF's. The hotel industry is the most internationalized sector of world excluding on-line travel agencies (UNCTAD, 2016).

Recent studies on the internationalization of hotel industry mostly cover large hotel firms (Go, 1989; Littelljohn and Bettie, 1992; Contractor and Kundu, 1998a and 1998b; Rodriguez, 2002; Sanchez-Peinado and Pla-Barber 2006, Andreu et al. 2017; Kruesi et al., 2017; Santos et al., 2016; Brida et al., 2016). However, large multinational hotel enterprises are important players in supply for tourists, independent and small hotel company's role in peripheral and small economies should not be neglected (Ruzzier and Konecnik, 2005).

## **3. Research problem**

The literature has rarely adopted an integrated approach to understand why, when and how the firms expand into foreigner markets (Welch and Paavilainen-Mantymaki, 2014). To understand internationalization, it is necessary to study the factors that make it happen or at least the main ones (Mejri and Umemoto, 2010). There is a lack of knowledge regarding the factors that drives internationalization (Leonidou, 2005; Tan et al. 2007; Kubickova et al, 2014) and there has been little effort to examine its impacts on internationalization strategies (Pett et al. 2004). Welch and Paavilainen-Mantymaki, 2014) emphasized the need of explanatory models to understand firm's expansion patterns. Cuervo-Cazurra (2011) argues that the heterogeneity of firm's knowledge developed in home country results in a variation in a firm's internationalization firm strategy. Child and Hsieh (2014) states that the profile of decision makers is likely to affect the firm's strategic decisions. The significant role played by individual decision makers means that their personal characteristics are highly likely to affect their strategic decisions, including those on internationalization (Hsu, Chen and Cheng, 2013).

The purpose of this study to explain the influence the firm's based competences and manager's profile as motivational stimulus on the PHF's internationalization decision and validate its influence on the internationalization strategy pattern. Thereby we develop a set of propositions from the literature, which be used to explain to what extent these motivational factors are related with strategies that are carried out by PHF's addressing the following research questions:

- 1 - Why do PHF's take the decision to enter in international markets.
- 2 - How do PHF's develop strategies in their internationalization process.
- 3 - How the PHR's internationalization strategies are influenced by motivational factors.

#### **4. Literature review**

##### **Resource-based-view**

The uses of difficult-to-imitate assets are becoming the key drivers in gaining competitive advantages (Teece et al., 1997). That advantage can be sustained over longer periods of time to the extent that the firm is able to protect against resource imitation, transfer, or substitution. In general, empirical studies using the RBV theory have strongly supported the resource-based view (Sharma and Erramili 2004).

Barney (1991) suggests that firms get competitive advantages by implementing strategies that exploit their internal strengths, through responses to the opportunities of the environment. The resource-based models view in international expansion as an extension of resource and competences development with implications for organizational learning, extending it to the entire organization.

##### **International entrepreneurship**

McDougall and Oviatt (2000) define international entrepreneurship as a combination of proactive and risk-seeking behaviour, to create value to the firm. Zahra and George (2002) developed another definition, taking into consideration that international entrepreneurship is the process of creatively discovering and exploiting opportunities that lie outside a firm domestic market, in the pursuit of a competitive advantage. Etemad (2004) described international entrepreneurship, as a phenomenon that incorporates multi-levels of interaction, between firm, market and environment. In pursuing international opportunities, the entrepreneurial manager must assess whether devoting scarce resources under uncertain market conditions is worthwhile given the opportunity cost of diverting from the existing operations (Perks and Hughes, 2008). The manager's judgement of the firms of the extent to which the tangible and intangible assets are valuable and non-substitutable indicate is critical on firm's international engagement (Leiblein and Reuer, 2004).

#### **5. The study propositions development**

After the research questions had been formulated a set of theory-derived propositions were developed to further test and confirmation. Each proposition directs attention to something that should be examined within the scope of the study (Yin, 2004), which points directions and somehow, narrows the field of study, in terms of data requirements.

The initial assumption of firm's competences, and opportunity based management as internal and external organizational drivers with a positive influence in PHF's internationalization will not be the ultimate goal of the study. An open-minded attitude will consent the hotel managers to explain what motivates internationalization PHF's allowing the researcher, if necessary, to add and modify the initial propositions and, the related internationalization approach. The range of research and theorizing in internationalization, as well as the heterogeneity of the sample, can lead to unexpected results. In this semi-exploratory approach, unexpected results may emerge, which may require a reset of the model, in terms of variables and propositions, always based on complementary, and or, competing theories. The set of propositions were organized according to Wiedersheim-Paul, Olsen and Welch's (1978) international process approach, where the motivational drivers are among the most dynamic and critical elements of the decision to undertake international operations, with clear impact on strategic choices such as, time of entry, choice of market and entry mode. International growth approach is a construct, meant to find and differentiate companies, according to their motivation to seek international markets, and thus, identifying the factors behind the chosen growth strategies (Nummela et al. 2004).

### **5.1 Propositions of motivational stimuli factors influencing the initiation of international activities**

Several studies of internationalization examined environmental and organizational as determinants factors in the decision to go abroad. Santos and Garcia (2011) concludes that adopting international operations is dependent on managers' attitudes toward internationalization. Prahalad and Hamel (1994) argued the goals of being proactive while exploiting opportunities are value-oriented by stretching and leveraging firm internal competencies. Other authors deal with the influence of various motives on the internationalization willingness. For example, Baldauf et al. (2000) found out that the proactive external motives have a positive effect on the export efficiency and intensity, while the reactive external motives (e.g. competitive pressures in domestic market) decrease the internationalization willingness. According Voerman (2003), the responding to negative pressures, unlike taking the foreign market opportunities, does not improve the export efficiency. Current research suggests hotel companies employ proactive responses to international markets (Alexander & Lockwood, 1996). (Hutchinson et al. 2007) argue that push factors are no longer the determinants of international development. There is an increasing amount of evidence suggesting that international orientation is influenced by firms' competitive advantages based on internal organisational factors (Barney's 1991; Doz et al. 2001; Meyer, Wright, & Pruthi, 2009; Teece, 2014) and opportunity-based entrepreneurial culture based on external organizational factors. (Andresson, 2000; Dimitratos, 2016). Environments influence internationalization, but the pool of competencies within a firm must be combined appropriately to succeed in international markets (Ortega & Vera, 2005). In most cases, a combination of internal and external factors trigger internationalization (Rundh, 2007), and therefore:

**Proposition 1** – The PHF's initiation of international activities is positively influenced by proactive internal and external motivational stimuli.

### **5.2 Propositions of motivational stimuli factors influencing the international market strategies.**

Firms can internationalize from inception / short after, or, in the opposite way, long after inception, according to Svensson's (2006) time scale. Tuppura et al. (2008), adopted from other authors, the time dimension, as a field of study, and classified the time path followed by firms, in their internationalization by, born global, born again global and traditionally internationalizing firms. According to the same authors, the time delay for the market entry may have far-reaching consequences, in terms of future performance. The achievement of a critical size is addressed by many authors as one of the determining factors in the time dimension of internationalization. Johanson and Vahlne (1977) founded that the accumulation of direct experience, and the combination of new experiences, enabled firms to develop a solid resource and related competence base, easing the initial move, from an established domestic market, into an international one. The more domestic experience, the more confident and risk taken are the hotel executives in the internationalization moves (Johnson & Vaneti, 2005). According to Dunning (1980), the firm's ownership advantages like business knowledge are acquired through time experience. To strengthen the previous premises within the proactive motivational stimulus, the possession of a network of contacts is a crucial factor for the organic growth of the firm. According to Johansson and Mattson (1988), the internationalization of the company begins with the company being initially engaged in a network that is, primarily domestic. A firm internationalization process commences well before its first action abroad (Casillas et al., 2009). The recognition of a potential opportunity for better taking advantage of firm's resources is within the firm competences. Thus, and considering that the PHF's

international engagement is driven by proactive motivational stimulus based essentially tacit competences, acquired over a period of business experience in the domestic market, means that;

**Proposition 2** - The delay time till internationalization, is positively influenced by PHF's motivational stimuli factors.

Countries, characterized by a high market potential, can absorb additional productive capacity and, therefore, provide opportunities for companies (Darder, Garcia & Barber, 2010). The size of the market, its potential growth in terms of tourism income, and the level of internal competition, are relevant when choosing the country. Besides the importance of the destination itself, in terms of localization, certain market characteristics and business familiarity are significant, to develop the ownership-advantages of the firm. The market size, the market growth rate, country risk, the market competitiveness and psychic distance are strong country host determinants while choosing hotel location strategies (Kundu & Contractor, 1999). According Buvik (2002), the market competitiveness and location familiarity are indicators of country attractiveness for the market choice strategy. When the internal motivations of the firm are triggered by proactive stimulus as firm's ownership advantages (Dunning, 2000) and related competitive advantages (Barney, 1991), the business environment is fundamental to enhance those skills in overseas markets. The manager's perceptions of location-specific factors play an important part, in combination with internationalization of ownership-specific advantages, in determining where, overseas production can occur (Dunning, 2000). Due the relevance of exploring ownership-specific advantages, the environment scanning is a key step in PHF's internationalization process. In other words, manager and firm willingness to exploit existing resources and competences are implicit in the process of market selection, meaning that;

**Proposition 3** – The country choice decision is positively influenced by PHF's proactive international stimulus.

The selection of the entry mode is one of the most critical strategic decisions for multinational companies. It affects future decisions and performance in foreign markets, and, it entails a concomitant level of resource commitment which is difficult to transfer from one to another, especially from high level to low level (Root 1998). Resource commitment involves the dedication of assets, to specific use that are difficult to reallocate without considerable cost. Unlike the manufacturing firms which allow limited or no local presence in a foreign market, hotels always need a major local presence because consumption cannot be separated from production (Ekeledo and Sivakumar, 1998; Erramilli, 1993). This restriction could limit the range of options available to the hotels when contemplating international expansion (Ekeledo and Sivakumar, 1998), being the control needs, a constant concern in the service sector (Erramili,1993).

The control is defined as the ability of the firm to influence the various management systems of the organization, to improve its competitive position, and maximize returns on firm specific assets (Peinado & Barber, 2006). According to Woodcock (1994), the resource commitment and control are highly correlated. The entry mode is an economic and rational decision based on the trade-off between the cost of control and the cost of capital. A multinational seeks expansion, by direct investment, when it has competitive advantages over other firms of foreign market and its specific advantage needs to be protected by its organizational structure, by that a multinational internalizes its foreign market activity (Buckley and Carson, 1976). The hotel's operations combine capital intensive and knowledge resources and its transference in terms of transaction costs depends, on the level of protection mechanism against third parts. Due limited scale size effect and little international experience within a weak brand awareness, the PHF's have in their competences and related tacit knowledge, the main motivational stimulus to

internationalize. Tacit knowledge is not easily transferred in contractual and cooperative entry modes (Contractor and Kundu, 1998). In these circumstances, it might occur higher transaction costs when the PHF's externalizes its operation. and therefore;

**Proposition 4** - The entry mode choice is positively influenced by PHF's the proactive motivational stimulus.

## 6. Approach and methodology

In the sphere of a deductive theoretical model, this study is beyond finding and explaining the main motivations on the Portuguese hotel sector internationalization. It is also to comprehend if the nature of motivational stimuli that leads companies to internationalize are, somehow, linked to the development of the strategies in their international process.

Since the research was focused on understanding and explaining the internationalization process of Portuguese hotel sector, a comprehensive multi-case study was applied as a research method (Yin, 2004). Propositions relating to internal and external stimulus motivating the international market entry and dimensions of internationalization patterns are created and evaluated (Meredith, 1998). Therefore, interviews, confirmatory questionnaires and secondary information were used to test the study propositions through exploration of studied dimensions and the determinants identified from the literature (Miles and Huberman, 1994). The use of semi-structured interviews, later supplemented by confirmatory questionnaire, as primary sources, and external sources, as memos, press releases and media articles, allowed researchers to achieve and improve the study validity, in a strong effort towards triangulation (Patton, 2008). Due to the limited number of the total population a non-probability purposive sampling method was adopted. As the purpose of study is not to look for the frequency of a phenomenon but, to examine patterns of behavior, the importance of sample logic is misplaced, in statistical terms (Yin, 1994).

## 7. Results and findings

Evidence refine that stimulus responsible for internationalization were mainly competence based, within a strong managerial push component evidencing the appropriateness of resource-based-view and international entrepreneurship fundamentals. as most appropriate theories. It was found a balance between environmental and organizational proactive stimuli factors, which can indicate some risk weighting, considering the amount of investment that normally occurs in the hotel sector.

Despite the achievement of a critical size and business knowledge positively influenced the internationalization time delay others determinant factors negatively influenced this pattern. Despite it was observed that the accumulation of resources and competences, presuppose the learning effect in a certain period (Johanson and Vahlne 1977), moreover, the appearance of an entrepreneurial management may accelerate the internationalization process (Zahra & Garvis, 2000).

Low market competitiveness, cultural proximity, political stability and governmental incentives were pointed as main country choice determinants. The cooperation between national and foreign government organizations with hotel managers was mention as a positive factor in market location choice. As pointed out by respondents there is a positive relation between previous manager's network and firm the commitment to internationalize in a certain market. A high degree of control was found within a clear asset commitment in entry, contrary to some studies already done for the sector (Contractor & Kundu, 1998; 1999; Pla-Barber & Darder, 2002). The evidence suggests some reluctance in adopting cooperative forms of entry mode mainly due to the intangible and tacit nature of competences. Unlike expected, the

country specific risk was not limiting factor for direct investment (FDI), by the contrary, there was a perception that the specific risk was negligible.

Moreover, other important deductions from the facts arise from multi case-study cross analysis meeting the other main purpose of the study. The first is that the tacit nature of the firm competences clearly influences the patterns of internationalization. Secondly is the evidence that the managerial international experience within an opportunity-based entrepreneurial culture has a prominent influence in the internationalization pattern adopted by Portuguese hotels.

Several implications can be draw from the study findings for corporate and public sector meeting the importance evidenced by study participants concerning the key role of the entrepreneur manager as a privileged interlocutor between the public entities and firms. Other host country factors as political risk, availability capable of local partners and cultural affinities were explored as important considerations.

The study further adds to international entrepreneurship literature a new perspective in the sense that the scope of the study goes beyond the creation of international new ventures focusing the importance of the entrepreneur manger in traditional companies. Interesting directions for future research are provided with grounded proposition for further testing. It should be remembered that this study was conducted within a national context, and this may limit the generalizability of conclusions. Finally, an interesting extension of this study would be the potential effect of the degree of internationalization of Portuguese hotels in the dimensions of the study.

## **8. Theoretical contributions**

This study contributes to advance the literature in different ways. First, we provide a deeper knowledge of motivational stimuli regarding internationalization. Results suggest the importance of internal and external stimuli during international engagement. Another contribution is a broader view of internationalization, adjusted to an explanatory view of organizational behaviors and practices. Integration of various theoretical perspectives found in the internationalization area had been neglected to its potential by previous studies, being a value added to explain the phenomenon within its complex behaviors. Thus, the integration of economic paradigms with behavior theories and RBV to understand why and how Portuguese hotel companies engage in international endeavors is a major contribution of this study. Wright and Ricks (1994) and Coviello and McAuley (1999) call for researchers to examine international business in an integrated, multidisciplinary way. Young et al. (2003) call for more focus on environmental and institutional approaches, and innovation and resource-based perspectives. (Coviello et al., 2011). Kruesi et al. 2017 concludes the appropriateness of combining RBV and TCE approaches in hotel internationalization sector. Noteworthy are contributions to international entrepreneurship by strengthening the role of entrepreneurship as an individual act within existing social networks established by managers and the management team regarding previous business experiences, and the impact of this profile on a firm's behaviors. The explanatory model relies on the fact that PFH's have proactive involvement due primarily to managers' profiles, the nature of firm competencies, existing networks and environmental contexts, filling the gap identified by Zahra and George (2002), who propose a combined study of firm resources, capabilities, and entrepreneurial orientation. Keupp and Gassmann (2009) call for more theoretical integration in the international entrepreneurship research area. According to Jones (2011), recognition and introduction of entrepreneurship beyond business-oriented technology are ways to open horizons in the study of international entrepreneurship. Scokic et al. (2016) appeals for the contextualization of entrepreneurship theories such as situational and temporal boundaries.

## 9. Managerial Contributions

The way how PHF's succeed international market it's a valuable information and could work as a catalyst for other hotel companies that wanted to follow internationalization. The need to deepen the knowledge about the PHF's motivations and internationalization patterns is critical to understand the movements of the economic agents and the trends that are designed in an increasingly competitive international scenario. It is vital to realize that the motivation that lead firm's to internationalization is important both in terms of others company's vision as well as from the perspective of policy makers and government (Stewart and MacAuley, 1999). When motives that drives firms to international markets are known, the government support may be efficient and thus may better stimulate them (Kubicova et al. 2014). Our configuration approach suggests that is important for decision-makers to diagnose their internal competences and how far they can rely on existing available networks and human resources to exploit with success internationalization opportunities.

## 10. Limitations and avenues for future research

Despite the contributions, this study has limitations. Limitations relate to the cross-sectional nature of the study and sample size. Despite the appropriateness of open-ended, face-to-face interviews, based on the dynamic character of the subject, longitudinal approaches would have been more accurate, following development and causal relationships between drivers and strategies. Although the study captures past events, the methods relied on rationalization from respondents. The use of non-random sampling and its non-representativeness of the population, and the related sample size might have influenced results since there were no guarantees that chosen companies were the most appropriate for establishing standards of behaviors. Excluding companies with identical profiles offered no guarantee of representativeness, but was a result of time and resources constraints. Thus, due these constraints, it was not possible to test the model statistically.

Using a qualitative approach, having the best interlocutor to observe and collect the best possible information proved difficult. By collecting and researching secondary sources, participating firms suggested the names of managers who would answer questions best. In some companies, these were not first choices, which led to adding a confirmatory questionnaire, with a domestic player who attempted to capture the most valid information through triangulation. Opportunities remained to go further, with more focus on reliability and adequacy of information sources. The deductive character of research, with anticipated scenarios, was a weakness, interfering with data collection. Although the study allowed some exploration and alternative scenarios, other determinants and explanations might have emerged had an inductive approach, with more exploratory character, been used, thus avoiding the possibility of biased conclusions.

The implications and weaknesses of this study lead to future research suggestions to better understand and refine the determinants under study. A component regarding comprehension of stimuli and motivations during hotel internationalization was added, but researchers could go further empirically if micro and small businesses were considered. Future studies should complement this study by identifying factors that demotivate decisions to internationalize. Since most companies are not internationalized, studying factors that inhibit international involvement might be a way to increment comprehension of the motivations and stimuli of international engagement. Simultaneously, it is possible to increase sample size, enabling quantitative dimensions in future investigations. Another missing link is performance. Although it was deduced that good performance in domestic markets plays a role in hotels' motivations, encouraging involvement in international markets, it is worth exploring

performance with a more rigorous examination of its impact on motivations within organizational levels. Another issue that emerged but remains undeveloped is relationships between shareholder statuses of a manager and international engagement, or the influence of ownership structures on all international processes. In terms of methods, more longitudinal aspects of data collection and analyses are warranted as a way to capture the dynamism of internationalization by capturing more accurately relationships among motivational stimuli, international engagement, and related strategies.

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## **On and Off-line Purchase Intention: the Role of Brand Trust as Moderator of Risk Perception**

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### **Abstract**

Interpersonal trust is considered a risk moderator in choice under uncertainty (Einhorn, Hogarth, 1988) so it can help people to make decisions otherwise considered too risky (Galli, Nardin, 1997). Specifically, trust has been defined as a multi-dimensional construct, with cognitive and affective dimensions playing a different role to reduce perceived risk in low or high complexity tasks. In marketing field, trust has received increasing interest and research on brand trust scale validation has restated the multi-dimensionality of the construct, with a first detection of two crucial dimensions -competence and benevolence- (Delgado, 2003, 2004). Further research has enclosed other two dimensions, honesty and empathy (Martini, Galli, Arseni, 2016), and has hypothesised an evolutionary pattern, with cognitive dimensions preceding emotional ones in brand trust strengthening. With these premises, the research is aimed to evaluate the role of brand trust as moderator of risk perception in different buying contexts, characterized by increasing perceived complexity of the task. More specifically, the hypotheses are: purchase intention decreases when perceived complexity of the task increases; decreasing purchase intention is due to increasing risk perception; brand trust, with its cognitive and affective dimensions, is able to reduce risk perception and to moderate its impact on purchase intention. To test hypotheses, 432 Italian respondents to a structured online questionnaire had to declare their intention to buy a pair of Nike shoes, facing three different buying contexts: a traditional off-line store, the official online brand store and a famous on-line retailer. The results confirm that buying online is more complex than buying offline, with a corresponding increasing of risk perception and decreasing of purchase intention. Brand trust can reduce risk perception in both off and online contexts, with cognitive dimension playing a crucial role in offline context and emotional dimension in online one.

**Keywords:** Online buying behaviour, Perceived risk, Perceived complexity, Brand trust.

**JEL classification:** M31

### **1. Introduction**

Several authors (Suh, Han, 2003; Pavlou, Fygenon, 2006; Vos et al., 2014, Hong, Cha, 2013; Kamarulzaman, 2007) have underlined the crucial relationship between perceived risk and trust in determining online buying intention. More specifically, perceived risk on product and vendor features could affect consumer trust and therefore reduce or increase his/her intention to buy in an e-world (Pappas, 2016).

Because of this important relationship, different types of risk, able to mitigate trust construction and strengthening, have been investigated to identify which marketing actions on products and online vendors should be implemented to maintain an high level of trust also in a virtual world. All different types of risk can actually be emphasized by the complexity of the task the consumer has to carry out. Even if the relationship between trust and risk, both in on- and off-

line buying contexts, is well-known and supported in different research fields, a large part of literature on this subject considers trust as a mono-dimensional construct. Through scales including a few items (Pappas, 2016), trust is represented as reliability on firms' non-opportunistic behaviours, on their honesty and care assistance and/or on products quality features. Actually, different authors have suggested the multi-dimensional nature of interpersonal trust construct (Delgado-Ballester et al., 2003; Delgado-Ballester, 2004; Martini, Galli, Arseni, 2016). Adopting key features of interpersonal trust, Delgado-Ballester (2003, 2004) suggested a brand trust scale, with two main dimensions -competence and benevolence- to define the whole construct. Other authors have underlined the existence of more than two dimensions both in interpersonal and brand trust. If trust is a bi- or multi-dimensional construct each dimension needs to be elicited in order to evaluate its role in trust-risk relationship. The need to define exactly the multi-dimensionality of the construct of trust –both interpersonal and brand trust- is due to the highly different impact each dimension may have, in a direct or mediated way, on online purchase intention.

Several authors have argued that perceived risk affects buyers trust (Pappas, 2016), whereas the causal relationship between the constructs could also be inverted: trust could mitigate risk perception, which, in turn, directly affects purchase intention. Moreover, it has been repeatedly asserted that risk increases when uncertainty increases, so that this last variable needs to be considered to completely assess the role of risk and trust in online purchase behaviour.

This paper focuses on on-line and off-line perceived risk and purchase intention and it aims to evaluate the impact of brand trust on risk perception and finally on purchase intention, considering the different role played by uncertainty in a real and virtual world. In order to achieve this objective, the paper previously suggests a multi-dimensional scale of brand trust, verifies the different perception of risk and uncertainty in online and off-line behaviour for the same product and restates the higher purchase intention consumers show in real world if compared with online world. Finally, it compares the effect the main dimensions of brand trust have on risk perception in online and offline purchases.

## 2. Theoretical framework

Trust is as an important factor that helps to explain the thickness of the relationship between two counterparts, for example, buyers and vendors or brand and consumer.

In the latter case, trust reveals the generic will of the consumer to rely on the brand and it is known as brand trust. According to Chaudhuri e Holbrook (2001), if consumers trust a brand, they think that brand can always maintain its promises and deliver the related benefits. Other authors (Delgado-Ballester et al 2003) have extended this meaning including, in addition to the functional component, also the interest brand shows in consumers well-being.

Many researches suggest that brand trust has a relevant role in consumer behaviour and highlight the role of brand trust as determinant of different levels of consumer engagement or attitudinal loyalty (Delgado-Ballester *et al.*, 2004; Garbarino Johnson, 1999; Chaudhuri Holbrook, 2001; Didier Lombart, 2010; Gecti e Zengin, 2013; Hanzaae e Andervazh, 2012; Matzler *et al.*, 2008; Sung *et al.*; 2010).

Even if there is a general agreement about the concept and its relevance, there still are different measurement models, both mono-dimensional and multi-dimensional, to estimate brand trust. In particular, Li et al. (2008) emphasize the need to consider the concept of brand trust as a multi-dimensional construct with components forming a second-order global factor.

Delgado-Ballester *et al.* (2003; 2004) detect two main components, brand reliability and brand benevolence, derived from psychological, socio-psychological and marketing literature. The former concept refers to the technical endowment of the brand, that is, its ability to provide the buyer with an adequate supply. The latter concept reveals the brand's will to behave in favour

of consumers interest. In this case, brand trust does not simply represent a rational expectation but, rather, something consumers can feel and link to their emotional sphere.

According to the literature on inter-organizational and inter-personal relationships, other components can explain how trust emerges. Beyond competence and benevolence (Jarvis et al. 2003), often considered as relevant parts of trust construct, other authors suggest that other dimensions can be introduced (Lazerlere e Huston, 1980). In the domain of interpersonal relationship, for example, dimensions as discretion, empathy, credibility, honesty have been suggested and their relevance asserted, depending on the nature, interdependency and lasting of personal interactions. (Sheppard and Sherman 1998; Doney and Canon 1997; Ganesan, 1994; Zaheer *et al.* 1998; Jap, 1999; Delgado-Ballester *et al.*, 2003, Delgado-Ballester, 2004; Jarvis *et al.*, 2003; Li *et al.*, 2008)

Even if all these dimensions are well declined in the framework of inter-personal relationship, a selection of them can be retained also to represent brand trust concept.

Both trust and brand trust share a common multi-dimensional architecture that has rational or cognitive aspects, on one side, and emotional or affective ones, on the other. More in depth, dimensions like competence and honesty feed the rational side of trust, that is the complete reliability on lasting good performances from the counterpart. On the emotional or affective side, benevolence, for example, refers to perception a part will take care of the counterpart well-being.

Wicks et al. (1999) assign to the emotional dimension the ability to nourish the development of a relationship and to the rational one the ability to maintain it, making the partner's behaviour predictable. Moreover, Johnson-George and Swap (1982) emphasize the possibility that both rational and emotional components of trust may appear in different ways and moments.

Williams (2001) suggests that trust evolve during time through a learning process that affects both parties so that its dimensions evolve and change coherently with the relationship life cycle. With a different perspective, other authors suggest that the two general components of trust, rational and emotional, are strongly interconnected and can't be identified one by one during the relationship (Doney e Cannon, 1997; Kumar *et al.*, 1995). However, Lewicki (*et al.*, 1995; *et al.*, 2006) argues that rational components of interpersonal trust anticipate emotional ones. Many of the theoretical considerations from literature review about trust development in interpersonal relationship can be included in brand trust concept, too.

Similarly, all dimensions involved in brand trust are not always simultaneously present and do not have always the same intensity (Li et al., 2008). Moreover, it can be argued that a causal relationship exists between the dimensions involved from time to time. A reasonable causation displays that rational dimensions, likely at the beginning of the brand relationship, are progressively replaced by those more emotionally rooted (Gronroos, 1994, 2000; Gummesson, 1994 e 1998; Harris e Goode, 2004; Oliver, 1997 e 1999). Competence should precede, and partially shape, the consumer perception of a sincere respect of his/her interest and wellness (Delgado et al., 2003).

According to the literature, in this research we assume brand trust as a multi-dimensional construct based on four factors: competence, honesty, empathy and benevolence.

Competence is an indicator of experience, professional quality and ability to respond to buyer needs. Honesty describes brand sincerity (Morgan and Hunt, 1994, Geyskens et al 1996, Kumar et al., 1995), while empathy (Sheppard and Sherman, 1998) represents the brand ability to systematically interact and communicate with its buyers. Benevolence is the sincere willingness of brand to help its buyers.

Both trust and brand trust have relevant interactions with other variables able to shape consumer behaviour. Indeed, many scholars agree on the role of trust as risk moderator in choice under uncertainty (Johnson-George, Swap, 1982; Sheppard, Sherman, 1998; Davis,

Schoorman, Hoon Tan, 2000). Trust encourages people to choose courses of action otherwise too risky. One person trusts another when he/she chooses to work with him/her, even if the course of action that he/she is carrying out may appear risky or uncertain (Luhmann, 1988). If a decision maker chooses a specific partner to undertake an action under uncertainty and with potentially negative effects, he/she is betting on the commitment of the partner to achieve a positive outcome. In this case, trust becomes the critical resource that makes possible a course of action otherwise too risky to be undertaken (Galli Nardin, 1997). Surely, as it has been advocated from several authors, online buying behaviour is considered riskier than 'conventional' one; if risk perception increases in online behaviour trust can then assume an important role to moderate it in order to maintain high purchase intention. Therefore, our hypotheses are:

*H1: In online buying behaviour, brand trust reduces perceived risk, which, in turn, impacts negatively on purchase intentions*

*H2: In online buying behaviour, cognitive dimensions of brand trust have a major role in perceived risk reduction when perceived complexity of the task is low*

*H3: In online buying behaviour, emotional dimensions of brand trust have a major role in risk reduction when perceived complexity of the task is high*

According to the assumptions of Tversky and Kahnemann's Prospect Theory (Tversky, Kahneman, 1979, 1981, 1986), people show a systematic gap between stated probabilities of a possible outcome and perception people have of the same phenomena. In general, people strongly tend to overweight small probabilities and underweight large probabilities (Einhorn, Hogarth, 1988). Moreover, it seems that stated probabilities underweighting increases when uncertainty about possible outcomes increases (Einhorn, Hogarth, 1988). Different elements have been advocated as moderators of stated probabilities underweighting and trust is one of them. However, risk perception alone is not enough to define the specific role of trust in decision-making.

Different decision contexts may produce a different perception of the complexity of the task to be performed and, consequently, may alter risk perception. In these cases, people with trust endowment toward others, or brands, will behave differently (Lewicki, Bunker, 1996; Sheppard, Sherman, 1998).

Perceived complexity refers to the conditions of a system, characterized by a certain level of order/disorder, with too many elements and reciprocal interactions to completely understand it (Bennet e Bennet, 2004). In these contexts, behaviour can vary significantly because people are not able to organize all information relevant to a proper decision. To synthesize, risk perception depends on task complexity and brand trust may partially counterbalance their negative direct and indirect effects on purchase intention.

*H4: A high-perceived complexity of the task increases perceived risk associated with the task and reduces purchase intention.*

A high perceived complexity may lead to perceive an high level of uncertainty and, consequently, a high perceived risk and therefore to reduce intention to buy.

### **3. Methodology, data analysis and results**

The questionnaire contained constructs measures derived from literature (Gronroos, 1994, 2000; Gummesson, 1994 e 1998; Harris e Goode, 2004; Tversky e Kahnemann, 1979, 1981, 1986; Bennet e Bennet, 2004) and partially adapted to the research questions of this paper and it was based on brand Nike and on the purchase of a pair of Nike shoes. Brand trust was measured through 12 items to define its four sub-constructs – competence, honesty, empathy and benevolence- risk through 3 items, that estimated perceived success probabilities,

complexity through 3 items, to describe the perceived uncertainty of the task, and purchase intention through 3 items (see appendix at the end of the paper). Questionnaires also included other measures of brand equity and consciousness not further used for this investigation and, in the last section, demographics. Questionnaires were submitted online to 471 people in January and February 2017 and respondents could casually meet one of the following three versions of it: purchase a pair of Nike shoes at an official retail store (OFF); purchase them at the official online brand store (ONO) and finally purchase them online at Amazon store (ONR). In the first part of the questionnaire respondents faced 16 statements (on a 7 point Likert scale, strongly agree/strongly disagree) regarding brand trust (of which 12 have been retained in the model) 3 statements regarding risk perception, perceived complexity and purchase intentions. Before analysing data 39 questionnaires were removed because of their incompleteness.

The collected data were analysed using descriptive statistics, exploratory factor analysis and regression. Descriptive statistics helped to distinguish different levels of perceived risk and complexity and purchase intention in the three sets submitted to the respondents (OFF; ONO; ONR) (table 1).

| Measures             | OFF set | ONO set | ONR set |  |
|----------------------|---------|---------|---------|--|
| Perceived risk*      | 5,15    | 4,69    | 4,40    | F=9,41, p=0.00<br>ONR and ONO set means different from OFF set mean  |
| Perceived complexity | 2,75    | 3,37    | 3,65    | F=14,39, p=0.00<br>ONR and ONO set means different from OFF set mean |
| Purchase intention   | 3,85    | 2,16    | 2,44    | F=43,02, p=0.00<br>ONR and ONO set means different from OFF set mean |

\* Perceived risk is here measured as expected success probabilities

**Table 1. Perceived risk and complexity, purchase intention means in online and offline behaviour**

The OFF set is characterized by the highest expected success probabilities (that is the lowest perceived risk), the highest purchase intention and the lowest perceived complexity of the task. The ONO and ONR set distinguish themselves from OFF set because of lower purchase intention and higher perceived risk and complexity of the task.

Structural equation model was then employed to estimate the relationships among model constructs, according to the main advantage SEM has in estimating and testing causal relationships among constructs (Weston and Gore, 2006). According to Anderson and Gerbing (1988) a two-step path was adopted and first the measurement model was estimated. The measurement model contained 21 items and 7 factors and yielded an adequate fit (Chi-squared=292,15; df=168; Chi-squared/df=1,74; CFI=0,99; RMSEA=0,041); all items loading on their constructs were significant with the lowest T-value being 14,51 and the average variance captured by each construct always greater than 0,50 (except for empathy = 0,50) (Fornell & Larcker, 1981) (table 2).

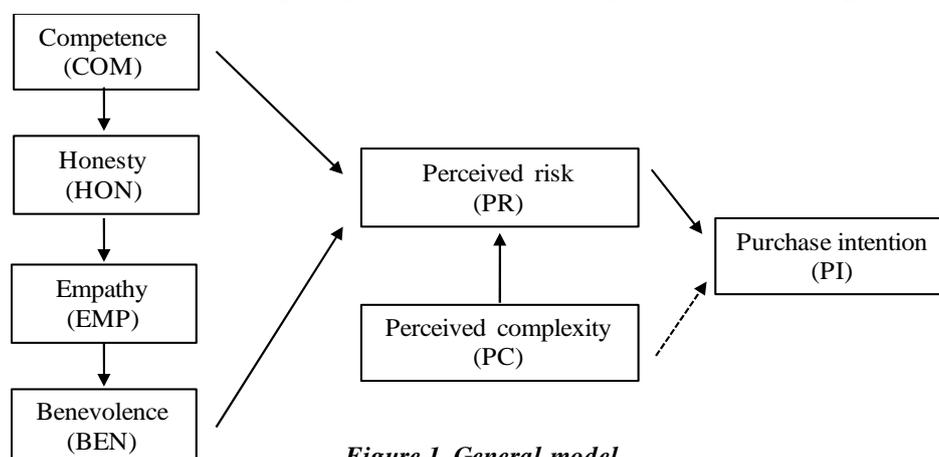
| Latent factor  | Std. coeff. | Ave. Var. |
|--|-------------|-----------|
| Brand trust – Honesty -  |             |           |
| Nike is sincere  | 0,84        | 0,76      |
| Nike is fair   | 0,90        |           |
| Nike is honest   | 0,88        |           |
| Brand trust - Competence   |             |           |
| Nike is qualified  | 0,80        | 0,66      |
| Nike has experience  | 0,79        |           |
| Nike is expert   | 0,85        |           |
| Brand trust - Benevolence  |             |           |
| Nike does all it can for me  | 0,83        | 0,71      |
| Nike helps me in tough choices   | 0,85        |           |
| Nike takes care of me  | 0,85        |           |
| Brand trust - Empathy  |             |           |
| Nike understands me  | 0,80        | 0,50      |
| Nike is friendly   | 0,65        |           |
| Nike does what I expect  | 0,65        |           |
| Perceived risk   |             |           |
| I recognize an high probability of success in purchasing a pair of sport shoes “at the store*”               | 0,68        | 0,59      |
| I realize that buying a pair of sport shoes “at the store*” is not a risky choice                            | 0,85        |           |
| I'm sure the purchase of a pair of sport shoes “in the store” will not create any problems to me             | 0,76        |           |
| Perceived complexity   |             |           |
| I think buying a pair of sport shoes “at the store*” is a very complex choice                                | 0,67        | 0,61      |
| I think it's difficult to make the decision to buy a pair of sport shoes “at the store*”                     | 0,91        |           |
| It is very difficult to evaluate all relevant elements when I purchase a pair of sport shoes “at the store*” | 0,75        |           |
| Purchase intention   |             |           |
| Next month I will to buy a pair of sport shoes “at the store*”   | 0,93        | 0,81      |
| Shortly I will buy a pair of sport shoes “at the store*”   | 0,90        |           |
| I'm going to buy a pair of sport shoes “at the store*”*  | 0,87        |           |

\* “at the store” was adapted as OFF, ONO, ONR according to the different type of stores as described in methodology section

**Table 2. Measurement model (total sample, n=432)**

For discriminant validity (Anderson & Gerbing, 1988; Bagozzi, 1981) the unconstrained models were statistically better than the constrained ones, on the basis of the chi-squared difference tests between each pair of scales correlation unconstrained and constrained to 1.

Figure 1 depicts the structural model with brand trust impacting on perceived risk, that, in turn, affects purchase intention. Complexity of the task affects perceived risk and purchase intention.



**Figure 1. General model**

Brand trust is represented in its sequential model, with competence preceding and supporting honesty, that, in turn, enforces empathy, which finally supports benevolence. Only the first cognitive and the last emotional sub-constructs of brand trust (competence and benevolence) have been related to perceived risk.

The model was first tested with the inclusion of all cases (OFF, ONO and ONR set and 432 respondents) and then separately for each set, with results showed in table 3.

|                    | General model | OFF set       | ONO set       | ONR set       |
|--------------------|---------------|---------------|---------------|---------------|
| Com→Hon            | 0,47 (8,47)   | 0,47 (5,94)   | 0,49 (4,18)   | 0,42 (4,87)   |
| Hon→Emp            | 0,78 (16,02)  | 0,79 (10,85)  | 0,78 (7,82)   | 0,76 (10,94)  |
| Emp→Ben            | 0,86 (19,81)  | 0,90 (14,12)  | 0,80 (9,73)   | 0,82 (9,11)   |
| Com→PR*            | 0,28 (4,98)   | 0,41 (3,73)   | 0,39 (3,62)   | 0,06 (0,94)   |
| Ben→PR*            | 0,22 (3,86)   | 0,21 (1,89)   | 0,05 (0,49)   | 0,32 (3,96)   |
| PC→PR*             | -0,44 (-7,13) | -0,19 (-1,78) | -0,33 (-3,32) | -0,57 (-5,61) |
| PR*→PI             | 0,28 (4,32)   | 0,22 (1,75)   | 0,22 (1,99)   | 0,27 (2,25)   |
| PC→PI              | -0,11 (-1,91) | 0,03 (0,27)   | 0,05 (0,60)   | -0,28 (-2,47) |
| <i>Fit indices</i> |               |               |               |               |
| Chi.-squared       | 363,86        | 262,12        | 290,78        | 287,88        |
| df                 | 181           | 181           | 181           | 181           |
| RMSEA              | 0,041         | 0,039         | 0,044         | 0,05          |
| CFI                | 0,99          | 0,99          | 0,98          | 0,98          |

\* Perceived risk is here measured as expected success probabilities and therefore it impacts on purchase intention with a positive algebraic sign

**Table 3. The structural models – Results – (t-value)**

In the general model, both cognitive and emotional traits of brand trust impact on expected success probabilities (that is, reduce risk perception), which, in turn, reinforce intention to buy. Perceived complexity of the task significantly reduces success probabilities but it hasn't a direct impact on purchase intention. The general model confirms the ability of brand trust to reduce risk perception which has a negative impact on purchase intention.

In the OFF set, when people are asked to buy a pair of Nike shoes at a conventional Nike store, perceived risk, which is very low in this scenario, doesn't impact on purchase intention and it is moderated only by the cognitive dimension of trust (competence). There aren't any significant relationships between perceived complexity, on one side, and perceived risk and purchase intention, on the other.

In ONO and ONR sets, that depict the model when people are asked to accomplish the same task online, perceived risk reduces purchase intention and brand trust can mitigate risk perception. This happens in two different ways, depending on the set people face. If the product has to be bought at online Nike store competence is the only dimension of brand trust that intervenes to moderate risk. When the online store is Amazon, brand trust still reduces risk perception but, in this case, benevolence plays the main role to mitigate risk. Moreover, in online sets perceived complexity of the task increases risk perception and in the ONR set it impacts directly also on purchase intention.

#### **4. Limits, further research and implications**

This study has been conducted on a limited number of cases and needs to be extended to different product categories and brands to be opportunely corroborated. Differently from what expected, there isn't a gradual increase of perceived risk and complexity, moving from the official online store to the online multi-brand retailer. To correctly test the model, there should be significant differences among the different sets. Anyway, online buying behaviour is confirmed to be riskier and more complex than offline one. To complete the model, also trust toward retailer, that is store trust, should be measured to evaluate its interaction with brand

trust, perceived risk and complexity.

Even with the limits described, some implications are relevant. Brand trust has to be measured with all its sub-dimensions to correctly understand how it works and impacts on relevant constructs as risk perception. Equally relevant, brand trust doesn't directly relate to purchase intention but it is a strong dimension that intervenes only on risk perception. The ways brand trust acts on risk are different. When people are asked to buy at the online or traditional Nike store, only the cognitive dimension plays a role to mitigate perceived risk. Benevolence becomes the only relevant dimension when the same brand has to be bought at the multi-brand online retailer. This could mean that emotional dimensions emerge when the task is perceived as more articulated, complex and risky. Indeed, only in ONR set perceived complexity impacts on both risk perception and purchase intention. Moreover, considering both cognitive and emotional dimensions, brand trust can help people to act and buy when the decision becomes riskier and more complex. Cognitive dimensions support decisions mainly in low complexity task whereas emotional dimensions become crucial in medium-high complexity ones: they increase perceived success probabilities, support purchase intention and make buying decision still attractive. Finally, it is important to underline that brand trust still plays the role of risk moderator even when the online store is not directly connected with the name of the brand. Because of the sequential path that characterizes brand trust and the relevant role played by emotional dimensions, firms surely need to confirm their competence, experience and ability to match buyer's expectations. These dimensions alone are not enough to support strong relationships able to persist even when the decision context becomes riskier and more complex. Firms have to systematically interact and communicate in order to confirm in each available 'contact situation' their honesty, empathy and benevolence toward their buyers to ensure higher purchase intentions. Since brand trust is a risk moderator both in low and high complex buying sets, it becomes crucial to support firms multi and omni-channel policies, today so widely adopted to face more and more challenging markets.

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## Specific Applications of Weather-Based Marketing

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### **Abstract**

The rapid penetration of new technologies in business and using them largely by consumers is a prerequisite for designing new applications for the purposes of marketing. Binding marketing decisions with big data is already a necessity which provides purposefulness, accuracy and speed of processes and tools. The interdependences between weather and the users that are surveyed and registered on the offline market are considered even more significant in designing the online set of marketing tools. The positive effects of applying weather-based marketing will generate extra interest in implementing and designing innovative applications. It is expected that a step forward will be made by the high-tech companies and those which update their marketing more actively. The article reviews current applications of weather-based marketing, the response to changes in weather and the possibilities for integrating the decisions for off- and online markets. The results of the research of weather-based marketing in Bulgaria will help to explain its condition at the moment and the opportunities for enlarging its scope in the future.

**Keywords:** weather based marketing, real time marketing, marketing automation.

**JEL classification:** M31

### **1. Introduction**

The relationship between weather and human activity may be observed in everyday life. It may be direct or indirect, but in both cases its utilization for the benefit of businesses and consumers leads to a positive effect. While in everyday life the attention is focused primarily on the direct impact of weather changes, which undoubtedly has a certain economic value, from a scientific point of view the valuation of this impact is much more complicated, as it also takes into account the transfer effect. A review of the available marketing literature shows that a number of authors have focused their research on the effects of weather in specific business fields (Becken, 2013; Busse, Pope, Pope & Silva-Risso, 2014).

Since technology nowadays makes possible the effective use of weather-based marketing, a question of interest is whether companies are willing to use applications based on relationships and proven effects in order to make their business more successful. The impact of weather changes on emotions, consumer behaviour and purchasing patterns (Mahadevaiah, 2016) goes beyond the framework of offline marketing, and marketers are already looking for and experiment with opportunities to commercialize significant marketing relationships online. The development of new technologies for real-time marketing gives a strong impetus to the development of applications in various fields (offer design, offering, pricing, promotion, product design, etc.). Using weather data in offers to consumers is an essential prerequisite for achieving greater efficiency through increased revenue, higher average price and cost optimization. High-tech companies invest in the development of applications for weather-based marketing. The results of these endeavours are already tangible: more than 10 companies offer weather-based marketing technologies and application. However, whether their clients are interested in and familiar with such applications, and whether they currently use the applications effectively or plan to use them in the future, is a different matter.

## 2. Arguments for tying marketing with weather

Studies over time have demonstrated a relationship between weather and purchased volumes, weather and products bought, weather and manner of purchasing, etc. The relationship between weather and demand (Weather Unlocked) by individual product groups is most clearly observed in the food and drink, clothing and fashion, travel, hospitality, leisure and entertainment, health and beauty, etc. sectors. Studies conducted by Weathertrends360 and Weather Unlocked show the significant impact of temperature changes on the sales of many product categories and groups (Table 1).

| <i>Weekly sales increase upon a temperature rise by 1F</i> | <i>Weekly sales increase upon a temperature fall by 1F</i> |
|--|--|
| 2% soft drinks   | 2% soup  |
| 24% air conditioners                                       | 15% portable heater  |
| 11% suncare products                                       | 25% mousetraps   |
| 4% infant apparel  | 2.5% softline goods  |
| 13% hedge trimmers   | +5000 units lipcare  |

**Table 1. Impact of temperature changes on product sales**

Source: <http://www.weatherunlocked.com/media/1096/the-complete-guide-to-weather-based-marketing.pdf>

Links are observed also between sunshine and sales, wind and sales, rain and sales, and furthermore, companies seek to determine the influence of more specific weather traits like humidity, chance of precipitation, strength and direction of the wind and so on, which have the potential for marketing development. The interest of researchers has also been focused on the effect of weather on consumer spending and willingness to pay (Murray, Di Muro, Finn & Leszczyc, 2010).

The existence of established relationships between weather, consumer behaviour and the performance of a particular business justifies the implementation of weather-based marketing. Experiments conducted by companies developing applications used to put into actual use weather data have shown distinctly positive results and effects (Table 2), which will give new impetus to investment in high-tech marketing aimed at developing the potential of companies.

| <i>Effects</i>   | <i>Characteristics</i>   |
|--|--|
| Increased sales revenue (WEATHER UNLOCKED, 2014; ADWORDSROBOT, 2017)   | Achieved through the variables volume and prices. Various possibilities: achieving higher volume while keeping prices unchanged; achieving higher volume at a higher price; achieving higher volume at a lower price; keeping the volume unchanged at a higher price. Part of the activities within WBM can be aimed at increasing the intensity of purchases, others at increasing the value that a consumer is willing to pay for a product in certain weather conditions. |
| Increase in total revenues (ADWORDSROBOT)                              | Opportunity to realize additional revenues from advertising, commissions and the like in a WBM environment.  |
| Improving the efficiency of sales revenue<br>Improving cost efficiency | The use of WBM brings about positive effects on the cost and/or on revenue, which in turn contributes to the improvement of such relationships (MONK). Examples have been given of the use of WBM to achieve higher efficiency of advertising (WeatherAds).  |
| Increase in profit (FORECASTER, 2015), including per consumer          | Opportunity to realize a higher profit as a result of economies of scale and higher yields.  |

**Table 2. Real effects observed in the application of weather-based marketing (WBM)**

These and other actual and potential effects (Table 3) reported by companies offering and using WBM applications constitute an essential argument for the future promotion of WBM for the business and for expansion of its scope of application.

| <i>Potential effects</i>   | <i>Characteristics</i>  |
|--|---|
| Increased sales revenue (WEATHERUNLOCKED, 2014)                      | Achieved through management of the variables volume and prices. Various possibilities: achieving higher volume while keeping prices unchanged; achieving higher volume at a higher price; achieving higher volume at a lower price; keeping the volume unchanged at a higher price. Part of the activities within WBM can be aimed at increasing the intensity of purchases, others at increasing the value that a consumer is willing to pay for a product in certain weather conditions. This effect can be achieved on both the online and offline market. |
| Increase in total revenues (ADWORDSROBOT)                            | Opportunity to realize additional revenues from advertising, commissions and the like in a WBM environment. This effect is characteristic mostly of the online market.  |
| Improving the efficiency of sales revenue                            | The use of WBM brings about positive effects on the cost and/or on revenue, which in turn contributes to the improvement of such relationships (MONK). This effect can be achieved on both the online and offline market.   |
| Improving cost efficiency  |   |
| Increase in profit (FORECASTER, 2015), including per consumer        | Opportunity to realize a higher profit as a result of economies of scale and higher yields. This effect can be achieved on both the online and offline market.  |
| Achieving a higher average price                                     | Achieved in several directions: automated pricing, targeted offering to segments willing to pay higher prices under certain weather conditions. This effect can be achieved on both the online and offline market.  |
| Improved utilization of capacity and space                           | Attracting consumers to products/channels that correspond to the company's production and distribution capacity according to the weather parameters. This effect can be primarily achieved on the offline market.   |
| Improved speed of the individual activities                          | Rapid response to any change in the weather conditions. This effect can be achieved on both the online and offline market.  |
| Increased market share   | This effect is due to the increase in sales revenue and higher marketing efficiency. It can be achieved on both the online and offline market.  |
| Increase in traffic (online and offline traffic to specific objects) | Attracting real and potential consumers and navigating them to specific offers online and offline. This effect can be achieved on both the online and offline market.   |

*Table 3. Potential effects of the application of weather-based marketing (WBM)*

Marketing intensification aimed at increasing the speed of marketing processes and improving efficiency will continue to be the basis of innovation in the coming decades.

### 3. Specific applications of weather-based marketing

How companies respond to weather changes and design their weather-based marketing is a problem that is going to be ever more actively researched. Popular practices and case studies examined in various publications have been key to the development of the main applications of weather-based marketing (Table 4).

| <i>Applications</i> | <i>Characteristics</i>   |
|---------------------|--|
| Pricing             | The automation of marketing processes and activities allows for tying prices with weather traits. A pioneer in the dynamization of prices based on temperature fluctuations is Coca Cola (Haysoc, 1999): the company has developed an innovative pricing model for its best-selling drink, which takes into account the temperature measured at the place of sale. Weather-based pricing can be reasoned by three main factors – first, the shift in |

|                        |   |
|------------------------|---|
|                        | consumer demand; second, the shift in consumer willingness to pay, and in the third place the changed costs for the production and/or realization of the product in different weather conditions. Weather-based pricing models will become ever more popular in an automated pricing environment.   |
| Product design         | The relationship between product design and weather has the potential for development for marketing purposes, with a view to achieving a broader geographic coverage and creating products that can benefit from weather conditions (Skymosity). There are several major aspects of the relationship between weather and product design: “weather – product features”, “weather – product range”, “weather – category merchandising”, “weather - product policy”, etc. At present weather characteristics are actively used in the design of insurance companies and agribusiness products. |
| Adjusting distribution | Switching between distribution channels to reflect weather conditions allows for a more efficient distribution in general and a balance between production and distribution capacity. Another significant application of WBM can be found in the management of inventory and space.   |
| Promotion              | It is used to determine the parameters of the company’s communications with regard to weather/purchase, weather/consumption, weather/cross-selling and other relationships.   |
| Offering               | Design of the offer: an example of this approach, implemented in two stages, is Dynamic Yield. Targeting according to the weather conditions at the location of the potential/existing consumer.  |
| Service                | Service parameters may be designed in accordance with the weather, in the search for balance between consumer expectations and service offered.   |
| Event marketing        | Events are highly dependent on weather parameters, and are designed and conducted bearing in mind the characteristics of the weather.   |

*Table 4. Specific applications of weather-based marketing*

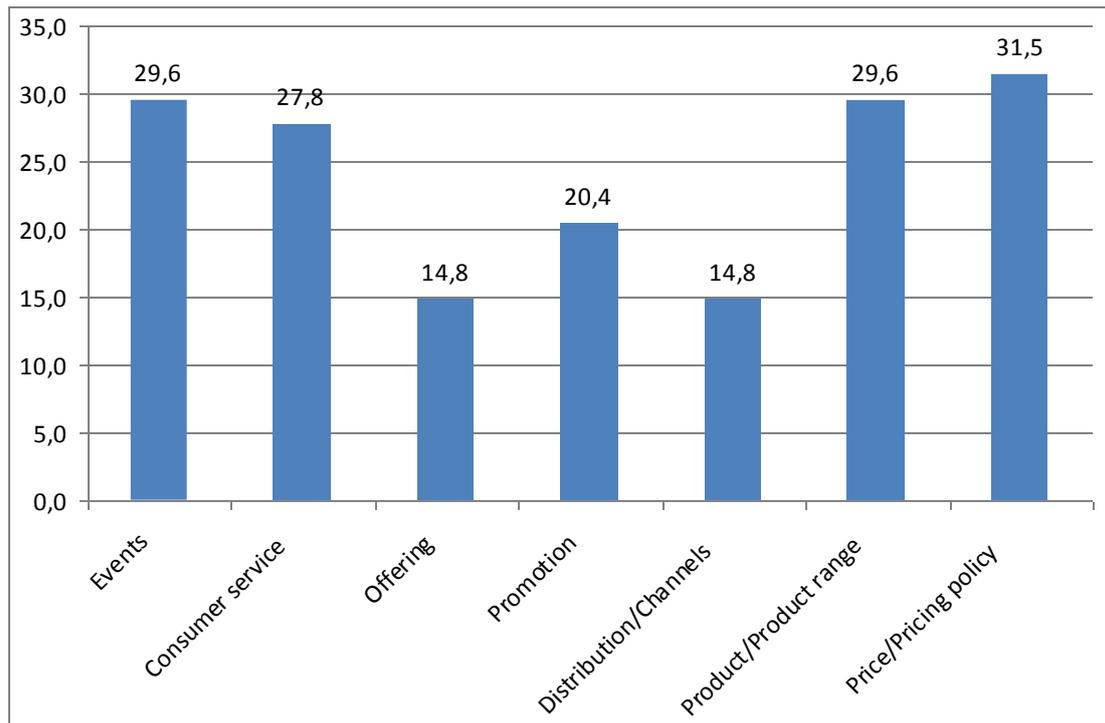
#### **4. Weather-based marketing and its use by companies registered in Bulgaria**

The study on the use of weather-based marketing in Bulgaria was carried out in two stages. In the period 11-18 May 2017 a 10% sample was achieved from the survey on the use of WBM among 420 companies registered in Bulgaria (the interim results are published in a separate paper). The second stage of the study covers the period 10 August to 4 September 2017. The study was in the form of an online survey and comprises a sample obtained through the volunteer sampling method (a non-probability sampling method). With emphasis on the fact that the data have been collected through a non-probability sampling method, some significant results are shown in this paper, based on information collected in the survey.

The data collected and processed for 420 companies registered in Bulgaria showed that 61.7% of these companies believe that the demand for their products/services is influenced by weather, and 31.7% found no relationship between weather and the demand for products/services. Only 6.7% of the respondents cannot decide whether such influence exists. The majority of the subject companies (26.7%) believe their products/services are in higher demand in fine weather, 13.3% believe that the demand for their products/services is greater in times of bad weather. Of the companies surveyed, 8.3% believe their products/services are in less demand in bad weather, and 3.3% say that the demand for their products is lower in good weather.

It is interesting to see how the moment in time is important for the business of companies that take into account the weather: the weather now, the weather tomorrow, or the weather before. “The weather now” is important for the business of 69.1% of the respondents, “the weather tomorrow” – for 52.7%, and “before” has significance for 14.4% (the total is greater than 100 because the respondents gave more than one answer).

The marketing effects of weather changes were examined by means of seven variables, the results of which are presented in Figure 1.



*Figure 1. Distribution of respondents according to marketing exploitation of weather changes by the companies surveyed*

Weather is most actively used for marketing purposes in pricing decisions (31.5%), in events design (29.6%) and product solutions design (29.6%) in the operations of companies that take weather into account.

Another interesting finding is that 80% of the respondents are not familiar with the capabilities of WBM, 16.7% have partial knowledge and only 3.3% are fully aware of them. Eight percent of the companies surveyed have used a WBM application in making online sales. The application used is widely applied and the companies have indicated that they are completely satisfied with the results. The effect in this specific case was increased marketing effectiveness. As regards the future of WBM, 14.3% of the companies intend to apply it in online and offline marketing, which too is an informative result and reflects the market specifics in Bulgaria. A comparatively small proportion of companies use automated marketing platforms (4.8%), social networks (7.1%), big data marketing (2.4%) and location tracking applications (2.4%).

## 5. Conclusion

Although the study of the use of WBM by companies in Bulgaria did not show high awareness and activity, the expectations for its future are positive. Weather-based marketing will continue to evolve in two directions – promotion of widely used applications in various business areas, and development of specific applications for utilization of specific opportunities. The positive results achieved by companies that offer and apply WBM will stimulate businesses to continue to invest resources in WBM technologies and applications. The relationships between weather-content search-location in the search of more effective and better targeted marketing will become increasingly used.

The aim of companies to synchronize their marketing strategy with changes in the environment will be a strong impetus to implement real-time marketing. Steps in this direction are expected to be made first by high-tech companies and by those who regularly update their marketing solutions. Information integration and more efficient use of consumer and partner data will be

among the priorities for the development of a WBM entry and the design of automated marketing solutions.

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## The Brand Effect - Living the Brand in Negotiations

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### Abstract

Prior studies in marketing could confirm that the humanization of the brand through the sales person is beneficial for the brand perception by the customer during the selling process. While this research could indicate a positive effect through the behavior of the sales representative on the overall brand success, these studies have not considered negotiations as an intense and complex part of personal selling. The purpose of this dissertation project is to close this research gap and to generate insights into brand effects within negotiations. In order to examine this research question, the dissertation will include conceptual, quantitative and qualitative research approaches. Furthermore, different techniques (e.g. experiments, management interviews, surveys with professional negotiators and observations of real negotiation behavior) will be applied. By researching the humanization of the brand through the negotiator within a negotiation, marketing science will gain significant insights. By understanding the sales person as an identifier of the brand within a negotiation setting, the brand will be the outcome variable as well as the predictor of the brand specific negotiation behavior. In addition, this dissertation will be helpful for marketing practice, since it will lead to important implications for the brand management, the training of negotiation teams and the strategic decision-making within negotiations. Therefore, the objective of this dissertation is to prove that a negotiator, who is a true personification of the brand, will have an impact on the effectiveness and efficiency of a negotiation.

**Keywords:** negotiations, brand effects, brand strategy, brand personification, brand promise delivery.

**JEL classification:** M31

### 1. Introduction

Prior research in the business-to-consumer (B2C) marketing as well as in the business-to-business (B2B) marketing has proven that branding is powerful in enhancing the emotional value of a brand and therefore an effective marketing tool (Farquhar, 1989). Only recently, studies in the B2B marketing identified branding in the industrial sector as a capable way of getting into a relationship with the targeted business customer. In addition, these studies have shown that emphasizing the brand values leads to a greater emotional connection between the customer and the brand. An accurate branding strategy is highly needed, especially in situations within the brand-customer relationship where the customer is able to directly experience the brand. These direct intersections between the customer and the brand can occur in the B2C as well as in the B2B business. For example, the final customer can have a face-to-face interaction with the frontline employee in the selling process. Moreover, in the B2B environment personal relationships and the contact with the representatives of a company are the main characteristics of business buying and selling. All of these touchpoints between the customer and the brand have the commonality that the employee acts as a personification of the brand. Especially in today's business environment, which is influenced by the progressive globalization and its consequences (e.g. interchangeability of products, crowded and highly competitive markets and well-informed customers), a company needs to differentiate itself. This provision of a unique company image can be achieved through emphasizing the corporate brand values. Since many companies in the B2C sector have removed their fixed price strategy, negotiations are a perennial occurrence between a company and its customers. Furthermore, the B2B buying and selling has always been a subject for negotiations and therefore one of the most relevant brand touchpoints. These changes in the B2C selling and the high dependence on personal

relationships within B2B buying and selling leads to the consequence, that a negotiator, respectively the seller, needs to be an indicator of the brand. Therefore, a brand-compliant negotiation behavior is highly required.

This dissertation project will take into account that negotiations, due to their intensity, are a highly critical brand touchpoint that needs special attention by marketing science. While prior marketing studies have provided insights into the strong impact of negotiations on the overall company success and the power of branding in enhancing the company value through differentiation, it is rather surprising that no research exists which has explored the use of branding within negotiations. The aim of this dissertation project is to close this research gap and to examine in depth the effects of branding within negotiations.

## 2. Theoretical foundation

Branding as well as the concept of the *brand as a person*, respectively the *humanization of the brand* or the *anthropomorphization of the brand*, originates out of the consumer marketing. Consequently, the strategic management of the brand and its effects on the consumer was always a vital research area for B2C scholars. Generally branding is a method that is enhancing the affective component of a brand and a way of getting into a relationship with the customer (Farquhar, 1989). In addition, branding can lead to an emotional connection between the customer and the brand (Farquhar, 1989). Hence, a brand can be defined as a bundle of emotional and functional benefits (Lynch and De Chernatony, 2004). Moreover, a brand is a welcome and unique promise to the customer (Lynch and De Chernatony, 2004). In markets where products are mainly bought because of their functional characteristics, branding offers the customer additional buying arguments (Farquhar, 1989). Therefore, the brand attributes are indicators of the customer behavior (De Chernatony et al., 2011; Garry et al., 2010).

Because of the high degree of rationality, which is a major characteristic of the buying behavior by B2B customers, branding in the B2B context was not of interest for the marketing practice as well as marketing science (Garry et al., 2010; Robinson et al., 1967; Baumgarth, 2010a). Since 2000, this perspective has changed. Recent changes in the markets have forced many B2B companies to consider branding as an opportunity to set themselves apart from their competitors (Baumgarth, 2010a). The increasing globalization and therefore the entrance of new market participants mainly caused this additional differentiation, which goes beyond the functional product attributes (Baumgarth, 2010a; Baumgarth, 2010b; Mudambi et al., 1997). Nevertheless, for an application of branding into the B2B context the scientific findings from the B2C marketing have to be adjusted (Leek and Christodoulides, 2011). This can be reasoned by the monetary value of the transactions, the consequences of buying decisions and the collective decision-making process (Baumgarth, 2010a). Therefore, the B2B selling and buying differs significantly from the B2C buying decision. On the other hand, successful B2B buying and selling is highly dependent on personal relationships (Baumgarth, 2010a). Even though this dependence may differ among the cultures, the need for a personal exchange offers a decisive opportunity to emphasize the brand values and research the effects of branding.

Besides this external view on brand effects, an internal branding approach can be applied (Kilian and Henkel, 2010). Especially in the offline buying and selling process between the company and the final customer, respectively the business customer, the sales person is acting as a representative of the brand and its attributes. This brand personification is of special importance in markets where personal relationships are needed (Kilian and Henkel, 2010). This face-to-face communication within the buying and selling process remains as a valid chance to transfer the brand values to the target group and inform the customers about the brand benefits. From a brand management perspective the brand message should be effectively and efficiently communicated if there is a personal contact with the brand. As a result, the sales force can be

seen as the mediator between the brand and the customer and is therefore of special importance in communicating and delivering the brand promises (Lynch and De Chernatony, 2004; Punjaisri and Wilson, 2007).

Recent studies could confirm that the perception of the brand experience is correlated with the personal interaction with the sales person (Baumgarth and Schmidt, 2010). Researchers also applied the brand humanization approach in a service context. In service marketing the interaction between the frontline personnel and the customer can be seen as the *moment of truth* (Aaker, 1997; Kimpakorn and Tocquer, 2010; Punjaisri and Wilson, 2007). Nevertheless, especially in a B2B setting, the concept of the sales person as the brand identifier or the humanization of the brand is under research (Bendapudi and Bendapudi, 2005; Gupta et al., 2010a; Gupta et al., 2010b).

The implementation of the concept of the brand as a person can appear in many forms (Aaker, 1997). One form of this approach is to bring the brand to life through a person and therefore perceivable for the customer. Originally, this theoretical construct was used in marketing science for analyzing the impact or the effect of brand endorsement or as a certain way of advertising the brand. By humanizing the brand, the customer becomes able to perceive the personality of the brand, which is defined as a “set of human characteristics associated with the brand” (Aaker, 1997). Furthermore, the customer will have a personal connection or even enter into a friendship with the brand.

Recent studies have shown that communicating the emotional component of the brand is also of relevance in the complex B2B buying and selling (Lynch and De Chernatony, 2004). In the often uncertain buying and selling situation, the existence of a personal connection with the brand can enhance the credibility and reliability of the brand. In addition, studies have confirmed that a brand-compliant behavior by the sales person can enhance the customer satisfaction (Bitner et al., 1990; Keaveney, 1995; Parasuraman et al., 1985; Zeithaml et al., 1996; Zeithaml et al., 1988). In literature, this direct perception of the brand is defined as brand touchpoint. A brand touchpoint can be understood as a moment or a situation in which the customer is having a direct brand experience (e.g. buying-selling interaction) (Burmam et al., 2003). The identification and the management of these brand touchpoints is one of the major tasks of the brand management.

It is important to notice, that the touchpoints with the brand can differ in their intensity and they are dependent on the circumstances. For instance, negotiations are a highly intensive and conflicting brand touchpoint within the buying and selling process. In negotiations, the negotiator, respectively the sales person is acting as the representative (i.e. agent) of the company (Agndal et al., 2017). Hence, the negotiator respectively the seller will be the personification of the brand. This makes a negotiation a highly relevant application area for the strategic brand management.

Negotiations are an essential part of the everyday business life and can occur in many forms and settings. Therefore, negotiations take place within the company (e.g. HR-negotiations), between companies (e.g. buyer-seller-negotiations) or between the employee and the final customer (e.g. B2C-negotiations). All of these different kinds of negotiations have in common that they are highly individual and dependent on the unique situation in which the negotiation takes place. In addition, negotiations are characterized by a certain degree of complexity depending on the subject and the negotiation counterpart. Criteria's for classifying negotiations are, for example: the frequency, the form of the settlement and the organization that the negotiator is representing (Voeth and Herbst, 2015). By definition, a negotiation is an interactive process in which two or more parties try to reach their own or common goals through communication (Leigh, 1990; Voeth and Herbst, 2015). All parties will have conflicting interests, respectively partially different preferences, according to the negotiation

outcome (Leigh, 1990). Although the parties try to find an agreement on one or more negotiation objects, they will try to influence the general solution to their benefit (Voeth and Herbst, 2015). Therefore, a negotiation is a joint decision-making process between at least two parties (Voeth and Herbst, 2015). Thus, general features of negotiations are the involvement of more than two parties, the congruence of goals, the conflict of preferences, the interactive process and the chance of reaching an agreement (Voeth and Herbst, 2015).

Negotiations are an emerging research field and studies on negotiations have proven that they greatly contribute to the achievement of the overall company goals. Even though negotiations are significant success indicators for the customer satisfaction within the buying-selling process, it is rather surprising that most of the research on negotiations deal only with functional, respectively rational aspects of negotiations. By addressing the emotional aspects of negotiations (e.g. the brand), comprehensive knowledge can be provided enabling the negotiator to be more effective.

By applying the humanization of the brand approach, different research questions can be addressed. Firstly, the negotiation outcome can be affected if the negotiator, respectively the seller, is able to be a true representation of the brand. The negotiation outcome relates to rational and emotional dimensions. The rational dimension of the negotiation outcome consists of the individual and the joint outcome. The emotional dimension of the negotiation outcome includes the negotiation satisfaction, the customer satisfaction, the feeling about oneself and the other person, the feeling about the process (e.g. fairness) and the satisfaction with the relationship.

A theoretical approach that explains the positive impact of a strong negotiator-brand connection on the negotiation process and outcome is the information processing approach. This theoretical framework can offer a comprehensive understanding on which circumstances individuals' process information's either in a heuristic manner or in a more effortful way (Chaiken and Trope, 1999; Petty and Cacioppo, 1986). These two different routes of processing information's are influenced by many factors. One of these factors are positive emotions. If individuals are in a positive mind set (e.g. due to their psychological connection with the brand), these positive emotional state will influence the way of processing information's (Forgas 1998; Forgas 1995; Kopelman, Rosette and Thompson, 2006).

Another aspect by examining the humanization of the brand by the negotiator within a negotiation are the consequences for the brand itself. By analyzing the effects for the brand, the point of view will change. If the negotiation counterpart is having a strongly positive perception of the negotiator as the personified brand, she or he can gain a better brand attitude or is more convinced of the brand message. Therefore, if a company emphasizes the communication of the brand values within a negotiation, the company becomes able to enhance the brand equity. Brand equity refers to the value, which is created by the brand and can be separated into the psychographic and the economic value (Aaker, 1996; Burmann and Meffert, 2005). The fact of having a strong brand will create a competitive advantage for the company (Aaker, 1991; Ohnemus, 2009).

Finally, the application of the internal branding perspective can reveal the requirements for turning negotiators, respectively the sales person, into brand champions within negotiations. Possible variables for determining a strong brand connection of a negotiator are the brand commitment, the brand knowledge or the brand involvement (Baumgarth, 2010b). For example, a high expression of brand commitment by a negotiator can be an indicator for a potentially good brand representation. From this internal branding (i.e. behavioral branding) perspective, *being the brand* or *acting like the brand* can be an orientation guide for the negotiator during a negotiation.

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## **Business Ethics of a Leader of NGO for Children in Needs**

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### **Abstract**

The purpose of the research is to study the business ethics of a leader of non-government organization that provides the assistance to needed children. The study is conducted in Belgorod region (Russia) in May – June 2016. The targeted sample includes formal and informal leaders (n = 281) from 52 NGOs which provide services for children in needs. The main method of the research is a structured interview with formal and informal leaders of NGOs, located in Belgorod region. Currently, the total number of non-profit organizations in Belgorod region is 2141, but only 52 of them have been supported by the government. The results of the research has showed the following: first of all, most of the official leaders of non-profit organizations are people aged 40 years and older while the age of most informal leaders of NGOs is around 60. Secondly, 80% of regular employees of non-profit organizations have been familiar with their colleagues before they start working together; in most cases the person who is the initiator of the creation of the NGO, then has become its leader. Thirdly, the majority of regional non-profit organizations are relatively closed; more than 20 % of respondents indicate that they work together with their relatives, and the rest of the employees are people who fully share the moral and corporative values of the organization. Fourthly, on the one hand informal interpersonal relationships between employees promote trust and mutual assistance, reduce barriers in communication process, but on the other hand they reduce the development of the organization, prevent NGOs from the search for new ideas and resources. Fifthly, the main conditions that are allowed non-profit organizations to achieve their goals are an authoritative leader (70 %), his/her personal and professional experience (68 %), as well as a well-established reputation in professional sphere based on the business etiquette (62 %).

**Keywords:** business ethics, leader, non-government organization for children in needs, Belgorod region.

### **1. Introduction**

The ethics of businesses is under greater scrutiny than ever and from many different directions. The main reasons for that are the following: the enormous growth of information available to the public on particular businesses' activities; business leaders become the part of celebrity culture and much more public figures than they used to be; a big change in the mix of investors that own shares in companies and in the kinds of return that has a big impact on the way that businesses are run and therefore on how they behave (Bones, 2014).

Using the theory of social constructivism and critical discourse, the researchers are analyzing the best practices described by the leaders, who implement business ethics. Issues of government business ethics' compliance are manifested at both micro and macro levels. This analysis contributes, firstly, to criticism of capitalism as a discourse, which appears to offers the opportunity for business and social change in the area of assistance to children; secondly, criticism of the development of ethical leadership through the relationship with the authorities, and through complex processes taking place within the organization (Fyke & Buzzanell, 2013).

## 2. Literature review

Attention to business ethics is the core of the mission of all modern organizations, including NGOs. The research and development of educational programs for leaders of organizations have been held in the Center for Business Ethics at Bentley College for more than 30 years (Driscoll, Kipp, Daly & Nash, 2001). In modern society, the ethics of NGOs' leaders is an important contribution to the development of the organization and social changes. Leadership in organizations with no business ethics can have a negative impact on the social situation.

Ethics can serve as a basis for the elaboration of guiding principles of organizations and help their leaders to achieve career growth, to promote desirable models of behavior for employees, working under their leadership. Nowadays, there are several ethical theories and principles that can be used as a guide for NGOs' leaders. However not every social theory works for every social situation because different people have their own moral standards and values that determine their subsequent decisions (Derr, 2012). Some of the researchers note that modern non-profit organizations and their leaders face with collaboration, trust and innovation problems (Vernis, Iglesias, Sanz & Saz-Carranza, 2006).

It is important to mention the role of business ethics of NGOs' leaders in the context of public confidence. For example, the results of the research, conducted by Information Agency "RosBusinessConsulting", showed, that only 14 Russian companies had the greatest social responsibilities. Among others the leading positions had "Gazprom" (12.3 %), "Sberbank" (6%), "Russian have Railways" (5.1 %). However, more than half of respondents (66%) said that Russia had no socially responsible business settings at all (RosBusinessConsulting, 2015). It is clear that in Russia only the large companies (telephone, oil production companies or leading banks) can be socially responsible, on the contrary small businesses are still faced with enormous financial difficulties and the tax burden in order to develop social programs actively and properly (Volkova, Besschetnova, Grebenikova & Chefonova, 2016).

One of the reasons of this situation is the low public confidence in most major social institutions, such as business, military, government, media, etc. (Jones & Gautschi, 1988; Jones, 2015). According to the results on a June 2 – 7 Gallup poll that included Gallup's latest update on confidence in U.S. institutions, only the military (72 %) and small business (67 %) were the highest-rated institutions which were rated higher than their historical norms (Jones, 2015). The opinions of Russian citizens to the social institutions are very contradictory. The survey, conducted 23–26 September, 2016 by Y. Levada's Analytical Center showed the decrease of Russians' confidence to social institutions: 74 % of respondents trusted the President of the Russian Federation, military – 60 %, church and other religious organizations – 43 %, media – 27 %, political parties – 12 %, big business – 11 %. The highest ratings of all social institutions were observed in 2015, but during 2016 there was a decline of all indicators (Anon, 2016). According to the survey, conducted in February 2017 by Russian Public Opinion Research Center, there was the increasing public confidence to the main social institutions, such as military (88.6 %), church (72.7 %), media (64.3 %), and political parties (50.7 %) (Anon, 2017).

## 3. Research methodology

The purpose of the research is to study the business ethics of leaders of non-profit organizations which provide services for children in needs. The study is conducted in Belgorod region (Russia) in May – June 2016. The targeted sample includes formal and informal leaders (n = 281) from 52 NGOs.

We consider formal leaders those who are the official heads of non-profit organizations, while informal leaders are the founders, staff or those who play an active role at the organization.

The main method of the research is a structured interview with formal and informal NGOs' leaders, located in Belgorod region. Currently, the total number of non-profit organizations in Belgorod region is 2141, but only 52 of them have been supported by the government.

In order to interpret the primary sociological data the method of drawing up comparative tables was used. Comparative tables included the following materials of structured interviews: (1) the title of a nonprofit organization; (2) its mission; (3) the extent of the assistance; (4) categories of needed children; (5) leader's age; (5) leader's gender; (6) leader's education; (7) the respondents' answers regarding the quality of services provided by NGO and business ethics of its leader. The data listed in the tables were compared by columns (vertically) and rows (horizontally).

During the study, respondents were asked some questions related to business ethics of NGO's leaders: What personal characteristics are the most important for NGO's leaders? What are the factors which allow NGOs to solve their problems regarding helping different categories of children? What are the most effective measures for improving the NGO's efficiency? What kind of skills the NGO's leaders need and how they can be improved?

#### **4. Results Comparative characteristics of formal and informal NGOs' leaders, assisting children**

The results of the research have showed the following:

(1) Most of the official leaders of non-profit organizations are people aged 40 years and older while the age of most informal leaders of NGOs is around 60.

(2) About 60 % of formal leaders of NGOs, working with children are women, while 89 % of informal leaders are men.

(3) 85 % of leaders have a higher education; moreover 60 % of employees' education fits the profile of NGO's mission.

(4) For most employees the job in NGO is not the main source of income; 45 % of them work there part-time, and 27 % of them are retired.

(5) 60 % of non-profit organizations, located in Belgorod region perform their work with children in the socio-cultural sphere, and 40 % provide social services to different categories of children in need.

(6) 80 % of regular employees of non-profit organizations have been familiar with their colleagues before they start working together; in most cases the person who is the initiator of the NGO's creation, then has become its leader. On the one hand informal interpersonal relationships between employees promote trust and mutual assistance, reduce barriers in communication process, but on the other hand they reduce the development of the organization, prevent NGOs from the search for new ideas and resources.

(7) More than 20 % of respondents indicate that they work together with their relatives, and the rest of the employees are people who fully share the moral and corporative values of the organization.

(8) The most preferable personal characteristics of NGO's employees are imitativeness (78 %) and creativity (81 %).

(9) The main conditions that are allowed non-profit organizations to achieve their goals are an authoritative leader (70%), his/her personal and professional experience (68 %), and a well-established reputation in professional sphere based on the business etiquette (62 %).

According to the respondents' answers, one person can be formal as well as informal NGO' leader (51 %). In fact, the official leaders have their influence because of the social status and an occupied position in the organization. In the rest of the cases, the head of the NGO formally has the status of official leader, but does not actually perform its functions. There are several reasons for that: the head is elderly or has poor health (71 %); the supervisor has no professional

experience working with children and their parents or caretakers (63 %); the head has low personal social status in staff's interpersonal relations (22 %); the supervisor's acts do not motivate the employees to get NGO's goals (22 %); the leader is not enough interested in routine paper work (62 %); the head failures to cooperate with sponsors, government authorities and media (31 %).

### **Problems and perspectives of business ethics of NGO's leader, providing services for children**

Problems of formal and informal leadership become most obvious in critical situations. In these cases, the informal leader is given the rights to make responsible decisions. Also social changes lead to unstable informal leader's position where the leadership can go from one person to another. The important personal characteristics are education background, professional experience, social interaction, and communication skills. In some cases the leadership can be partly divided into two or more persons. Therefore, the formal leader is responsible to identify informal leaders, to delegate them some power, in order to keep the integrity of the organization. The cooperation between the formal and informal leaders can contribute to the NGOs' development and expand the geography of its activities.

According to the study, 57 % of non-profit organizations carry out their activities within a specific locality (in our case in the city of Belgorod and its suburbs), 39 % works on the whole territory of Belgorod region and only 4 % spreads their activity on other regions inside Russia. Thus, the activities of most Belgorod NGOs are limited by the territory of the city or its suburbs that on the one hand limits the range of clients, but on the other hand gives the organizations opportunities to solve social problems of children living in a particular area. Many NGOs' leaders consider it unethical to develop their own activities in the territories of other regions. Therefore, they do help children from other regions only if they have strong cooperation with NGOs of this region.

The majority of non-profit organizations of Belgorod region (57 %) include more than 100 employees, but at the same time, the number of staff, working full time is very small (less than 5 people). The smallest NGOs are the organizations dealing with ecology and of environment protection problems as well as organizations, providing services for children, where the staff consists of 3 – 5 people. However, according to the study, leaders of these organizations better comply with business ethics in comparison with others. 75 % of Belgorod NGOs do not provide state or municipal services, although entitled to it under Russian law; 40 % of them work in the field of children's health, so NGO leaders devote considerable attention to the health of children in their region.

In general leaders of non-profit organizations for children in need in Belgorod region give a positive assessment of their relationship with the representatives of state and local authorities. About 55 % of NGOs' leaders characterize them as partnership, while 25 % considers them as "constantly developing". However, 45 % of respondents believe that these relationships are not strong enough and in some cases are not based on business ethics. Unfortunately, the respondents noted the limitations of state and municipal structures' activities that do not allow them to fully cooperate with NGOs.

Considering the interaction of NGOs with the external environment, it can be noted that the majority of non-profit organizations (61 %) interacts with children every week; less active (1 – 2 times per month) NGOs interact with local community (38 %), other NGOs (35 %), representatives of the local authorities (30 %), Internet sources (23 %), and (5) media (22 %). Interaction with TV (32 %), representatives of regional authorities (27 %) and local politicians (27 %) take place 3 – 4 times a year. The fundraising does not exist at all.

According to respondents' point of view, the most effective measures to increase the efficiency of NGO are: the increase of funding (63 %), the developing of social support policies of NGOs (44 %), the collaboration with the administration (44 %), the analyses of the successful experience of NGOs from other regions (24 %), and getting information in time concerning the NGO's activities (24 %).

The main conditions that enable nonprofit organizations more effectively address the challenges ahead, respondents identified the following: authoritative official NGO's leader (70 %); successful experience (68 %); an established positive reputation of NGO as a whole, as well as its formal and informal leaders (62 %); well-educated staff (59 %); collaboration with local (54 %) and regional (45 %) authorities; a good relationship with media (36 %).

According to respondents' answers, the employees' training is not an important aspect of the increasing the effectiveness of the organization. Still, the majority of them note the need for training for NGO leaders regarding the social projects development, strategic and current planning of NGO's work, productive interactions with state and local authorities, and the basics of business etiquette. In order to get new knowledge and skills, NGO's employees want to see as teachers both formal and informal leaders from other NGOs (63 %), representatives of administrations at different levels (50 %) as well as university faculty (45 %). The course "Business ethics of an NGO's leader" is seen as one of the most demanded in the curriculum.

## 5. Conclusions

The study of issues related to business ethics of NGOs' leaders showed the following. The greatest part of NGOs' leaders represents the age group of 40–60 years old people, both men and women, who are traditionally respected. The compliance with business ethics depends on age has some peculiarities: 60-year-old leaders are more focused on the ethics of personal relations, while 40-year-old emphasizes the rules of business and professional ethics.

For 45 % of non-profit leaders, their work is not the main source of their income, many of them combine work in state organizations that often affects the compliance of business ethics when working with children in NGOs; 27 % of the NGOs' staff who have already retired, are carriers of the old norms of business ethics.

In modern management the role of a manager is not solely restricted by its basic functions, such as planning, organizing, motivation and control. Modern leaders also have additional important tasks: to play a leading role for their subordinates, to assist them, and to set moral orienteers. The findings of the study indicate that the main conditions which allow the non-profit organization to solve the problems are an authoritative leader with business ethics (70 %), working experience (68 %) and the established reputation based on the business etiquette (62 %). Regarding the role and the status of formal and informal NGO's leaders, it should be mention about the following pattern: if the official leader is not a carrier of business ethics norms, he/she will lose his/her social status; if the informal leader is a model of business ethics, he will gradually become the formal leader.

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## Marketing Approaches to Attract Investments in Municipalities

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### Abstract

In recent decades there has been an increase in competition between municipalities, including among the towns themselves. The free movement of people, goods and capital within the EU and the liberalization of regulations affecting global investment have contributed to the strengthening of investor interest and its territorial deconcentration. Efforts to attract investments are made not only on national but also on local level. The activity of municipalities in this sphere is an important step towards ensuring sustainability in the development of the territory. The attraction of investments that correspond to resources, capacity and demand at municipal/municipal group level will be a top priority over the coming decades. The paper examines modern marketing approaches and means of attracting investments and embracing them within the integrated marketing of territories. Emphasis is placed on the possibility of using high technology in marketing to attract investors. The results of a survey of the practices for attracting investments, which are implemented by the municipalities in Bulgaria, are presented and guidance is given for their improvement, with a view of their more precise targeting, selection and balancing.

**Keywords:** municipality marketing, investments, integrated marketing.

**JEL classification:** M31, R58

### 1. Introduction

While in previous decades authors have talked and written mainly about competition between countries in terms of variables of interest to researchers, in the last two decades interest has shifted to domestic competition within countries. The reasons for this are manifold: from intensified mobility of people and companies to the desire of municipalities to develop marketing on their territories so as to attract the interest of target groups and improve their population's quality of life.

Undoubtedly, investors' interest to launch or move in their business is assessed as an opportunity at the municipal level. Therefore, municipalities should be prepared not only to respond to the interest shown, but also to create conditions directing the attention of potential investors towards towns and villages, and to stimulate the development of those who have already made investments. The opinion has been expressed that a city's attractions for investment are promoted to potential investors, in competition with other cities (Ashworth & Voogd, 1988).

There are several major issues facing municipalities in the path to building sustainable relationship with investors. First, there is the question of what the priorities for development of the municipality are. Priorities must be consistent with the resources available to the municipality, and should take into account the needs and the consent of the population, the

demand from tourists and the interests of local businesses. The second issue is whether investments in the municipality are balanced by sectors (manufacturing, trade, infrastructure, tourism, education, culture, healthcare, sports, etc.), as any imbalance may contribute to increased risks associated with investment within the territory. For example, it makes no sense to invest in a factory or a hotel at a site with no infrastructure. It is precisely the marketing at municipal level that should create conditions for balanced investments in different fields and identify critical deviations. The third important question is about the role of marketing for attracting and developing investors in the municipality. This is a subject that has been studied from different perspectives in different decades. The transfer of marketing approaches and tools applied by businesses to the management of municipalities will definitely bring the latter short-term benefits and long-term advantages. Another key factor for strengthened competitiveness of municipalities is whether they make full use of new technologies to communicate with their target audiences, including potential and existing investors, and provide services rationally and efficiently. Last but not least, it is important whether municipalities seek opportunities to implement public private investment and public private partnership in its various forms, including promotions aimed at investors (Wells & Wint, 1991).

If we go beyond national campaigns to attract investors (marketing, legislation, etc.) and all activities at the macro level targeting existing and potential investors, it is interesting to see what steps municipalities have taken in this direction and how they implement them.

## **2. Marketing approaches and tools for attracting investment**

Using marketing in the development of municipalities will become ever more popular. The reason is the increasing intensity of competition between places to attract potential investors, employers and tourists (Waitt, 1999). Authors have identified a connection between the different target groups and established that the main task for cities and regions is to attract talented and creative people in order to improve their general attractiveness for investors and companies (Zenker, 2009). Another argument in favour of active use of marketing approaches to attract investors are the favourable conditions for mobility of capital which are consistently liberalized in countries/groups of countries, as well as increased investment in business from a distance in a high-tech environment.

The increasing competition between countries, regions and localities drives the use of the marketing of territories. One of its key aspects when it comes to municipalities is attracting investors and investments. Authors have pointed out opportunities for improving the relative market position of cities in an environment of competition between individual localities by attracting commercial investment (Ashworth & Voogd, 1988) with the help of city marketing. The possibility of investment promotions in various forms has been considered (Wells & Wint, 1991). Although many municipalities show interest in investment, the potential of marketing to attract, develop and retain investments is still not fully used. The focus is still on attracting investors, while retaining and supporting existing investors are not among the priorities of municipalities.

In recent decades researches have sought the link between the image of a place and investors' attraction. Authors have shared the opinion that a positive place image, combined with a successful marketing mix, is a powerful tool in competing for resources and other finance-related activities (Avraham & Ketter, 2008).

There are several key aspects that are the basis of classification of the different marketing approaches (the way marketing is carried out). First, there is the level of organization of marketing aimed at investors. Two basic approaches have been identified in theory and practice based on this criterion: incidental approach and systematic approach. The incidental approach is characterized by brief campaign efforts to attract investors, while the systematic approach is

associated with prolonged, planned and coordinated activities aimed at attracting investors to the territory of the municipality.

Another important criterion for classification of approaches to attracting investors is the level of marketing activity. This criterion distinguishes between passive and aggressive approach to attracting investments. Activities under the first approach are related to maintaining basic information traditionally sought by potential investors, and using traditional communication channels. The aggressive approach is associated with strong activity and the use of various channels and means to attract the attention of potential investors to the specific place and conditions.

In terms of the connections made to attract investors we see a uniform marketing approach and an integrated marketing approach. The first approach is characterized by the scope of the investment, which is limited to a particular field, and by the focus on a single specific problem or opportunity. The integrated marketing approach encompasses in equal measure the various fields, binding together the interests of stakeholders, creating all-round favorable conditions for the development of the municipality, and minimizing potential conflicts between the contact audiences within the municipality. Over the last decade, the role of integrated marketing for the development of localities has increased due to the capabilities of new technologies used for the purpose of attracting potential investors.

| Marketing tools   | Characteristics   |
|---|---|
| PR  | Use of different PR tools to improve the image, develop regional brands and promote successful projects.  |
| Place marketing ( <i>Kotler, Asplund, Rein &amp; Haider, 1999</i> ) / promotion, city marketing | Puts marketing on a professional basis. Development of promotions oriented towards target groups. Besides the direct target effect, promotions seek a beneficial transfer effect on existing and potential investors. It has been suggested that city marketing is of particular importance to those cities which have lost their traditional industries and are focusing on the objective of attracting inward investment ( <i>Paddison, 1993</i> ). Examples are given of successful practices within the city marketing ( <i>Colomb, 2012</i> ). |
| Events  | Organizing events within the territory of the municipality to attract companies and visitors. Such events are used to promote the comparative advantages of the municipality.   |
| Incentives for investors  | Developing a system of incentives for potential investors. The incentives may include financial, administrative and other reliefs offered separately or in combination. According to authors practices that are based on incentives may be a suitable tool for regional development when they are non-discriminatory ( <i>Christiansen, Oman &amp; Charlton, 2003</i> ).  |
| Advertising/International press presence  | Advertising the positive aspects and the comparative advantages of the municipality may have a favourable impact on attracting investors. In practice such tools can influence and shorten the time of decision-making in the first stages of the investment process.   |
| Marketing channels  | The development of innovative marketing channels based on new technologies, with the aim to provide access to information and real time communication.  |
| Brand identity  | Building a positive image and brand identity of the municipality to attract and retain investors.   |
| Cooperation and networking  | Creating conditions for cooperation and networking, in accordance with the law and the needs of the target audiences.   |
| Platforms for integrated marketing in the municipality with modules designed for investors.     | These contribute to improved awareness and communication with target audiences in the municipality. The module designed for existing and potential investors allows the sharing of successful investor projects, statement of investor interest, publications describing investment projects to be implemented by the municipality, and maintaining a platform for inquiries from interested investors.   |

**Table 1. Marketing tools to attract investments at the municipal level**

Approaches and tools (Table 1) for attracting investors should be tailored to both existing investors in the territory and potential investors. In the first case the emphasis is on sustainability and development of the business of companies and individuals who have made investments within the territory. In the second case the emphasis is on attracting new investors using the entire arsenal of resources within the framework of a coordinated marketing policy.

### 3. The practices of Bulgarian municipalities in attracting investments

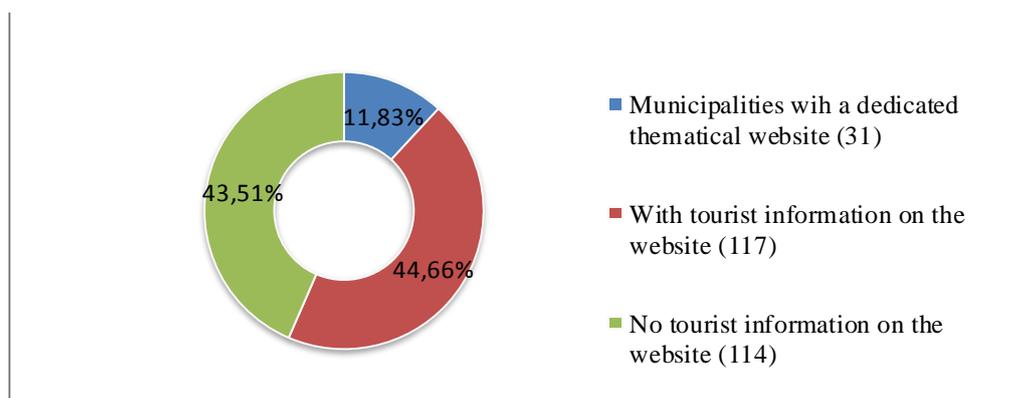
For the purposes of this publication a study was made of the practices followed by Bulgarian municipalities in attracting investments. The study focuses not only on approaches and tools targeted directly to investors, but also extends to other target audiences which have a strong transfer effect on attracting investors. The study is based on empirical data collected on the Internet. The aim of the study is to identify the approaches and tools used by municipalities to attract investments (by examining the information contained in the websites of municipalities). The study covers all 265 municipalities in Bulgaria. Using content analysis, the content of the websites of municipalities was systematized in terms of presence or absence of information useful to target groups: tourists, investors, businesses and local residents, which information includes the services provided to businesses and residents, news and events. The availability of other language versions of the web pages has also been noted.

The study was conducted in the period 1 – 15 July 2017. The main source of information was data published on the official website of the respective municipality. Data published before or after this period were not included in the analysis.

The check by list showed that every Bulgarian municipality has its own official website, but at the time the study was conducted three websites were dysfunctional. Consequently, the information collected, summarized and systematized pertains to the 262 municipalities with functional websites.

No platforms for integrated marketing have been identified in the study.

The websites of 44.7% of the municipalities (see. Fig. 1) contain information on tourist sites, natural and architectural landmarks, museums, etc., located in the municipality.



*Figure 1. Results from the study of the content of websites with regard to information and communication oriented towards visitors and tourists*

Source: Results from the study of the websites of municipalities

An example of good practice is the website of Sofia Municipality, where information on tourist sites is available, and the Municipality also maintains a dedicated website for local tourism. Some municipalities with dedicated websites can be named as an example of bad practice, as their websites are either not regularly maintained, or maintained in only one language, or contain information about a single landmark. A number of municipalities have opted to create an integrated tourist product in cooperation with neighboring municipalities, and advertise this

product on their respective websites, instead of each maintaining a separate dedicated website. Very few municipalities provide information about sightseeing in languages other than Bulgarian.

As regards investments and services for the business, only 5 of the 262 subject municipalities have a dedicated thematic website. These are the municipalities of Burgas, Plovdiv, Ivanovo, Sofia and Shumen. Two of these deal with public-private partnership.

Another 18 municipalities have a special section in their websites containing specific information such as:

- Investment profile of the municipality;
- Marketing profile of the municipality;
- Investment navigator;
- Entrepreneur's Desk.

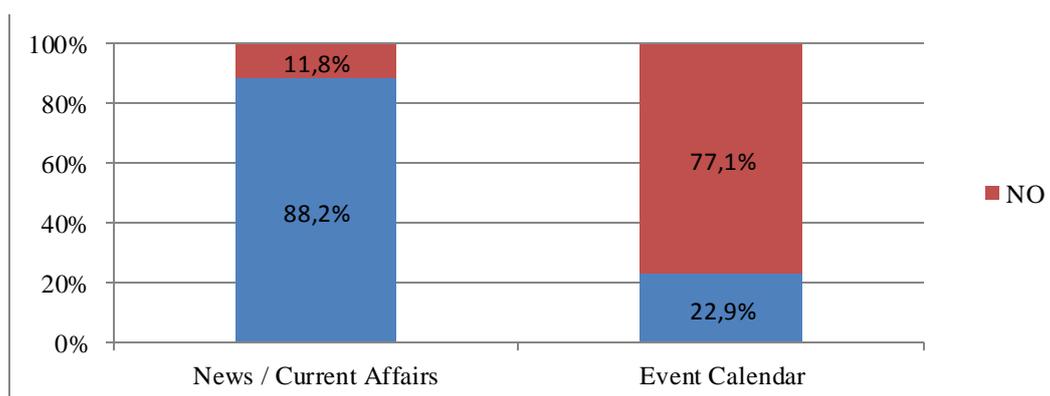
The mandatory information that is published by municipalities on their websites and concerns the business can be systematized in the following categories:

- Buyer profile. This section relates to public procurement procedures;
- Tenders conducted under the Municipal Property Act;
- Register of municipal properties;
- Annual plan for management and disposal of municipal properties.

The service most commonly available on the websites of municipalities is the possibility to make inquiries about local taxes and fees. The study shows that 129 municipalities offer this service on their websites. It can be used by both citizens and businesses.

A large number of the municipal websites contain information on administrative services - description of the service, legal grounds, necessary documents, forms, fees and deadlines for delivery. Where such information is not available on the website of a municipality, it may be obtained from the Unified Register of Administrative Services in the Republic of Bulgaria, created under a project implemented within the Operational Programme "Administrative Capacity" 2007-2013, financed by the European Union through the European Social Fund.

Undoubtedly positive is the fact that 231 municipal websites, which is almost 90% (Fig. 2) have a section where news and announcements are published, so that all interested parties can be informed on important municipal issues.



**Figure 2. Results from the study of the content of websites with regard to information in News and Calendar**

Source: Results from the study of the websites of municipalities

Current cultural and/or sports calendars are maintained only in 60 municipal websites. The websites of 202 municipalities do not contain such information.

As regards the language versions of municipal websites, the study showed that 194 websites are only in Bulgarian. Sixty-eight websites have English version, four have Russian, two have

Turkish, two have German, one has Romanian, and one has French version. Nine websites have a built-in option to translate into the language of choice with Google Translate. Given the limited number of websites that are available in a foreign language one might assume that they are properly maintained, but unfortunately this is not the case. Around 40% of the websites with a foreign language version have significant gaps in maintenance and this significantly reduces their usefulness for the target audiences.

In summary, we can name several municipalities whose websites contain information in most of the areas mentioned above, and have a user-friendly design. These are the sites of the municipalities of Gabrovo, Dobrich, Lovech, Pleven, Kotel, Sofia and Shumen. Only the website of Burgas Municipality offers information in all areas: tourism, investment, services provided to businesses and residents, the latest news and events, and maintains two foreign language versions – Russian and English.

During the same period a second study was made based on secondary information available on the Internet. The aim of this second study was to establish which marketing tools are used to attract directly or indirectly investments. The method of content analysis was used to scrutinize freely accessible information obtained by searching by a combination of 3 to 5 keywords in Google. The results from the study are summarized in Table 2.

| Marketing tools   | Number of municipalities using these tools |
|---|--|
| PR aimed at potential investors   | 124  |
| Place marketing/promotion at municipal level  | 118  |
| Events  | 143  |
| Incentives to investors   | 14   |
| Advertisement/International press presence  | 241  |
| Marketing channels:   | 262  |
| Website for investors   | 5  |
| Chat channel  | 2  |
| Brand identity  | 17   |
| Cooperation and networking  | 25   |
| Platforms for integrated marketing in the municipality with modules designed for investors. | -  |
| Cooperation between municipalities and the "iLoveBulgaria" platform                         | 20   |

*Table 2. Results from the survey of marketing tools used to attract investors, based on the latest information available online*

Based on the information processed we can highlight the following positive characteristics:

- A significant part of the municipalities use actively marketing tool which are directly or indirectly aimed at attracting investment;
- All municipalities in Bulgaria have websites which are used as information and communication channels.

However, the marketing at municipal level cannot be defined as an integrated and coordinated process in terms of approaches and tools to attract investors. Each municipality uses a single tool or a combination of tools without a comprehensive marketing concept for attracting investments. Few municipalities have developed a strategy on the priority investment areas to be encouraged locally. As a whole, the municipalities have not identified specific areas where investments ought to be restricted, such as harmful production, hazardous waste disposal, etc. Another problem is that marketing at the municipal level does not make full use of the possibility to communicate in foreign languages, which could lead to difficulties for potential investors.

#### 4. Conclusion

The studies show that the majority of municipalities in Bulgaria use a variety of tools aimed directly or indirectly at attracting the attention of potential investors. Each municipality has its own model of marketing towards investors (based on a single tool or on a combination of two or more marketing tools), and the conclusion was drawn based on a study of the tools used, according to information available online. The fragmentary nature of the marketing targeted at investors may be explained by the fact that few municipalities in Bulgaria have established separate marketing departments within their organizational structure. The results obtained give reason to conclude that Bulgarian municipalities do not use in an efficient manner their websites as an information and communication channel to attract investors. Although an investor portal has been developed and is maintained at the national level, it cannot encompass the specifics of individual municipalities. Specialized platforms for existing and potential investors need to be developed to provide the necessary information at the municipal level, so that investor interest can be guided and stimulated. Investor platforms need to be tied to those oriented towards other target groups. This will create conditions for the successful development and operation of projects. The introduction of platforms for integrated marketing of the municipality will contribute to the following:

- Improving the structure of information and channels for communication with existing and potential investors;
- Maintaining forms for direct contacts with investors;
- Informing other target groups on investor interest;
- A prerequisite for balancing investments by sectors;
- Surveying the public and consumer interest towards upcoming projects;
- Stimulating potential investors by adequately presenting the specific incentives;
- Showing and sharing successful practices in completed projects of existing investors;
- Adequate response to manifested investor interest, etc.

The use of platforms for integrated marketing of the municipality will create conditions for better information environment and adequate communication channels to attract investors' attention, to facilitate communication with local authorities and promote successful investment projects among target consumer groups. Another positive effect may be the opportunity to inform in advance these target groups of investment intentions and future projects, which would reduce the risk of counteractions by individuals who object to the project. There are recorded cases in which investor projects have been frozen after active protests by residents who oppose their implementation in the municipality. The publishing information that will be available to target audiences at all stages of the investment process reduces the risks associated with opposition on the part of the residents of the municipality.

#### Acknowledgments

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## Assessment of Communication Effects: Cultural Events in Varna, Bulgaria

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### Abstract

In recent years, interest in the creative industries has grown globally in the context of current trends in consumer behavior. The public interest in creative activities in Bulgaria has also grown, as evidenced by the development and adoption of national strategies and state incentives for enterprises operating in the sector. Specialists predict that as a dynamically developing economic sector the creative industries will become a preferred field of professional realization and will create a sustainable competitive advantage of Bulgaria on the global market in the conditions of globalization and digitization. In this context the importance of organized cultural events could not be understated, with key factor in their success being the communicating and informing target audiences. Different theories of consumer communication patterns and the variety of methods of research and measurement of effectiveness dictate the main challenge facing modern marketers: selecting the right set of methodologies on the basis of which to carry out the evaluation and modify the communication strategy, which outlines the main problem this paper aims to solve. The conducted study is based on a methodology developed by the author specifically for the evaluation of the effective realization of cultural events from the cultural calendar of Varna Municipality for 2016. The methodology includes a survey of organizers, attendees and general public. Based on the results of the multidimensional study, recommendations are made to cultural operators for their next projects, as well as potential prospects for further research in the sector.

**Keywords:** Marketing communication effectiveness, creative industries, cultural events.

**JEL classification:** G14, M31, L82

### 1. Introduction

In response to the ever changing communication paradigm, today's marketers define the process of communication as a dialogue between the company and its customers that takes place during the decision making process, the consumption or usage of the product or service and most importantly continues afterwards in the form of feedback and customer service. (Kotler, Ph., 2003). As a result of this evolution of classical communication models, ensuring the effective implementation of the communication plan in order to achieve the goals set is increasingly difficult to achieve. Thus the interest in efficient ways of communication and the adequate measuring of the efficiency is ever – growing in both academic and business circles. The key to solving this problem is the careful selection of communication channels in order to meet the target customer's demands.

### 2. Communication efficiency models and buyer's behavior

In a recent paper, analyzing the implications of Integrated Marketing Communications, Litovchenko and Shkorpustia highlight three aspects of IMC performance and describe three main types of communication process goals (Figure 1).

This model of the objectives of integrated marketing communications leads to the conclusion that, in order to achieve economic and social efficiency, the effectiveness of the communication process should be ensured first and puts a strong emphasis on the problem of adequate evaluation of the communication effects.

| Communication efficiency:  | Economic efficiency:   | Social efficiency:   |
|--|--|--|
| <ul style="list-style-type: none"> <li>• Strengthening the positive image               <ul style="list-style-type: none"> <li>• Clarity, consistency and maximizing the impact of communication programs</li> <li>• Brand positioning</li> </ul> </li> <li>• Promoting brands, services or companies to support single positioning</li> </ul> | <ul style="list-style-type: none"> <li>• Achieving maximum economic efficiency</li> <li>• Getting added value provided by the general plan of IMC               <ul style="list-style-type: none"> <li>• Ensuring profit margins and market capitalization of the company</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Forming positive public opinion</li> <li>• Ensuring maximum impact of the target audience               <ul style="list-style-type: none"> <li>• Forming stable long-term relationships with market participants and the strategic objectives of the enterprise</li> </ul> </li> <li>• Establishing (bilateral) relations with the target audience</li> </ul> |

**Figure 1. Objectives of Integrated Marketing Communications**

Source: Litovchenko, I., Shkurupskaya, I., 2016

In the early years of consumer behavior research, it has been determined, that customers rarely make spontaneous and thoughtless decisions (Belch and Belch, 2011). It is assumed that before the purchase the consumers pass in succession through certain stages until they reach the decision to make a purchase. Numerous models have been developed to illustrate this concept, united by the designation Communication Impact Sequence Models. These models can be divided into the following three groups: Traditional response hierarchy models, Alternative response hierarchies, and modified response hierarchies (Vassileva, 2015). Some of the key models and their authors are illustrated in Table 1.

| Model Group                             | Model name  | Author                     |
|---|---|----------------------------|
| <b>Traditional Response Hierarchies</b> | AIDA model  | E. St Elmo Lewis (1920)    |
|   | Hierarchy of Effects model  | Lavidge and Steiner (1961) |
|   | Diffusion of Innovations model  | Everett Rogers (1983)      |
|   | Information processing model  | William McGuire (1999)     |
|   | ACCA model  | Russel Colley (1961)       |
| <b>Alternative Response Hierarchies</b> | Information processing model (standard learning, dissonance/attribution, and low-involvement) | Michael Ray (1977)         |
| <b>Modified Response Hierarchies</b>    | The FCB Planning Model  | Richard Vaughn (1980)      |

**Table 1. Response hierarchy models**

Communication hierarchy models for many years have been the approach to studying the impact of marketing communications on consumers. The attention of the theorists and practitioners is focused on the search for specific controllable variables to measure the source of the message, the message itself and mostly its effect on the target audience. Indicators that measure the effectiveness of communication are difficult to quantify directly. Typically, they are defined in stages by first identifying the goals of the communication, subject of the message, target audience. On this basis, the most suitable communication channels are defined, the communication message is prepared and the effects on the potential buyers' behavior are sought.

The variety of models and methods for measuring communication efficiency highlight the complexity of the marketing communications process and the research and economic interest in terms of effective allocation of funds for such activities. It is essential to build an effective communication strategy to determine the type of user response, select appropriate communication channels (according to the preferences of the targeted audience) and define measures (financial and non-financial) to control the communication Process and determine the results. As a result of the research of communication effectiveness, a sustainable strategy

of maintaining contact with the target audience can be built to meet the organizational management and economic objectives.

### **3. Creative industry sector in Bulgaria**

Creative economies are a relatively new trend in the current economic realm where information, knowledge and original works, such as the products of an individual or a working group, are driving forces in economic development. The main advantage of creative economies is inexhaustible raw material - human capital with their creative skills. Nowadays the material assets of the company or the degree of influence are no longer the most valuable resources - intellectual capital, human resources involved in the work of the organization contribute in a bigger way to successful corporate development.

According to an official report by the United Kingdom's Ministry of Culture, Media and Sport from 1998, creative industries are "those industries that originate from individual creativity, skills and talent and which have the potential to create value and jobs through production and the use of intellectual property" (Higgs et al., 2008). This definition has been criticized as too general (Newbigin, 2010), as a result of which the UK's Ministry of Culture, Media and Sport narrows its definition, including 13 specific sectors of cultural and economic activity: advertising, architecture, Antiques, crafts, design, fashion design, movies, interactive entertainment software (video games), music, performing arts, publishing, software solutions, television and radio (Newbigin, 2010).

According to the classification of UNCTAD (United Nations Conference on Trade and Development), the creative industries comprise four large groups, taking into account their distinct characteristics. These groups, which are heritage, arts, media and functional creations, are described in Figure 2. The wide array of industries, that are pictured, prove the growing interest in the field, with the huge range of target audiences, involved with these sectors.

The public interest in creative activities in Bulgaria has also grown in recent years, as evidenced by the development and adoption of national strategies and state incentives for enterprises active in this sector. The strategy for the development of the knowledge industries in Bulgaria aims to become one of the most dynamically developing sectors of the Bulgarian economy. It is envisaged that by 2020 the creative enterprises will employ about 8% of the employed, creating at least 10% of the country's GDP (Business Center for Supporting SME's, 2016). Specialist predict that as a dynamically developing economic sector, the creative industries will become a preferred field of professional realization and will create a sustainable competitive advantage for Bulgaria in the global market, especially in the conditions of globalization and digitization.

The development of culture is a key factor in building the identity of each city and municipality. The arts and culture sector has a significant contribution to the economic development of Varna Municipality, the focus of this paper, and is an incentive for the development of local business and local arts. The high communication efficiency in conducting cultural events helps to make the city of Varna one of the active cultural centers in the country, recognizable at European level.

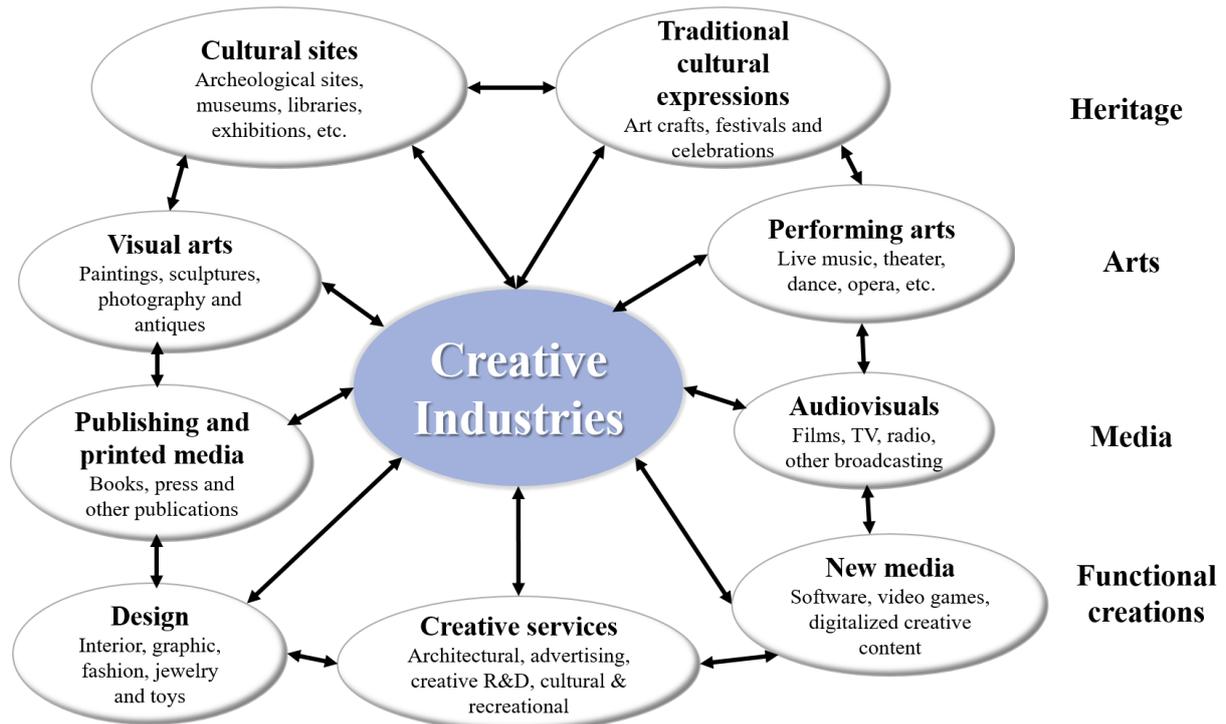


Figure 2. UNCTAD classification of creative industries

Source: UNCTAD, 2010, p. 10

The monitoring and evaluation of the cultural events in Varna, carried out in 2016 and presented in this paper, aims to measure communication effects based on a system of indicators. The proposals and the recommendations on the basis of the monitored events have the task of contributing to the development of a sustainable model of cultural production in the Municipality of Varna, preserving what is already achieved and creating conditions for future development of the sector, encouraging greater activity on the local artistic scene.

#### 4. Methodology

In order to fully and adequately monitor the effectiveness and success of cultural events and to develop a strategy for the positioning and promotion of such cultural products, a methodology has been developed based on a system of indicators for monitoring and evaluation of key public objectives. A combination of quantitative and qualitative methods based on both primary and secondary data has been selected and the conceptual model is presented in Figure 3.

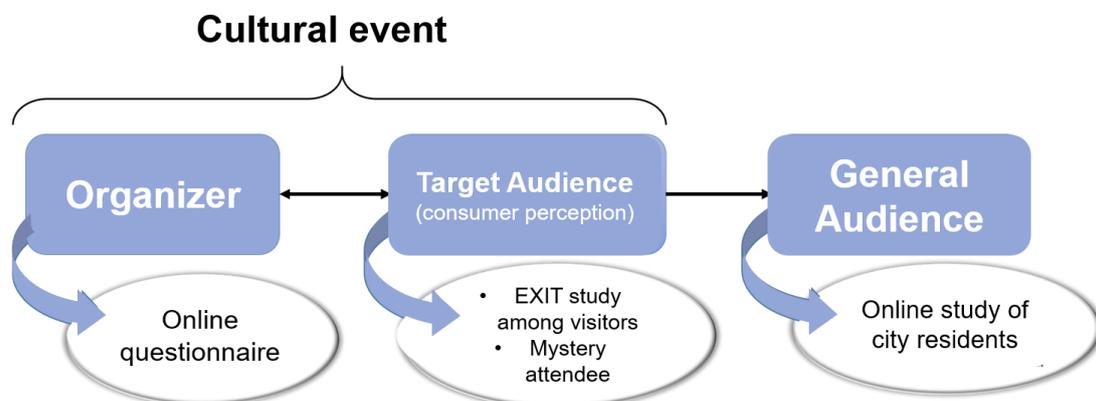


Figure 3. Conceptual model of methodology for monitoring and evaluating cultural events

The methodology has been developed for the purposes of the survey, conducted in the period July - November 2016. The study concerns events from the cultural calendar of Varna Municipality for the period. The event and projects, which are analyzed, represent the different Creative industries, shown in Figure 2. The methodology of this study is based on the following modules, developed consecutively, defining different areas of research interest for the individual target groups. The main focus is on the organization of cultural events and their effectiveness, on the preferred communication channels and consumer reactions.

#### **4.1. MODULE 1: Evaluation of events and their effectiveness from the organizer's POV**

Within this module, a questionnaire is distributed to organizers of cultural events to collect insider information about particular elements of the event.

The Cultural Events Survey tool, focused on the organizers' impressions, consists of questions covering the following topics:

- General information about the event - besides the name of the event visited, date, time and venue, type of access, information is required about previous editions of the project, number of employees and the type of relationships - labor, volunteer, Main target audience
- Organization of the event - requires information on the effective organization of the event, incl. Organization of crossing points, existence of indicia, allocation of space, adherence to the pre-announced program, number of visitors, responsiveness of the organizational team;
- Event audience - assessment of public reactions and moods, incl. Visitors' over-age, feedback methods used by the organizer, information provision in other languages;
- Partnerships - includes questions about used advertising media and media coverage, provided promotional materials, partners and sponsors, other organizations involved in the project.

The questionnaire was sent via email to all organizers whose events are the subject of this study. Within the deadline set, 22 questionnaires were filled in.

#### **4.2. MODULE 2: Consumer perceptions and event assessments**

The activities in this module include a mystery visitor survey and audience survey after events (EXIT research).

##### **4.2.1. Mystery visitor survey**

The methodology of the mystery visitor survey of organized cultural events is based on the practice of a mystery shopper, where the organizer has no prior information that the visitor has a research task. The questionnaire was developed following the structure of the questionnaire provided to the organizers. Questions are based on the same topics (general information about the event, organization of the event, event audience, partnerships) with some questions being modified to fit the goals of the survey.

The mystery visitor were briefed on the questionnaire and expected information, and were instructed to remain unnoticed, not to record, photograph or take notes during the event (unless the rest of the audience does so).

The study was conducted through the online LimeSurvey Research System. A total of 25 observations from experts were carried out during July - November 2016.

##### **4.2.2. EXIT Survey**

The EXIT study methodology requires a pre-developed questionnaire to be completed after the event, interviewing people who attended and left the event location. In conducting the interviews, equal participation of representatives from different age groups was observed.

The developed EXIT questionnaire consists of eight closed questions, the volume and format being selected for quick and easy completion by the interviewee. Information is collected about

the information channels through which the visitor learned about the project, the size of the group that visited the event, the satisfaction with the event organization, etc.

The survey was conducted via the mobile research platform Surveo. For this purpose, the developed questionnaire is translated into an easy and accessible form (with pictograms and slides), and the questionnaire itself is conducted via tablets. A total of 180 polls were conducted during various events in the months of July - November.

#### 4.3. MODULE 3: Survey of city residents

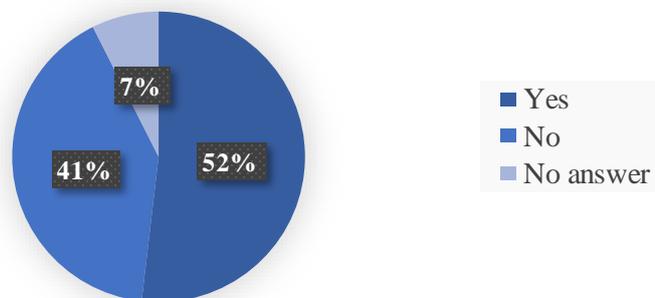
The module aims to explore the behavior and habits of the residents of Varna in terms of attending events from the cultural calendar of the Municipality. The research is conducted outside the context of a specific event and looks at the general behavior of information provision and visits of such events. The questionnaire is administered online.

### 5. Results

Since the current paper is under volume limitations, only some of the key findings of the conducted survey are analyzed. All other data is available by request. The results are listed in the order determined by the conceptual model.

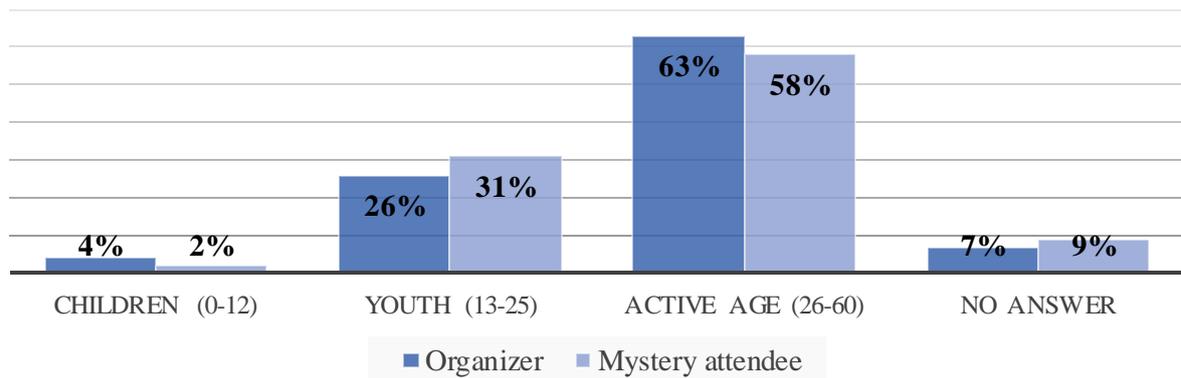
#### 5.1. MODULE 1: Evaluation of events and their effectiveness from the organizer's POV

In the first part of the survey, event organizers indicate whether the event in the current 2016 is new for the audience or is a continuation of a previous project. More than half (52%) of the respondents indicate that the event is not new and list the previous editions of the project (Figure 4). There is a tendency for the successful projects to continue and to develop and promoting the events as “annual” contributes for building loyal. There is a good balance between new projects and old ones – a guarantee for variety but also traditions in the Varna cultural calendar.



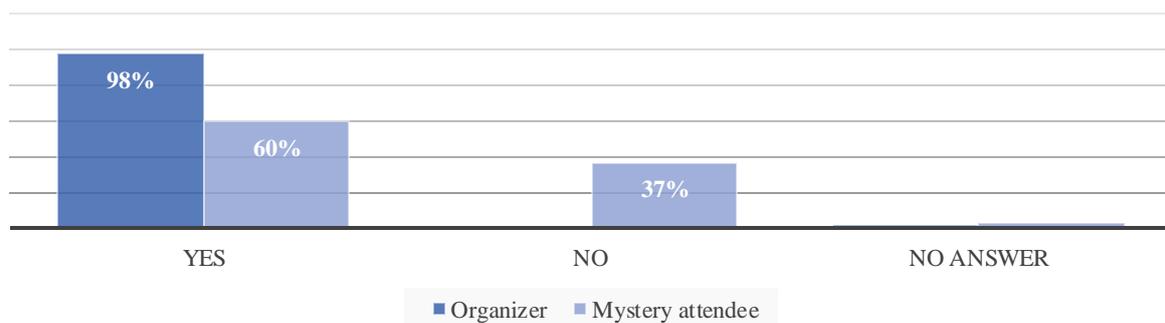
*Figure 4. Is the project continuation of previous events?*

On the question about the target audience of the cultural project, the respondents point to people in active age (63%). Relatively few are the projects targeting young people (Figure 5), which is surprising in the context of the choice of Varna as a European Youth Capital for 2017. The results also correspond to the collected data from the mystery visitor study, where the experts indicate a similar proportion of attendance rates.



*Figure 5. What is the target audience of the event? (Comparative results of organizers and mystery visitors)*

Some discrepancy between the visitor and organizer's observations is recorded regarding the proper organization of the event area especially with regard to the need for indicative signs (including advertising materials). Organizers note with certainty that enough signs and posters have been distributed or aren't needed (e.g. due to a single entrance, location renown, and open space) (Figure 6).



*Figure 6. Availability of signs and advertising materials (Comparative results of organizers and mystery visitors)*

Larger percentage of the events receive a positive assessment from the mystery visitors, but there is also a significant share of negative ratings. Expert comments take into account the difficulty of visitor orientation, especially when the event is held indoors. A problem with some outdoor events is the lack of any information about the name of the project, the organizer, the idea and the goal, which causes confusion in the audience and reduces the communication effectiveness - the chance for permanent impression and remembrance, feedback, image benefits for the organizer is not capitalized.

## 5.2. MODULE 2: Consumer perceptions and event assessments

Based on the completed interviews via EXIT research, a comprehensive assessment of consumer perceptions concerning events held in Varna in 2016 was generated.

Table 2 presents the preferred sources of information for the surveyed visitors. The most commonly used is word-of-mouth communication (WOM) with family, friends and other accessible contact audiences, and Facebook (via official page of organizer / event, shared posts, news). Together, the two channels are preferred by more than half of the respondents and should be preferred to the promotion of the events by the organizer.

The high rating of the events by the respondents in the EXIT survey is also confirmed by the Net promoter scales, where high scores (over 8) are considered a guarantee for positive WOM and future participation in similar events (loyalty).

| Information source                                  | % of surveyed visitors |
|---|------------------------|
| Friends, family, colleagues and other acquaintances | <b>48.6</b>            |
| Facebook  | <b>27.4</b>            |
| Informational websites                              | 8.6                    |
| Official website of Varna Municipality              | 15.4                   |
| Radio and TV  | 1.1                    |
| Posters, leaflets, flyers, etc.                     | 11.4                   |

**Table 2. How did you find out about the current event?**

The most common grade (Mode) is 8, and the question of whether the attendee is willing to recommend the event to their contact audiences, the respondents give the highest score (10) in 33.9% of the cases.

Extremely high scores indicate good organization and realization of cultural events and the accumulation of positive impressions on the part of visitors. Positive attitude also influences the decision to follow a similar cultural event and supports building of consumer habits.

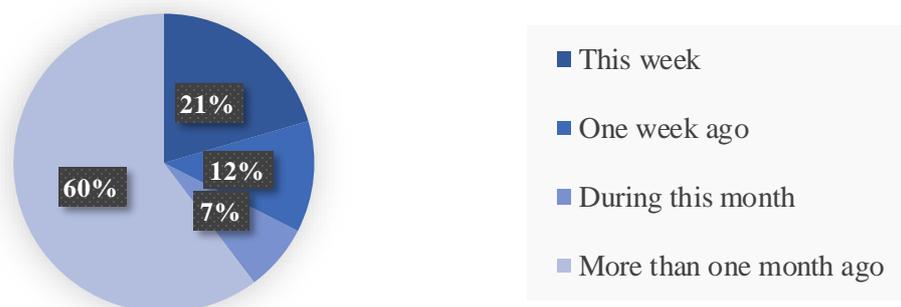
| Question  | Mode | % of respondents |
|---|------|------------------|
| On a scale from 0 to 10, how would you evaluate your overall impression of the event? | 8    | 23.6             |
| How likely are you to recommend this event to friends and acquaintances?              | 10   | 33.9             |

**Table 3. Evaluation of overall impression / propensity to recommend**

### 5.3. MODULE 3: Survey of city residents

Module 3 of the survey is aimed at the habits and perceptions of the citizens of Varna regarding the cultural events. The questionnaire is administered online and is sent to respondents outside the context of a specific event. 112 respondents with different demographic profiles for gender, age and education were counted for the survey period.

Figure 7 presents the results regarding the frequency of cultural events. 60% of respondents say they last visited a cultural event more than a month ago, while less (21%) attended an event within the week.



**Figure 7. When did you last visit a cultural event in Varna?**

Respondents are asked to reflect the communication channels they prefer and use when selecting a cultural event to visit (Figure 8). The results unmistakably reveal Facebook as the most widely used information channel (46%) followed by WOM communication (23%). The traditional advertising volumes are not as effective as a communication channels when promoting cultural events.



*Figure 8: What informational sources do you use when picking a cultural event to visit?*

The results are in sync with the paradigm shift in the marketing communication channels in the last decades. Most of the potential visitors use digital information sources, especially high is the usage of social media websites with the huge popularity of Facebook among Bulgarians. It is surprising that in the described situation most of the event organizers still use convenient media channel to promote their events and gain popularity, instead of switching to more cost-friendly volumes.

## 6. Conclusion and further implications

As a result of the multi-component study conducted with organizers and consumers of cultural products on the territory of the city of Varna, the general trends in the behavior and attitudes of the Varna public can be taken into account as well as certain shortcomings in the implementation of the events and recommendations regarding the communication efficiency of such events.

In view of the expert interviews (with organizers and mystery visitors), there is a lack of a comprehensive strategy regarding the targeted audiences for Varna. Municipal support and policy of publicizing priority audiences and forms of cultural events in the context of the strategy for the development of cultural and educational activities in the city would mediate and support organizers and audiences to achieve synergy in the process of searching for and offering cultural events.

Meanwhile high audience ratings for the events visited (both judging by individual factors and overall assessment) show a positive attitude and high satisfaction to visitors of cultural events and confirm the high public interest in such products. The survey of the general public also shows persistence regarding the frequency of the visit and the size of the group - factors revealing a positive tendency for the development of the cultural and creative sector.

From the organizer's point of view, missed opportunities are noticed in regards to the promotion and general information distribution to the audience before the realization of the cultural event. Information channels are of particular importance and the results of the study confirm the importance of electronic media and WOM communications. These communication channels are more cost effective than the classic media advertising channels preferred by the organizers. Consumer habits on information sources focus on modern forms (social networks, electronic media) and leave behind the classic radio, television and the press. The trend is confirmed by both the EXIT survey and the survey of the general public.

The findings of the study suggest future application of the methodology and open up opportunities for further analysis of communication aspects in the creative industries. It is

important to trace and rationalize consumer behavior, habits and attitudes of information flows for similar services. The proposed toolkit suggests an in-depth analysis and tracking of changes in cultural projects with more than one edition in order to identify the effectiveness of the proposed measures.

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## **Social Media Instruments' Evolution and Importance for the Marketing Communications Mix - An International Social Media Experts Analysis**

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### **Abstract**

In endeavoring to create an objective image of the social media ecosystem as it is today, the author felt it was absolutely essential to discover and analyze the perspective of international experts, the ones who represent the spearhead in social media evolution and its future trends, this also being an essential step in crafting a "portrait" of the role, importance, typologies and strategies specific to social media instruments. The present analysis, based on an exploratory qualitative research investigating the perceptions of international experts on the role, importance and specific ways in which social media instruments are currently used globally, the main future developments and the ways companies can harness their full potential, not only generates useful information for Romanian companies and valuable examples of good practices, but it can also become a guide for social media investment efforts on the Romanian market, while also being an irrefutable proof of the importance of this topic for companies and managers which are still skeptical about this. The article comprises a summary of relevant research related to social media marketing, the description and analysis of the research methodology and the main outcomes, followed by limitations and conclusions.

**Keywords:** Social media, integrated marketing communications, international experts, qualitative research, communications strategy.

**JEL classification:** M31

### **1. Introduction**

Most of the companies nowadays, regardless of their audience or size, consider their online presence indispensable, the Internet having become an indispensable business component. But it is just as important for organizations to correctly identify the main functions which online tools can play and carefully analyze them before creating and implementing a marketing communication strategy that also includes them. According to Clow and Baack (2007), online communications tools can perform five main functions (advertising, sales support, customer service, public relations and e-commerce). The author considers it is important add another function, especially in the current context of an ever increasing competition, growing sophistication of consumers' needs, as well as their expectations of direct interaction with organizations: online customer relationship management (e-CRM / e-CRM).

In order to be able to fully understand the online environments and how they can influence marketing communications, we need to take into account the benefits that their use has over consumers and the relationship between the organization and the consumer, taking into account the modern, client-oriented marketing approach of contemporary companies. Therefore, Chris Fill (2009) has proposed a list of such benefits, with the mention that the intensity of the influence and the benefits of online environments varies according to the particularities of each organization and the importance it attaches to online media or their investments in this area:

- Interactivity – Digital technologies connected to the Internet allow truly interactive s between organizations and consumers, through which messages can receive an almost instantaneous feedback. Shopping online from the comfort of ones home is a reality and a major change in the purchasing behavior of people today and many companies in Romania are trying

to meet this consumer need through their e-commerce tailored websites (eg Carrefour, Ikea, H&M, Mango, Pizza Hut, "home banking" offered by most banks, etc.)

- **Multichannel Marketing** – New technologies have helped organizations reach new markets or different market segments using more than one marketing channel. These, along with traditional marketing mix tools, have allowed companies to precisely determine the channels that consumers prefer, as well as the most profitable ones (in order to allocate resources more efficiently and to increase the profitable consumers base of the organization). This multi-channel marketing strategy must take into account consumer preferences, usage patterns, needs, and price sensitivity, in order to optimize each channel in a way that provides value for each type of customer. In this way, the target audience can interact with the product or service in a way that matches with their lifestyle or behavior, and the organization succeeds in reducing message waste, using communications media more efficiently, thereby reducing associated costs
- **Personalization** – The online environment has provided the opportunity for organizations to personalize their messages and communicate to stakeholders individually for the first time on a commercial scale, which in turn has led to spectacular developments in direct marketing, in how organizations perform segmentation and positioning, or how they stimulate dialogue with consumers. Personalization should, however, be an integral part of relationship marketing, both on consumer and business markets, depending on the stage of the consumer's lifecycle or the maturity of the customer-organization relationship
- **Mobility** – Digital technologies and the online environment now support a wide range of devices and applications that enable mobile communications. The impact of mobility on marketing communications is certainly substantial, taking into account that mobile technologies allow transactions to be made in real time from any location.
- **Speed** – New technologies have allowed some aspects of marketing communications to take place much faster, at electronic speeds, with a strong impact on direct communications with end-users as well as the actual production process (eg documents, movies, video clips, contracts, research, feedback reports etc., all can be written and transmitted via the Internet using digital technologies, thus shortening the time needed for the creation and implementation of marketing communications activities and events)
- **Efficiency** – The online environment helps organizations accurately target messages, groups or different audiences. It truly enables one-to-one marketing and offers great opportunities to reduce the waste of communication messages and increase their efficiency as well as the transmission of messages to those consumers who are willing and open to communicate with the organization without disturbing those who do not want this.
- **Strengthening Relationships** – Currently, new technologies are used by organizations to gather and use consumer information to better respond to their needs and to develop long-term relationships with them. The organization's relationships with intermediaries have also changed under the influence of new technologies and the online environment. For example, the emergence of e-commerce has led to the withdrawal of some intermediaries and, on the other hand, created new opportunities, new functions and the need for other types of partners
- **Strategic implications** – Organizations had to adapt to new technologies as a new way to provide value to stakeholders. In addition to helping organizations adopt a customer orientation, the online environment has changed the way activities and processes work to generate value, thereby facilitating entry into new markets, working with different marketing channel partners, and providing value or satisfaction for new audiences.

## 2. Social media instruments

Social media instruments are in constant transformation and evolution. New applications and ways of interacting and involving consumers/users are being developed every day, but only a small number will manage to get out of anonymity and become popular worldwide. It is considered that no one can say exactly what kind of social media tools will be used by organizations and consumers in five years time, that's why it's important to know and understand the tools which are currently used, in order to discover possible opportunities or threats for companies in this area.

Beuker and Abbing (2010) suggest a model for efficiently directing organization efforts in social media, called the „POST” model of decision making, created initially by Li and Bernoff in 2008 which focuses on People, Objectives, Strategies and Technologies. The "POST" model focuses on the target audience and its expectations of the product or service offered by the organization, as well as related social media tools, unlike the traditional model that begins by selecting the most popular tools, leaving the wishes of the target audience at the end. Thus, Beuker and Abbing (2010) highlight the fact that the success of organizations in social media depends on the correct understanding of different consumer groups, their patterns of behavior and the specific approach of each of them according to this information.

Many organizations still use social media more as tactical than a strategic tool, but in order to maximize their efficiency, organizations need a strategic framework to develop and implement appropriate social media actions (Bernoff and Li, 2008, Culnan et al., 2010).

From an organization's point of view, social media strategy requires planning, specific actions and continuous information management. Thus, Culnan et al. (2010) claim that in order to gain benefits and value through social media, companies need to develop a three-pillar implementation strategy: (1) mindful adoption, (2) community building, and (3) absorptive capacity. This strategic framework is presented below (Table 1.).

| <b>SOCIAL MEDIA IMPLEMENTATION STRATEGY</b>  |   |  |
|--|---|--|
| <b>PLANNING</b><br><b>(Mindful adoption)</b> <ul style="list-style-type: none"> <li>• Selecting tools</li> <li>• Responsibility for administration</li> <li>• Identify indicators to measure the value</li> <li>• Risk management</li> </ul> | <b>CONCRETE ACTIONS</b><br><b>(Community building)</b> <ul style="list-style-type: none"> <li>• Reaching a critical mass of people</li> <li>• Creating interesting content</li> </ul> | <b>INFORMATION</b><br><b>MANAGEMENT</b><br><b>(Absorptive capacity)</b> <ul style="list-style-type: none"> <li>• Ability to recognize and acquire new knowledge</li> <li>• Monitoring</li> <li>• Team and resources</li> </ul> |

*Table 1. The three pillars of social media implementation strategy*

Source: Culnan et al., 2010

The dynamic nature of interactions in social media allows for the marketing efforts to be precisely targeted, based on the speed and amount of information available to marketing experts as well as the valuable knowledge that can be gathered from the consumer experiences users share online (Canhoto et al., 2013). As pointed out above, online communities dedicated to topics related to the consumption of various products or services are an increasingly valuable resource for marketing research (Kozinets et al., 2010). Thus, important companies such as Nike, Microsoft, Coca-Cola, or Burberry value their communities by using them in the co-creation of various products or services in an effort to remain relevant and to best meet their needs and desires, while targeting long-term marketing goals (Berkman, 2013).

Social media is an important part of integrated marketing communications which can't be overlooked or eliminated, a trend that will intensify in the future for all organizations, it's a

necessary strategic element, but not enough to ensure the success and performance of the company by itself.

A very interesting detail highlighted by a McKinsey report on social media and its future is its untapped potential: there are between \$900 million to \$1.3 billion in annual value that can be created by social technologies in four sectors (financial services, FMCG, professional services, social sector), one third of consumer spending may be influenced by social media shopping, while 3% of companies report substantial benefits from social media use to all stakeholders (consumers, employees, shareholders, partners) (Chui et al., 2012).

Romania had 9.5 mil Facebook users, over 857.000 Youtube users and over 377.000 Twitter users in October 2017, according to Zelist Monitor (2017). Undoubtedly, Facebook is the current social media phenomenon, attracting the attention of the Romanian marketing and communication community. For this reason, more and more organizations are looking to include this social media tool in their campaigns, and the number of companies with Facebook pages is steadily increasing. However, most Romanian companies do not yet fully exploit the extraordinary potential of this network, limiting themselves to simply creating the page, or disposing of content, using the network like a traditional media channel (TV, radio, prints) for the unilateral transmission of information.

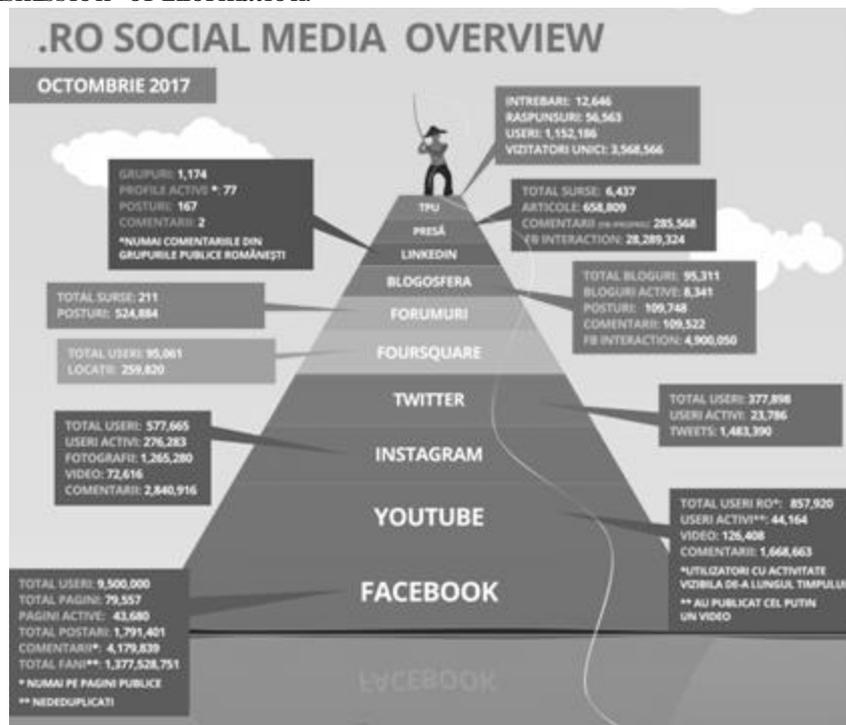


Figure 1. Number of users and frequency of use of the most popular social media tools in Romania

Source: Zelist Monitor, 2017

### 3. Research Objectives

The aim of the present qualitative research is to identify the perceptions of international experts on social media's place, role and importance, the way in which different social media tools are currently used at international level, as well as future evolutions and the way companies can make use of them to their full potential.

The research objectives of this exploratory qualitative research have been:

- O1. Identifying the perceptions of international social media experts on this topic, considering their experience
- O2. Determining the most important social media trends and future developments, as well as the impact they will have on companies in the future

- O3. Investigating how the social media ecosystem should be used by companies today to be as effective as possible (the types of tools, ways to reach consumers, gain attention, issues on consumer data security)
- O4. Exploring the perception of experts on successful recipes companies can apply for their social media strategy

#### **4. Research Methodology**

The investigated collectivity comprises of six internationally renowned social media experts from the perspective of the company they represent, the nature of the position they occupy, the accumulated experience, as well as their notoriety and exposure (being invited as participants and speakers at the biggest international events in the field). The author had the opportunity to personally meet the experts at Internet and Mobile World 2014 event (8-9 October, Romexpo), the largest business-to-business expo-conference in Romania for IT, digital and new technologies. Because of the time constraints and high complexity of the event, interviews could not be taken at that time, only an initial contact was established and a Skype interview was planned (social media tool that allows free video calls between users, regardless of physical or time barriers) (Skype, 2017) at a later date, depending on the availability of each individual expert. Out of the twenty-five international speakers present at the Internet and Mobile World 2014, six have been selected with specific expertise in social media, not new technologies, technical fields, digital marketing in general, e-commerce or mobile. All six experts occupy senior management positions in the companies they represent (Head of New Markets Continental Europe, Client Director, Head of Research Services, Communications & Community Manager, Consultant & Strategist, Director of Product) and their companies are in the social media field.

Considering the exploratory nature of this research, the author chose to collect the information using a semi-structured online interview (Corbin and Strauss, 2014) via Skype, between November 2014 and January 2015, depending on the availability and program of each international social media expert.

The interviews lasted for an average of 70 minutes, and discussions were saved in video format, with the consent of the interviewees, through a free recording application (DVDVideoSoft). Information analysis was done using content analysis (Schreier, 2012). Social media experts' responses were grouped by exhaustive categories and themes, and the research results are supported by quotes from them.

#### **5. Analysis of research results**

The analysis and results of the qualitative research among marketing and communication specialists from companies in Romania were grouped into themes and categories according to the research objectives set at the beginning, hence the author will present them according to these objectives for a greater ease in examination.

##### **5.1. Defining the social media field (O1)**

Most respondents highlighted the interactive and real-time interaction between companies and users through social media as their main feature. Also, some experts have mentioned the role of social media in boosting consumer engagement with a brand, and the fact that they have become an integral part of consumer lives.

All the respondents noted the role and understanding of social media tools from the perspective of users and companies, but particularly emphasized the importance of understanding them from a user perspective, essential also for the correct use by organizations. Moreover, the experts have highlighted that social media tools can be viewed as a valuable source of

information (spontaneous, unsolicited) which companies can use to deepen their understanding of different consumer segments, a bridge between businesses and consumers, based on bidirectional communication, a very important element of the company's communication strategy, especially when used together with other components, both online and offline, and an element that has been present as a central part of the Internet from the beginning, but under a different name.

Social media is an important and effective tool in creating a positive image and a good reputation for a company or brand, as long as consumers believe they are fair and well-deserved. Otherwise, all these consumers can make a significant contribution to the popularity of harsh criticisms about them, which can pose far greater threats than in the offline environment, due to the ease with which they can spread and the high degree of confidence that users invest in those in their social circle.

### **5.2. Determining the most important social media trends and future developments, as well as the impact they will have on companies in the future (O2)**

Most of the interviewed experts suggested that the future trend of social media is their continuous development, until all products and channels of communication have a social component, basically the development of the "collaborative economy". Also, some experts have mentioned that social media has taught users that they can easily create direct relationships with others, leading to the emergence and popularization of peer-to-peer brands such as AirBnB or Uber.

Another future social media evolution mentioned by one expert is that in order to build trust and loyalty, organizations will have to become more "authentic".

Furthermore, another great opportunity mentioned by some experts is the ability to identify users based on the device used, which will allow organizations to better understand their customers' browsing and buying behavior, as well as to strengthen their presence in social media, regardless of the devices used.

A very interesting point from one of the interviewed experts is that in the future, more emphasis will be placed on connecting the company with its consumers in a significant way, on the message transmitted and not on the technology used, just "for the sake of technology."

Last but not least, a future evolution of social media captured by one of the experts is combining them with virtual reality: "the interweaving of social media and virtual reality - is one of the main reasons why Facebook bought Oculus VR."

### **5.3. Investigating how the social media ecosystem should be used by companies today to be as effective as possible (O3)**

A shared vision of all interviewed experts is that in order to be as efficient as possible and to meet their established goals, companies need to learn to build a long-lasting relationship with current and potential consumers and create engagement, need to be present in social media where their target audience is, and especially where this audience is willing to interact with the brand, accepting and respecting the limits set by them.

Another aspect underscored by all the experts was that organizations should not focus on the number of specific social media tools they use, or set to have a presence on all of them, but rather choose the most appropriate one in terms of the presence of their target audience, their willingness to interact with the brands present, the type of message they want to convey and the objectives they are considering. However, most respondents agree that Facebook, Twitter and Instagram are the best and most popular social media tools used by companies to engage consumers, given that their users are the most open to accepting the presence of brands, while

forum users are the least willing to accept their presence (forums are seen as private, anonymous communities).

With regard to data security issues, the most important things mentioned by experts are compliance with consumer boundaries (an essential element in creating brand confidence and consumer loyalty), fostering consumer confidence in brands by demonstrating that protecting consumers and their personal data is a priority, even when this creates conflicts with state authorities, investing in cultivating customer relationships rather than collecting their data (taking into account that sooner or later, changes in legislation will regulate this area much more strictly and consumers will be privileged).

#### **5.4. Exploring the perception of experts on successful recipes companies can apply for their social media strategy (O4)**

Regarding the existence of a successful recipe to guide companies' efforts in social media, experts concluded that there isn't one which encompasses everything, and that organizations must independently define their direction and strategy according to their size, targets, type of activity and, above all, the image and behavior of their target audience. Starting from this, most respondents consider organizations can be guided by good practices in their field and can study industry-specific methods to achieve objectives, which they can afterwards adapt to their own situation.

Some of the experts have also highlighted the importance for organizations to innovate and try new things in social media, just to differentiate themselves from other companies and to create a distinct image, to attract consumers' attention and give them something different. Moreover, for the best results, any social media strategy must be integrated with the entire marketing communications mix and subsumed with its overall strategy and objectives.

#### **6. Conclusions and future research directions**

Although featured as a central part of the Internet from the beginning, but under another name, social media have nowadays become a normal and very important thing for people, as well as an integral part of their lives. That is why the in-depth understanding of these environments by organizations, especially from the consumer perspective, is vital to the success of their marketing efforts.

The most important features of social media are the bidirectional communication they support, as well as the interactive and real-time communication that can take place between businesses and users. They are basically a bridge between companies and consumers, helping boost consumer engagement with a brand. Social media can also be seen as a valuable source of information (spontaneous, unsolicited) which companies can use to understand the different segments of consumers, and a very important element of the company's communications strategy, used together with other components, both online and offline.

Among the future development trends of social media, one can mention the development of the collaborative economy, to the point that all products and communication channels have a social component, so companies will not only have to remain relevant most of the time, but will also have to become even more authentic. The end purpose of all these developments will be to successfully connect the company with its customers in a meaningful way through the messages sent, rather than the technology used just for the sake of technology.

Consumers appear to be less interested in promoting different brands, and one of the major goals of companies in order to maintain their adaptability and to cope with all the changes, will be to identify new ways of interacting with consumers and to include them in brand actions through various types of activities that are in line with their areas of interest.

With the growing consumer awareness of the implications of sharing a large amount of personal data through social media, personal data security will become a much more sensitive and well-managed subject, and one of the main effects of this change of attitude will be a more careful selection of brands, companies, or apps with which consumers share their private data. In view of this, it is vital for organizations to cultivate consumer confidence in their brands by demonstrating that protecting their personal data is a priority, even when this creates conflicts with state authorities.

In order to be successful in social media, companies need to learn to build long-term relationships with existing and potential consumers and create engagement among them, to be present where their target audience is, and especially where this public is willing to interact with the brand, accepting and respecting the limits set by them, to be authentic, coherent, consistent, persevering, to help consumers by providing relevant content for them and not to be too insistent. Moreover, organizations should not focus on the number of specific social media tools they use, or expect to have a presence on all of them, but rather choose the most appropriate ones considering the presence of their target audience, their willingness to interact with the brand there, the type of message they want to convey, and the objectives they are considering. Many companies still treat social media as a compromise, a short, easy and cheap solution, instead of looking at it as a long-term commitment and building an entire social media marketing strategy, with due importance, time and resources.

A valuable future research direction is continuing this qualitative research with the inclusion of experts from the main companies contributing to the development of social media right now (Facebook, YouTube, Instagram, WordPress, etc.), as well as the selection of experts from several European countries and the United States, in order to have an integrative vision of what is happening at European level or by region, and comparing it to the situation in the US.

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## **Experiential Marketing and Advertising Efficiency – a Marketing Experiment**

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### **Abstract**

The present paper describes a marketing experiment which studied the influence of music on advertising. It was shown that with the help of music, ads can be viewed for longer periods, demonstrating once again that humans are rational beings, as well as emotional and hedonistic, in the sense that they make choices and take decisions according to their feelings. People choose a brand as per the values that the brand represents, if it matches the customer's personality and based on the experience the brand has to offer. Considering that preferences ease the process that allows the brand to be permanently encrypted in the mind of consumers, the hypothesis of the present research states that the more a person associates the brand with individual preferences, such as musical ones, the more he will watch the ads playing that specific music. The methodology used throughout the experiment sought to observe changes in consumer behavior when they are subjected to different musical genres while watching an ad playlist. The ad playlists were created by the authors of this paper, choosing only ads featuring products from the perfume industry. To simplify the research, there was only one music style investigated, namely alternative rock, and the participants included in the experiment were only people who considered this music genre as their favorite music style. The playlists were used to observe the differences in time spent watching the selected ads with their favorite music playing, in comparison to the ads playing a generic music. There was a particular focus on the behavior of individuals who watched the ads when listening to their favorite music. In this study, the authors demonstrate that music preference directly affects the consumer time investment and attitude towards brands in advertising. With enormous amount of information that the Internet holds about online users, companies can use these results to target customer intentions.

**Keywords:** experiential marketing, music, advertising, marketing experiment, brand preference.

**JEL classification:** M31

### **1. Introduction**

As new technologies are being developed for highly targeted advertising, companies are forced to keep the pace and adapt to the new consumer demands. We can say that we are in the midst of a marketing revolution that focuses on reforming traditional marketing principles and models and changing the relationship of companies approach to their market. A revolution that will replace traditional marketing features through experience and sensory marketing.

Recently, companies started to no longer ignore sensory marketing and implement it in their businesses and strategies. The present research paper focuses on the ways companies can go into the direction of standing out and making a difference in the industries they are operating in. For example, companies like Spotify, iHeartMedia and Pandora are already implementing strategies like musical-targeted advertising and online user personalized experiences. The current digital environment offers the opportunity to reach the consumer in a fast way and helps the user to benefit from a very personalized experience according to his needs and preferences. Most people have a virtual profile from which companies can learn from and deliver

customized products and services, taking all information they need through cookies or cache folders.

Bringing this opportunity forward, the present experiment has tested how music preferences impact consumer behavior and how do these preferences influence advertising efficiency. The results of the present research experiment can be used in various companies and industries, and using these results can have significant effects on consumer behavior. They can also be used as a solution to keep up with the digitization era which we are currently facing. It is known worldwide that Google, YouTube and social networks own a lot of information about us all, that can be further communicated to various businesses. It is up to every company to wisely and ethically use this information in the best interest of consumers and users.

## **2. Experiential Marketing**

Experiential marketing can be defined as a marketing strategy that involves individual and direct consumer interaction and encourages them to participate in the development and evolution of a brand. Rather than treating clients simply as passive recipients of a message, the company that uses such a strategy has a strong focus on innovation and actively stimulates the consumer to co-create the relationship with the brand. According to Brad Nierenberg, experiential marketing is live, real-time and involves one-to-one interactions from both directions – client and company (McCole, 2004).

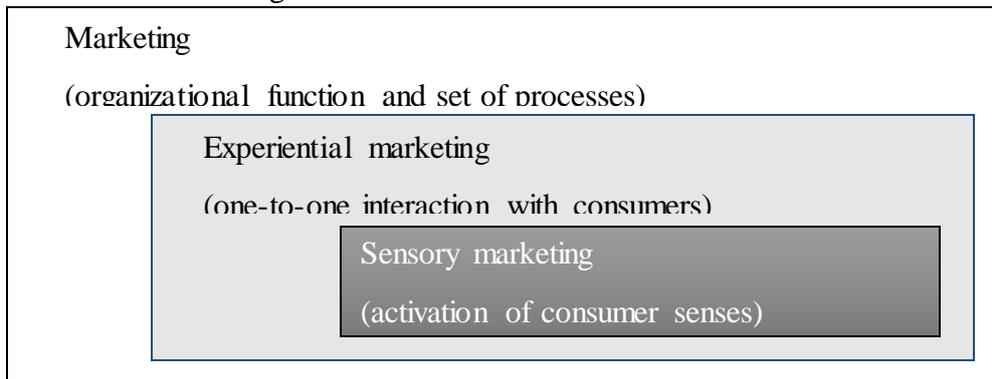
The Experimental Marketing Concept was derived from the concept of "The Economy of Experiences" proposed by Pine and Gilmore (1998). According to the authors, experience marketing has become a marketing management principle based on real-time bilateral interaction between the company and the consumer. According to the marketing director of the global financial services company, American Express, "We have evolved from having a monologue to have a dialogue with our customers." (French et al., 2011)

The 'connected consumer' no longer experiences the brand only through certain media and channels or solely through brand communication, but rather as the result of a comprehensive communication and product experience (Bader, 2015). With the digital transformation, marketing is facing a paradigm shift and is being replaced by the customer experience, which impresses customers with experiences with Storyscape models and offers them the opportunity to buy experiences. In the future, the customer experience will be the "decisive" benchmark for successful marketing and will fundamentally change it. Marketing managers today and in the future face the challenge of creating a positive brand experience on every touchpoint with users and engaging in dialogues with consumers. More than ever before, companies and their agencies will have to offer the consumer content and added value that are important to him at every stage of the brand contact (Bader, 2015).

The experience with a brand can result in a stronger and deeper connection between the brand and the consumer. These experiences usually consist of events that allow consumers to experience and feel the benefits of products or services through interactive and sensory activities, and eventually form a sensory brand image. Based on this concept, experiencing a product or a brand through one's senses, it will further develop one's emotions. Starting with emotions, attitudes are further developed, and studies show that attitudes towards the brand and the company in general, whether positive or negative, are necessary to create brand notoriety and familiarity. Companies like Starbucks and Disney are examples from the business world that successfully implement this strategy and have impressive results.

Considering the above-mentioned arguments, it is important for a communication strategy to include customer experiences with brands. However, these experiences are not considered as important by all companies, and some do not take them into account at all. In addition, it is

important to create a separate strategy and not interfere with other channels of communication, as it can be seen in Figure 1.



*Figure 1. Relation of interdependence between marketing, experiential marketing and sensory marketing (relationship determined by the authors based on the definitions of McCole, 2004 and Keefe, 2004)*

### 3. Music in advertising

As early as the '80s, there were researchers investigating the influence of music in advertising and consumer behavior. An example is the paper of Gerald Gorn (1982), who studied the effects of music in advertising on choice behavior, in a classical conditioning approach. His experiment suggested that hearing liked or disliked music while being exposed to a product can directly affect product preferences.

Allan (2006) examines the effects of popular music in advertising, in order to determine its influence on processing of advertising messages and decisions regarding the design of more effective advertisements. The author conducted an experiment that tested the effects of three integrations of popular music in advertising: original lyrics, altered lyrics, and instrumentals (plus a control treatment with unpopular music) on attention and memory. The results indicated that song vocals, either original or altered, are more effective stimuli of advertising effects than instrumentals or unpopular music.

A study by Alpert, Alpert and Maltz (2005) provides empirical support for the notion that when music is used to evoke emotions congruent with the symbolic meaning of product purchase, the likelihood of purchasing is enhanced.

There are also detailed researches in terms of variables for the relationship between music and advertising. Such a research is the one conducted by Steve Oakes, who identified 10 original definitions of music/advertising congruity (score, mood, repetition, association, valence, semantic, genre, image, tempo, and timbre). This highlights the emergence of a coherent pattern in which increased music/advertising congruity contributes synergistically to communications effectiveness by enhancing purchase intent, brand attitude, recall facilitation, and affective response (Oakes, 2007).

A study by the University of the Basque Country, led by Patrick Hartmann (2011), analyzed the effects of music used in radio advertising on memories and emotional responses. The study has shown that in the case of radio commercials, people have different emotional responses depending on the music that accompanies the advertising of the product, as well as the voiceover tone of the person who announces it. The study investigated especially jazz, swing or classical music. The conclusion of the study was that jingle is, to a large extent (along with associated memories and emotions), one of the most important aspects that creates notoriety in the mind of the buyer.

In a study published by the Journal of Consumer Research, authors Elder and Krishna (2009) show that multisensory advertising that describes the taste, smell, texture, visual appearance and sound of TV commercials can improve consumer perceptions of product taste. However,

the results suggest that advertising should include more sensory attributes of products because it has a significant impact on product perceptions. These findings are particularly relevant to the food industry, including bars or restaurants, as they continue to spend considerable amounts of money in advertising, just describing the taste of food, one of the most enjoyable human experiences.

One of the few brands targeted to provide a complete multi-sensory experience in stores and which has been very successful for years is Abercrombie & Fitch. The American retailer demonstrates the importance of a music strategy inside a store: "The music in Abercrombie & Fitch stores constitutes of famous songs that have been combined to create the right atmosphere for the store's ambiance. Strong bass is the main characteristic of each song, which is started at a very loud volume, giving the impression of a nightclub. There are no breaks between the songs and therefore the tempo and the sound are constant in the store. Customers like the music and many dance in the store. Even the employees are dancing, which gives a relaxed feeling of party and youth" (Spence et al., 2014).

#### **4. Research methodology**

Having the existing literature on music-advertising relationship as a base, we designed a research that would test the influence of favorite consumer music on advertising efficiency. The modern ways of interaction with the potential consumer allows companies to adapt the message as much as possible in order to convey with the consumer preferences and thus, to make them more open to marketing communication. In this context, an ad with their favorite music may have more exposure from the individual's point of view, thus increasing the chances of brand awareness and communication efficiency.

In order to test this hypothesis, the research had the following objectives:

- Measure the time spent on an ad containing the favorite music versus an ad containing general music
- Measure brand remembrance for the brands featured in the visualized ads
- Test the degree of acknowledgement for the music included in the ads
- Analyze consumer's opinion regarding the influence of music in advertising.

These objectives were addressed through a marketing experiment which investigated ads from one specific industry. We have chosen the perfume industry, first of all because music plays an important role in perfume advertising and, secondly, because consumer involvement in the purchasing act is more emotional, favoring attention to details. Using a total of 10 ads featuring women perfumes, we have overlapped on 5 of them the favorite music and on the remaining 5 we have used the actual music from the commercial of each brand.

In order to have a correct experiment, we had to control a lot of variables. For this reason, we used only one genre to analyze as favorite music (alternative rock), thus in the selection process people had to pass this preliminary filter. The research sample was composed of 20 women that represent potential clients for the perfume industry and have alternative rock as top musical preference.

As presented in the bellow figure, the experiment had a control group, meaning that those ads that for the experimental group played with the favorite music, for the controlled one had the actual TV commercial music and vice versa.

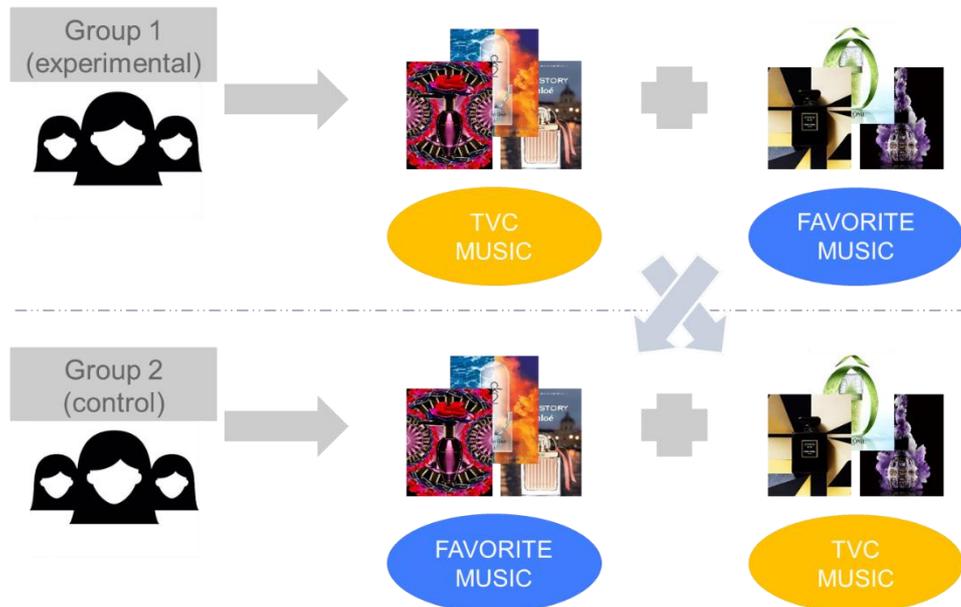


Figure 2. Experiment design

In the experiment, each participant was presented with a block of 10 ads and was asked to look at them as he would normally do, meaning that whenever he feels the need to skip to the next ad, he can do that. Each ad was 30 seconds long, in order to have a common base of comparison in terms of watching time. For every participant the ads rolled in a different order, thus avoiding what is called in research theory “order effect” (some items obtaining higher scores due to the fact that they were the first ones seen by the participants).

### 5. Research results

The main hypothesis of our research was validated by the research results. As it can be seen in Figure 3, the average time of watching an ad containing the favorite music is 23 seconds, while for general music the average time decreases to 17 seconds.

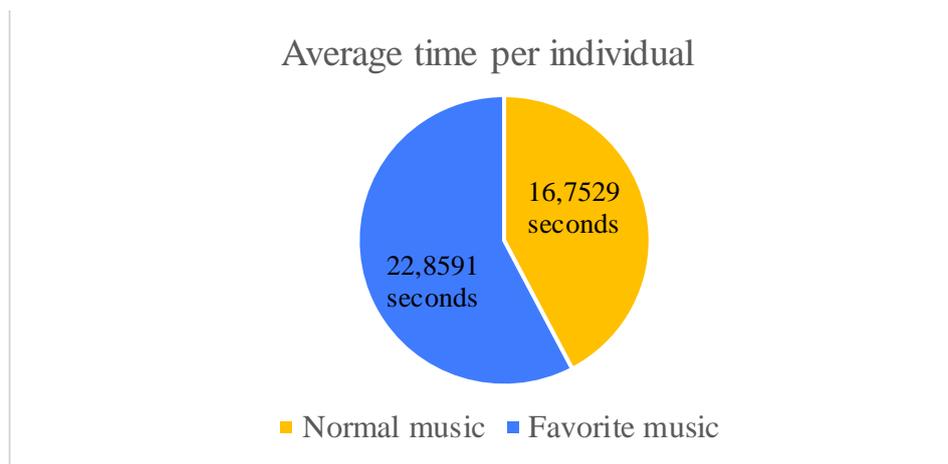
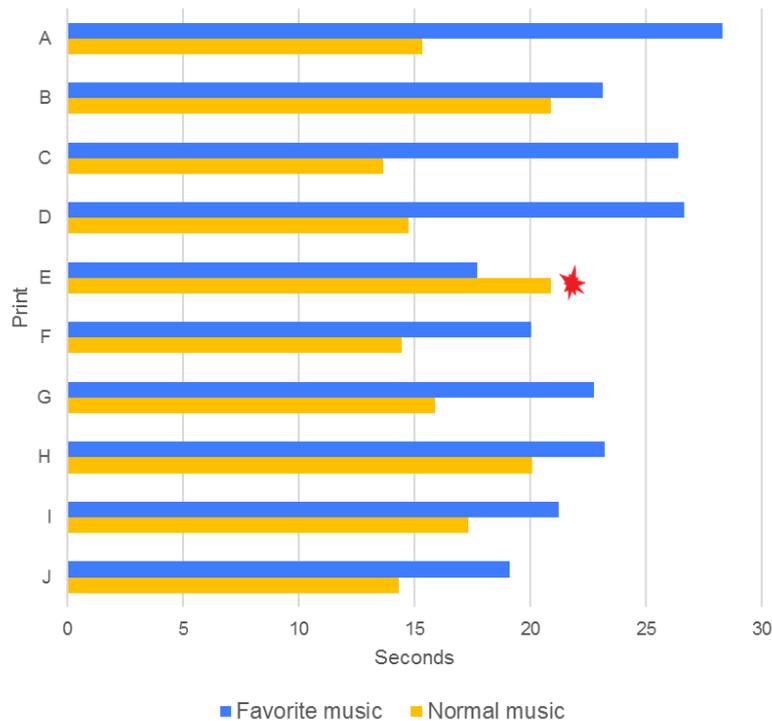


Figure 3. Average time spent on ads with favorite music versus ads with general music

Figure 4 presents the results for each of the ten ads included in the experiment and we can observe that for nine of them the blue bar, indicating the time spent when favorite music is playing is longer than the bar for general music. The only exception to this rule is for ad E,

which actually represents a low awareness brand for the Romanian market, thus when people were watching the ad, maybe they were paying more attention to the new product's features.



**Figure 4. Difference in time spent for each ad: blue line – when favorite music is playing, yellow line – when general music is playing**

In order to determine if the difference is statistically significant, we used Fisher test (Cătoiu et.al., 2002).

First, we tested the *time difference at individual's level*, meaning that we wanted to see if for each participant there is a significant difference between the time he spends watching ads with the favorite music versus those with the general music. We start by calculating the sum of square deviations ( $SS_T$ ), that is the total variance.

$$SS_T = \sum_{j=1}^r \sum_{i=1}^n x_{ij}^2 - \frac{T^2}{rn} = 18428.2145 - 15691.11 = 2737.109064$$

The total variance has two components:

- a) the total of square deviations due to the experimental factor ( $SS_{Tr}$ )

$$SS_{Tr} = \sum_{j=1}^r \frac{T_j^2}{n} - \frac{T^2}{rn} = 16063.96222 - 15691.11 = 372.8567844$$

- b) the total of square deviations due to experimental error ( $SS_E$ )

$$SS_E = SS_T - SS_{Tr} = 2737.109064 - 372.8567844 = 2364.25228$$

We use all this information in order to determine the F value:

$$F_{r-1, rn-r} = \frac{SS_{Tr}}{r-1} : \frac{SS_E}{rn-r} = 372.8568:62.21716525 = 5.992828231$$

The end of the experiment requires a comparison between F calculated and F theoretical (which is extracted from a statistical table for r-1 and rn-1 degrees of liberty). Using a confidence level of 95%, the theoretical level for F is 4.08.

As F calculated > F theoretical, we can state that the hypothesis is accepted and the difference between time allocated to favorite music ads compared to general music ads is statistically significant.

Fisher test was also used in order to determine if the differences are statistically significant *at commercial's level*. Applying the same reasoning as before, we have obtained 18.49 for the value of F calculated, which was bigger than F theoretical (4.35), thus we have accepted also the hypothesis that there is also significant difference for the same ad, viewed first with the favorite music and then with the general one. This is a very important finding, as we can now state that for the almost same conditions (considering that the ad was the same), the difference in attitude was due to the change of music genre.

This difference in behavior is also acknowledged by the consumer, as he states the fact that he spends more time watching commercials that play good music. The association presented in Table 1 highlights the fact that there is a direct correlation between declared and actual behavior towards ads playing consumers' favorite music.

| Score average *<br>(on a scale from -2 to +2,<br>where +2 means total agreement) | Average difference time<br>between ads with favourite<br>music and ads with TVC music |
|--|---|
| 1.4  | 10 seconds  |
| In total agreement   |   |
| 1.1  | 2 seconds   |
| In agreement   |   |

\* "I spend more time watching a commercial which plays my favorite music"

**Table 1. Correlation between declared and actual behavior towards ads using favorite music**

Another relevant information for a research on advertising efficiency concerns brand remembrance. The hypothesis was that people will remember more those brands that used in their ads the right type of music. However, the experiment showed us that the average number of brands remembered is 5 out of 10, both for the category with favorite music and that with general music. Thus, we can draw the conclusion that only one exposure to an ad is not sufficient, especially when consumers are not familiar with the brands. Although they watched the ad for longer time, when the brand is new for consumers, they will have problems at first memorizing it.

## 6. Conclusions and future research

Companies try to implement new solutions to gain competitive advantage in the markets they operate in and they started concentrating more on building new differentiating factors which can help them stand out in front of competitors. For a company to differentiate and survive in

a world dominated by fierce competition and pressed by too much communication, which primarily addresses the vision and hearing senses, a new dimension is needed to get encrypted into the minds of consumers and to convince them to give a chance to the products or services that companies offer.

The present experiment proposes sensorial marketing as that new dimension that will help companies in this respect. The reason behind the proposal of sensory marketing as a competitive advantage is that the brand experience creates a very strong and profound connection of the company with the consumer. Experience can be used to subconsciously trigger consumer perceptions about abstract product ideas, such as the degree of sophistication of products. Thus, it is important that sensory marketing is integrated into the communication strategy of any company. There are also different synesthetic connections between the senses that need to be considered when building products, delivering services or creating experiences for consumers.

The influence of music in advertising has been herby demonstrated and it has been shown how some companies from the international environment are already implementing and benefiting from the effects of music experiences and individualized consumer interaction. It is important for business experts to be aware of the effects of advertising music so that, when companies are faced with making decisions in this respect, they also take into account these possible effects, of course depending on the objectives pursued. Music can influence the mood, behavior or preferences of a consumer.

The present marketing experiment which studied the influence of music on advertising shows that with the help of music, commercials can be viewed for longer, demonstrating once again that humans are rational beings, but they are also beings emotional and hedonistic, in the sense that they make choices according to their feelings. They can choose a brand according to their personality, the values they represent and the experience they offer. This allows the brand to be encrypted in the minds of consumers. The hypothesis demonstrated in this paper shows that the more a person associates the brand together with individual preferences, such as musical preferences, the longer they spend time on the commercials.

The current digital environment offers the opportunity to reach the consumer in a fast way and helps him to benefit from a very personalized experience for his needs and preferences. The results of this research can be used in various industries and companies, and can have significant effects on consumer behavior.

Future research would be necessary to test where are the people actually looking while viewing the ads. This would help us understand if the brand is looked at or if the people get distracted by listening to their favorite music. This would be done in further research by using an eye tracker. Moreover, it would be necessary to investigate what is the best method to help companies receive the copyrights of the songs that they would like to use in their music targeted advertising.

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## **The Effects of Smoking on the Health of the Urban Population**

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### **Abstract**

After undergoing a harvesting and processing process, nicotine is a product available in a very advantageous distribution system, such as cigarettes, chewing tobacco or snuff. In both women and men, the spread of all chronic respiratory diseases (bronchitis, asthma, lung cancer, etc.) is closely related to the level and characteristics of smoking. As a topic of topical interest and national interest, a pilot study was conducted in the first part of the study to determine the perception of smoking and the degree of information about its consequences among the population in Bucharest. Therefore, in order to implement several anti-tobacco programs, it was necessary to collect the data from the primary data source, the urban population (Bucharest), on the perception of smoking by the population, the determination of their dependence and the knowledge related to the effects of cigarette consumption. The target population of research was made up of all 14- to 60-year-olds coming from Bucharest because it was based on the premise that young people are interested in tobacco products from increasingly younger ages. The pilot sample consisted of 150 respondents, segmented by gender, age, occupational status, level of training. Therefore, the originality of this study is emphasized by the merging and correlation of elementary statistical methods with correlation and regression methods, which have the effect of simplifying the calculations and conclusions, knowing that it is very difficult to quantify the multitude of all causal factors acting on a phenomenon or economic process -social.

**Keywords:** urban population, pilot sample, level of smoking, questionnaire, correlation and regression methods.

**JEL classification:** M31

### **1. Introduction**

Smoking is a major factor in the appearance of many illnesses, influencing most of the organs in the human body; it also has significant effect on non-smoking persons, but who are exposed to the tobacco smoke.

Amongst the consequences of smoking are affections such as cardio-vascular diseases, respiratory diseases, various types of cancer and others. On women smoking also influences the reproductive system, which might lead to avortion or premature births. (Trofor, A., 2008). The causes that lead people to start smoking are various, such as: curiosity, wish to be integrated with groups and socializing, family example, the scent of impressing, stress and others. The tobacco is the unique product that can be sold and bought legally, even though it has significant negative effects on the human body of those who practice smoking. The most

popular product with contains tobacco is the cigarette. Smokers prefer to use cigarettes as they are easy to purchase being sold at every step. People can be classified in three major categories due to their relation to smoking (Trofor, A., 2008), as follows:

- Daily smoker- it is the individual used to smoke more than 1 cigarette per day for a period of 6 consecutive months;
- Occasion smoker- it is the person smoking only in special occasions, exceeding a period of 6 months with no tobacco;
- Non-smoker- it is the person who has never smoked during life or has smoked an insignificant number of cigarettes.

Among the factors that lead to the sensation of the need to smoke, the principal are the following: education from home, the stress level, attractive marketing of the cigarettes in television publicity, the need to integrate with groups. The main causes that lead people to start smoking are diverse (Tudorache V., Mihăicuță Ș., Tudorache R., 1999):

- The need to integrate and the desire to impress- in a world in which belonging to a certain group has a major impact on an individual's life, smoking becomes a way to adhere to a group and to socialize with others;
- Parenting influence- parents represent a behavioural and attitude model in front of children who most of times try to reproduce and wish to have the same activities as their parents. The actual example of the parents has a larger impact on the children comparing to the verbal education;
- Curiosity is specific to adolescent period, the age in which children experiment new activities. Adolescents tend to consider that smoking takes them into the adults' world, without being aware of the negative consequences that this action has on their health.
- Diminishing anxiety- many persons motivate smoking as a factor which help them move over stressful situations from the daily life.

#### **The effects of smoking on health**

All the products containing tobacco have consequences on smokers and even on non-smokers, no matter if the exposure was made on short term or long term.

- Smoking and its effects on the respiratory system. The effects of the tobacco consumption on the respiratory system are: obstructive chronic bronchopneumopathy, respiratory infections, chronic bronchitis and others.
- Smoking and its consequences on the cardiovascular system. Smoking is the most important factor in causing cardiovascular diseases. Chronic ischemic heart disease is caused by a decrease in blood flow leading to attacks of angina pectoris or acute myocardial infarction. The main factor for this condition is nicotine, a toxic substance that results from cigarette smoke. (Trofor, A., Radu-Loghin, L., 2005).
- Smoking and its consequences on the cerebral system. Smoking is the main reason for the occurrence of strokes that often lead to paralysis or even death.
- Smoking and its carcinogenic effects. Today, lung cancer is the leading cause of mortality among cancer patients. (Henk, H.H., 2013). Women are at a higher risk of developing lung cancer, and with increasing numbers of female smokers increased and the number of lung cancer patients. (Powell, H., 2014)

Bronchopulmonary cancer - its occurrence is primarily determined by the activity of smoking tobacco. The production of lung cancer is closely related to the number of cigarettes smoked daily, but also to the age at which smoking was started.

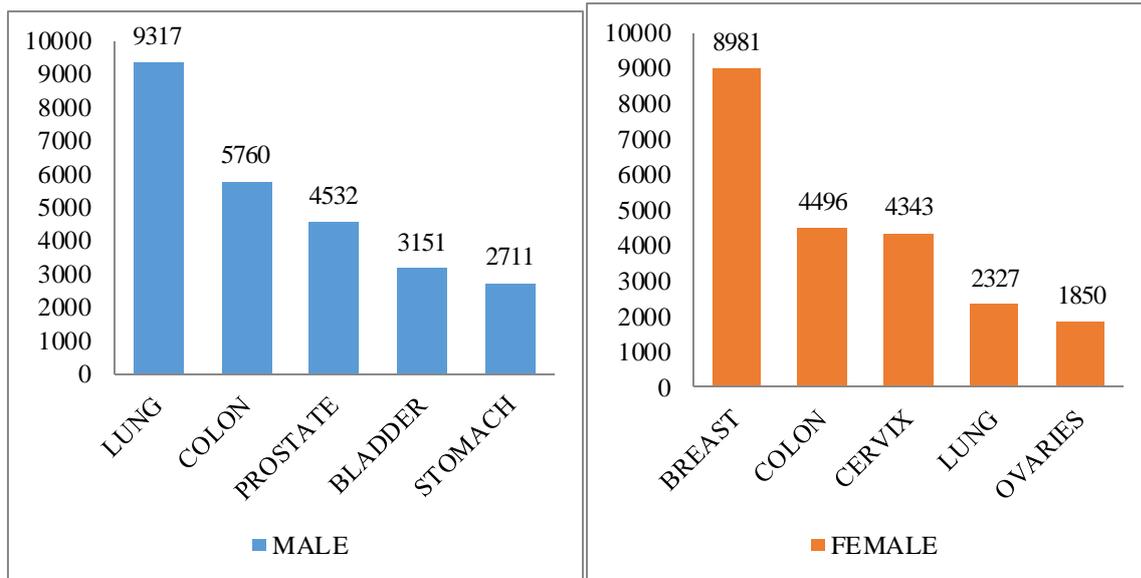


Figure 1- Incidence of cancer cases in Romania 2014

Source: World Health Organization- Cancer Country Profiles, 2014, available online at [http://www.who.int/cancer/country-profiles/rou\\_en.pdf?ua=1](http://www.who.int/cancer/country-profiles/rou_en.pdf?ua=1)

Laryngeal cancer - guilty of this type of cancer is smoking, which, combined with frequent use of alcohol, increases the risk of producing up to almost 100%. (See figure 2)

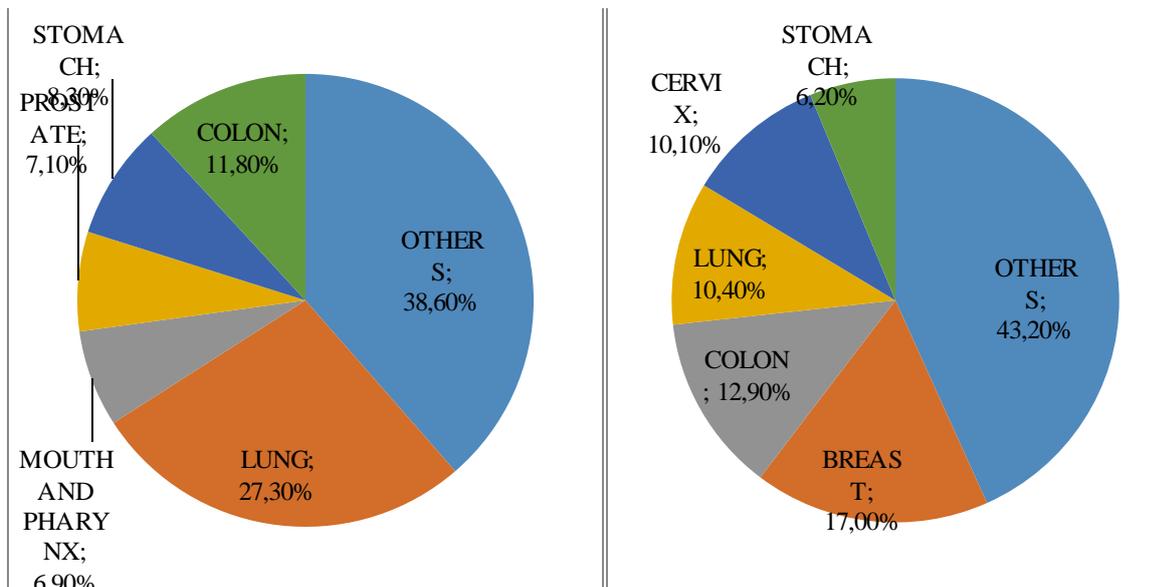


Figure 2- Profile of Mortality caused by cancer

Source: World Health Organization- Cancer Country Profiles, 2014, disponibil online la [http://www.who.int/cancer/country-profiles/rou\\_en.pdf?ua=1](http://www.who.int/cancer/country-profiles/rou_en.pdf?ua=1)

➤ Smoking and its effects on surgical interventions

It has been proved that smoking has negative consequences in wound healing. Cigarette smoke leads to diminishing the amount of oxygen in the body, good oxygenation of tissues being the main factor in wound healing. Smoking is the main enemy of smokers in terms of aesthetic appearance, contributing to the birth of early wrinkles and aging of the skin. Cigarette smoke leads to the excessive secretion of an enzyme that affects the elasticity and vitality of the skin.

➤ The effects of passive smoking

As a result of exposure to cigarette smoke, adults can accuse migraines, eye irritation that causes redness and tearing, irritation of the nose, dry mouth, coughing. Also people who suffer from allergic and respiratory conditions may experience increased symptoms. Lung cancer is one of the major effects of passive smokers. Thus, they are 30% more prone to the occurrence of this serious illness compared to those who are not exposed to tobacco smoke at all. (Tudorache V., Mihăicuță Ș., Tudorache R., 1999). Also, passive smoking reduces the ability of the blood to oxygenate the brain and heart and increases the activity of the platelets, causing the clotting of blood vessels, increases the risk of spontaneous abortions in women. (Radulesu, E., 2009). To prevent these complex effects of smoking on the population in 2016 Law No.15 was adopted on the Prevention and Control of Tobacco Products Consumption, law in accordance with the UEA Directive 40/2014, the main purpose of the law is to prohibit smoking in enclosed spaces workplaces and public spaces closed to protect the health of workers and the public in public spaces by avoiding exposure to toxic smoke from tobacco products. The law is additional beneficial for smokers because it facilitates smoking cessation as well as for minors and young people because it helps to prevent smoking by reducing the social occasions in which it smokes and in which tobacco consumption usually starts. Currently, 17 out of the 28 states of the European Union completely ban smoking in closed public spaces, in public transport and at work.

## **2. Research methodology**

In our paper, the following aspects were developed: in the first part was analyzed the smoking trend in Romania based on the secondary statistical data and in the second part of the paper was determined the level of addiction of people in the urban area in terms of smoking and the perception of this phenomenon based on primary statistics. The main statistical methods used in collecting the data series for the indicators that characterize and determine smoking are mainly exhaustive surveys. (Grosseck, G., 2006) The data collection was based on the statistical data published by the National Institute of Statistics in Romania as well as on the data published by the World Health Organization for the analysis of smoking trends in Romania. The analysis and modeling of the data regarding the characterization of smoking trends in Romania based on the secondary data was based on the study of the correlations that can be determined by applying the regression methods and the parametric correlation methods among the indicators that characterize the effects of smoking: number of cigarette packs, number of patients with respiratory diseases, age group and gender consumption patterns. These analyzes were carried out with the help of database management and analysis programs such as, Excel, EViews. (Andrei, T.; Stancu, S.; Iacob, A.I., et al, 2008).

The primary data analysis aimed at gaining a picture of smokers and their level of dependence, as well as their perception of the effects of smoking on health. The main objectives of the primary data analysis were: to identify the level of dependence of the population, to identify the level of awareness of the consequences of smoking on the body and to obtain a profile of the smoker in Romania. The target population of research was made up of people aged 14-60 from Bucharest. At the bottom of the research stood the survey, the tool used being the questionnaire. It consisted of 20 questions, the first part aimed at collecting personal data (gender, age, occupational status, level of training) and the second part had aspects related to the smoking customs and its consequences. The questionnaire was applied between 01.05.2017 and 15.06.2017 and the number of respondents was 150 persons.

### 3. Results regarding the smoking trend in Romania based on primary and secondary data

#### 3.1 Evolution and structural modification analysis of the indicators characterising smoking in Romania, based on secondary data

Regarding Romania and the evolution of smoking among Romanian citizens, we can say, as can be seen in Table 1, that Romanians' tendency to consume tobacco is decreasing. Thus, if in the year 2000, the average of the Romanians who smoked was 38.4%, meaning about 6,993,600 persons, in 2015 it decreased to 28.2% (about 5,157,700 persons). A positive aspect is that it is estimated that in the future, the number of tobacco consumers will decrease to 4,055,400 (22.9%) in 2025. In this regard, one can notice a major difference between the number of smokers in 2000 and 2025, namely 2,938,200 people. We notice a higher tendency for men to quit, from 52.1% of smokers in 2000 to 28.8% of smokers estimated in 2025 compared to women whose average falls by 8.1% from 2000 to in 2025.

| Year   | Percentage of tobacco consumption % |             |                 |                          |
|--|-------------------------------------|-------------|-----------------|--------------------------|
|  | Male                                | Female      | Male and Female |                          |
|  | Estimated %                         | Estimated % | Estimated %     | Estimated no. of smokers |
| 2000   | 52.1                                | 25.6        | 38.4            | 6.993.600                |
| 2005   | 45.9                                | 23.7        | 34.4            | 6.433.400                |
| 2010   | 40.8                                | 22.0        | 31.1            | 5.773.800                |
| 2015   | 36.3                                | 20.6        | 28.2            | 5.157.700                |
| 2020   | 32.4                                | 19.0        | 25.5            | 4.577.400                |
| 2025   | 28.8                                | 17.5        | 22.9            | 4.055.400                |
| Objective:<br>reduction of 30%<br>from 2010 to<br>2025 | 28.6                                | 15.4        | 21.8            |                          |

*Table 1- Smokers situation in Romania during 2010-202*

Source: World Health Organization, WHO global report on trends in tobacco smoking 2000-2025, disponibil online la

[http://apps.who.int/iris/bitstream/10665/156262/1/9789241564922\\_eng.pdf?ua=1](http://apps.who.int/iris/bitstream/10665/156262/1/9789241564922_eng.pdf?ua=1)

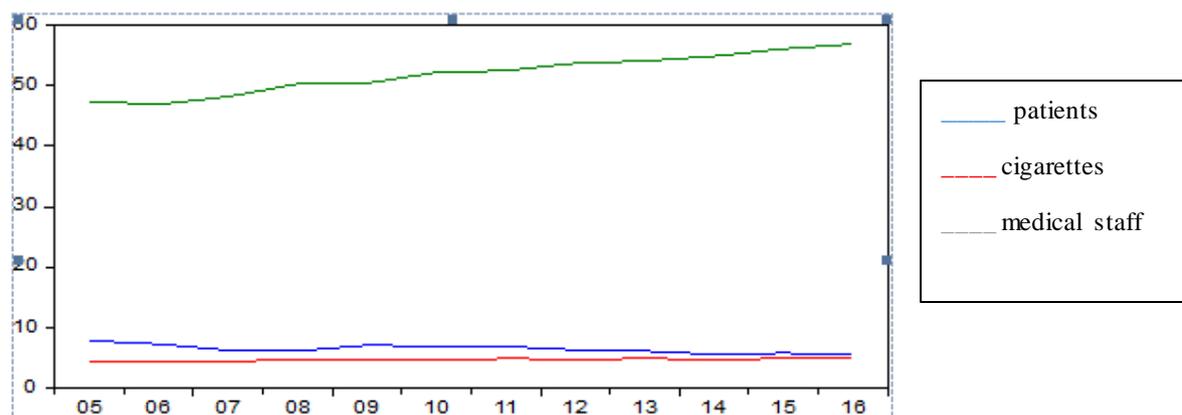
If we relate to the age of smokers in Romania, we notice that over time there has been a high proportion of them in the 25-39 age group. Although the tendency is to reduce the number of smokers, this age category is the one with the highest number of smokers, more precisely in 2000 the smoker's number aged between 25-39 was 47%, in 2010 38.5% , and in 2025 it is estimated to be 29.5%. On the opposite side are people over 70. The older Romanian citizens were those who during the past 25 years preferred not to consume tobacco, in 2025, their average being of 11.7%. Alarming is the fact that teenagers and young people have a high inclination to smoke. Thus, in 2000, the average age of 15-24 years old reached the threshold of 40.4%, 10 years later, the smoker's rate was decreasing, but the value remained high (33%). In 2025 it is estimated that the average of the 15-24 year old consumers will reach 29.5% (see Table 2). Smoking is among the most dangerous habits among adolescents. The main reasons that teach teenagers to start smoking are of a family, social and personal nature.

| Age   | 2000 |        |       | 2010 |        |       | 2025 |        |       |
|-------|------|--------|-------|------|--------|-------|------|--------|-------|
|       | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| 15-24 | 52.2 | 28.0   | 40.4  | 41.0 | 24.6   | 33.0  | 29.4 | 20.4   | 25.0  |
| 25-39 | 58.7 | 35.1   | 47.0  | 46.1 | 30.5   | 38.5  | 33.3 | 25.6   | 29.5  |
| 40-54 | 56.9 | 29.6   | 43.0  | 44.5 | 25.6   | 35.0  | 31.9 | 21.5   | 26.7  |
| 55-69 | 43.3 | 16.0   | 28.5  | 34.7 | 14.6   | 23.9  | 24.7 | 12.1   | 18.0  |
| 70+   | 34.5 | 9.7    | 19.6  | 26.9 | 8.3    | 15.6  | 19.3 | 6.9    | 11.7  |

**Table 2- Situation of smokers in Romania based on age for 2000, 2010, 2025**

Source: World Health Organization, WHO global report on trends in tobacco smoking 2000-2025, disponibil online la [http://apps.who.int/iris/bitstream/10665/156262/1/9789241564922\\_eng.pdf?ua=1](http://apps.who.int/iris/bitstream/10665/156262/1/9789241564922_eng.pdf?ua=1)

Over time, several policies have been developed that have the role of combating and reducing the number of smokers in Romania. Thus we can list the World Health Organization that recommends that cigarette taxes be increased to 75%; prohibiting forms of direct or indirect advertising; increasing media campaigns at a high level; stronger enforcement of existing laws on smoking; imposing additional health warnings on tobacco products, etc. At the same time, as regards the evolution of the number of cigarette packs and medical personnel in 2005-2016 in Romania, it was upward. As a paradox, the evolution of the number of patients with respiratory diseases was decreasing, the minimal value of this indicator being 5, 61 million patients in 2016 (see Figure 3). The average number of the medical staff during the period 2005-2016 was 51521 persons / year and on average about 5 cigarettes / year was smoked during this period.



**Figure 3- Evolution of number of patients, medical staff and number of cigarettes packs**

Source: [www.insse.ro](http://www.insse.ro)

Perhaps one explanation is that it is mandatory for all areas where smoking is not allowed to have posters with the mention "Smoking prohibited!". Smoking is allowed in open air public spaces, in the waiting areas of the means of transport if they only have a roof and a single wall, or in the private dwelling if no economic activity is carried out there (it is not a job). (Law No 15/2016)

### 3.2 The analysis of the correlation between the indicators characterizing smoking in Romania based on the secondary data in the period 2005-2016

In order to verify the existence / absence of a relationship between the above-mentioned indicators in the paper, a multiple linear regression model was used. Multiple regression

analysis covered the following steps: development of the regression model, estimation of model parameters and verification of model validity. In the correlation graph, we can estimate that the points in the graph network (Figure 4) are distributed relatively uniformly, without any disparities between them, so we can conclude that the linkage between the factorial variables characterizing smoking in Romania (health-care physicians, physicians, number of smoked cigarette packs) and the number of patients with respiratory diseases as a resolutive variable is linear, direct.

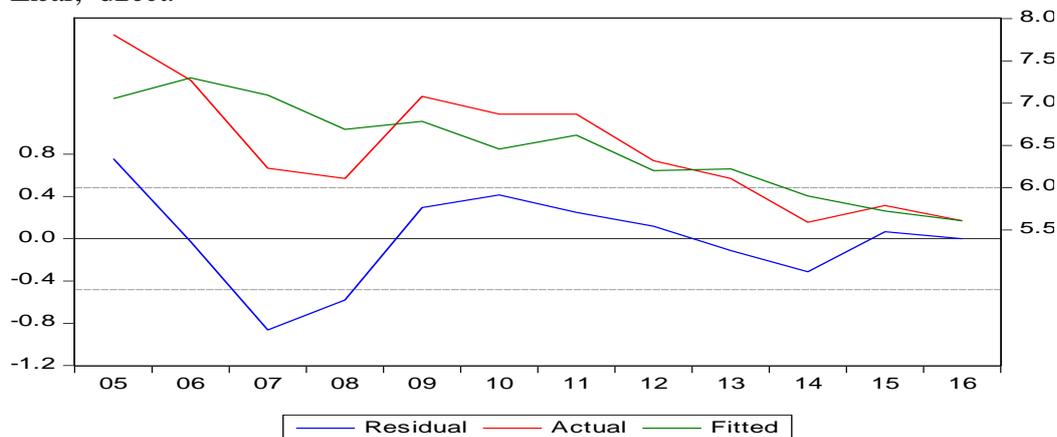


Figure 4- Actual, Fitted, Residual Graph

By applying the multiple regression model, using the program Eviews the following results, synthesized in Table 3, were obtained:

| Dependent Variable: NUMBER_PATIENTS                                      |             |                    |             |        |
|--|-------------|--------------------|-------------|--------|
| Method: Least Squares  |             |                    |             |        |
| Date: 07/16/17 Time: 22:13   |             |                    |             |        |
| Sample: 2005 2016  |             |                    |             |        |
| Included observations: 12  |             |                    |             |        |
| NUMBER_PATIENTS=C(1)+C(2)* NUMBER_CIGARETTES_PACK+C(3)*<br>MEDICAL_STAFF |             |                    |             |        |
|  | Coefficient | Std. Error         | t-Statistic | Prob.  |
| C(1)   | 11.4046     | 5.4014             | 2.1114      | 0.0439 |
| C(2)   | 1.71295     | 2.4355             | 0.7033      | 0.0237 |
| C(3)   | -0.24935    | 0.132              | -1.8816     | 0.0446 |
| R-squared  | 0.6233      | Mean dependent var |             | 6.4716 |
| Adjusted R-squared   | 0.5274      | S.D. dependent var |             | 0.7034 |
| F-statistic  | 7.1379      | Durbin-Watson stat |             | 1.1688 |
| Prob(F-statistic)  | 0.0139      | Multiple R         |             | 0.7823 |

Table 3- The multiple correlation between the number of patients with respiratory diseases as the dependent variable and the evolution of the number of cigarette packs and the medical staff doctors as independent variables between 2005-2016 in Romania

The following results of multiple regression function using linear regression model of multifactorial were obtained:

$$\hat{Y} = 11.40 + 1.71x_1 - 0.24x_2$$

By applying the known statistical tests to verify the significance of model parameters, the validity of the model and the OLS assumptions, we find that the estimation results were statistically significant for a significance level of 5% for all the independent variables included in the model. The link between the variables included in the model was quantified by the multiple correlation ratio equal to 0.78. We appreciate that there is a linear, direct and quite significant dependence between the correlation variables. In the multiple regression model there was an average number of patients with respiratory diseases in Romania of 11.40 million persons if this indicator was influenced by other factors except the independent variables included in the model. The independent variables included in the linear multiple correlation model (number of cigarette packs and medical staff-doctors) explain 62% of the variation in the number of patients, the difference of 38% being the influence of other factors. Verification of the validity of the multifocal regression model based on the "Fisher" led to the conclusion that the linear multifactor regression model is valid and correctly identified statistically because the F-statistical probability = 0.013 < 0.05.

In conclusion, the number of patients with respiratory diseases is quantified by both quantitative factors and qualitative factors such as smoking frequency, life expectancy, infant mortality, as well as a number of personal, family, social factors. These can be highlighted on the basis of the primary data from the survey. At the same time, medical staff has a high responsibility for transmitting comprehensive information and advice to patients with respiratory, genital, cardiovascular, caused by tobacco consumption. Therefore, it is necessary for healthcare professionals to eliminate the unconsciousness and lack of knowledge of the young population especially regarding the smoking problem.

### 3.3 Horizontal analysis to determine perception of smoking and the degree of information on its consequences among urban population based on primary data

With regard to distribution of responses by age, the results obtained were: 8% of respondents are aged between 14-18 years, 32% of respondents are between 19-40 years, 31% are aged 41-60 years, and 29% are over 60 years old. ( see Figure 5). Also, over half of the respondents are male (see Figure 6)

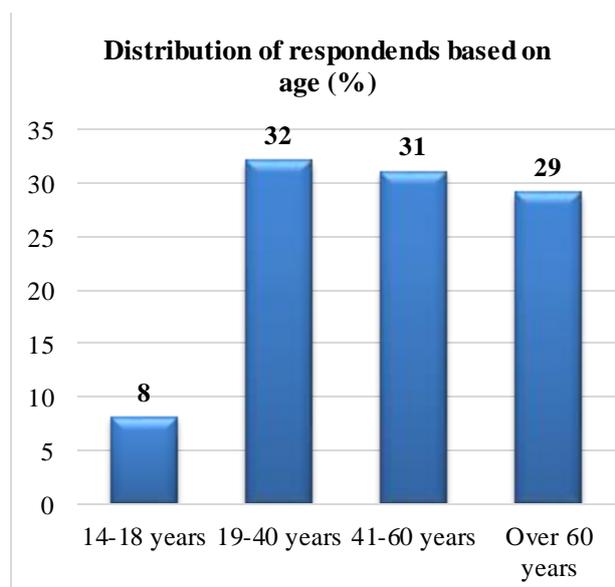


Figure 5- Distribution based on age

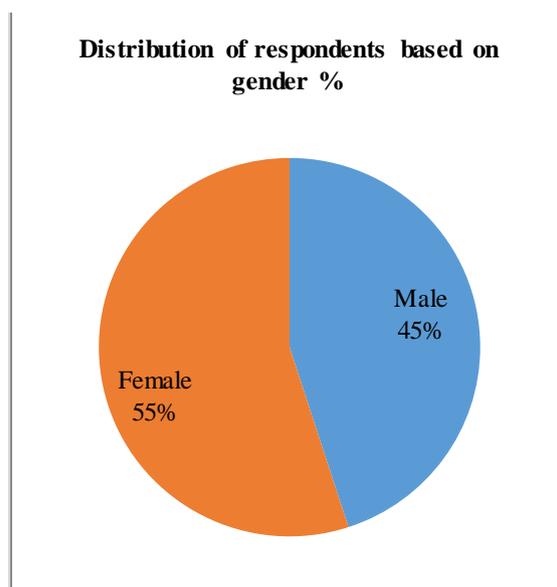


Figure 6- Distribution based on gender

Of the total number of respondents, most of them graduated: High School Studies (40%) and University (39%), the difference between the two levels being just one percent. At the opposite end there are people who have graduated postgraduate studies, their number being only 6

percentage points. Of the respondents, 16% stated that they had the last level of gymnasium education. In terms of smoking crunch, it is characteristic of all categories of people, regardless of the level of graduate education, as tobacco information is currently at every step, including those with secondary education, so that smokers consciously and deliberately choose to adopt such a habit (see figure 7) From the point of view of the occupational level, 15% of the respondents are students, 13% are employers / freelancers and 12% are unemployed / unemployed. A quarter of respondents (25%) are households / retirees, while 35% are employed (see figure 7)

To the question “When did you start smoking?” half of the respondents said they started smoking cigarettes as early as adolescence (50%), followed by young people (24%) from the age of 20. Only an insignificant percentage of 1% of surveyed respondents said they began to smoke when they were 30 years old. A percentage of 29% of the respondents said they never smoked. In conclusion, regardless of age, the tendency of people to smoke is during the first part of their life (adolescence and youth). This is worrying because long-term tobacco consumption has devastating effects on health, especially during adolescence when the body is in development.

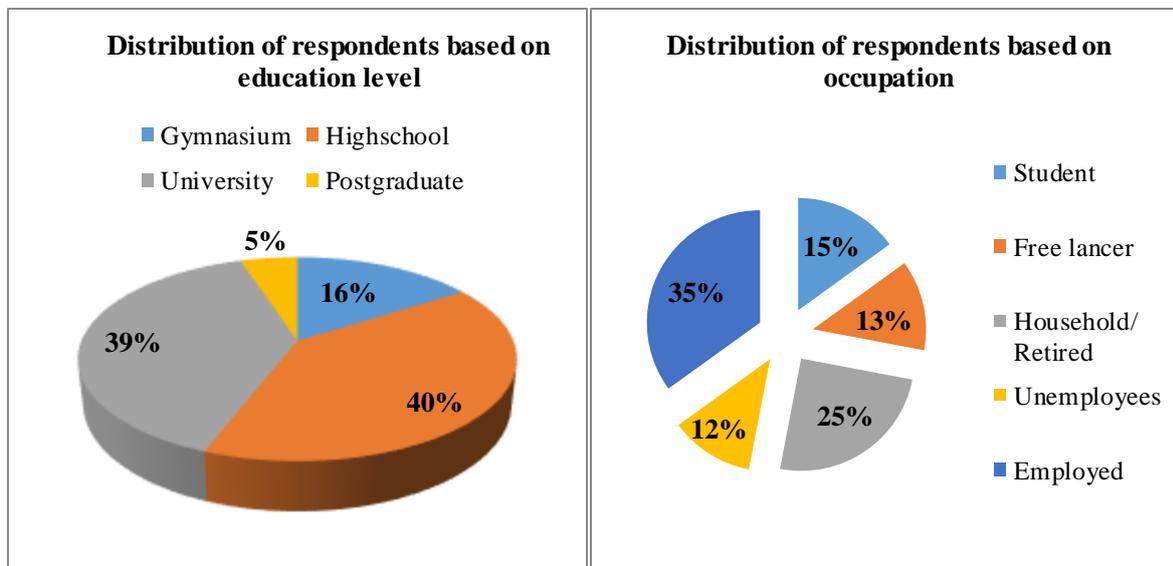
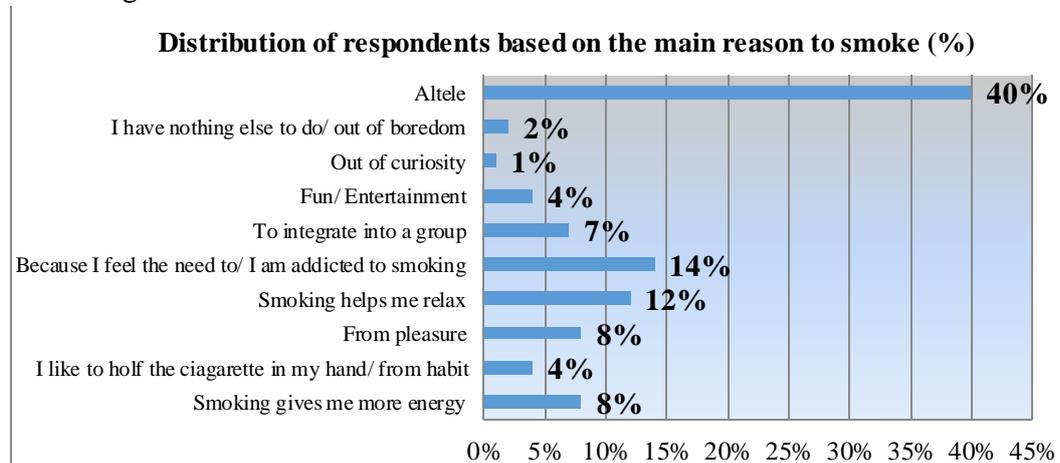


Figure 7- Distribution of respondents based on education and occupation

A significant percentage of 40% of respondents said that others were the (main) reasons they smoked (stress and problems prompted them to find a refuge in the tobacco). Of the respondents who motivated smoking as mentioned above, there are mainly those over the age of 30 and who started to smoke at maturity. Also (14% and 12% respectively) mentioned that they started to smoke to relax and because they are addicted to this. Another main reason why they smoke, 7% of the respondents, chooses to smoke in order to integrate into a group, so at the urge of friends. This is especially true for people who started to smoke in adolescence, the age at which people are very easily influenced. At the same time, 16% say that smoking gives them more energy (8%) and that it is an action that please them.(8%) (see Figure 8)

A quarter of smokers said that they are more likely to smoke less than one cigarette pack a week, which is an improvement in the current situation with regard to tobacco consumption. Thus, we can observe that the policies implemented by the Romanian Government for the fight against smoking have had positive results. A percentage of 23% of respondents said they consumed between one and three cigarette packets a week, while 18% said they smoked more than three packs of cigarettes in a week. It was found that those who consume a large number

of cigarettes predominate over the age of 45 and the opposite is the adolescents and young people. The category of respondents who said that was not the case was 34%. With regard to smoking cessation, it is worrying that most smokers have said they have never attempted to give up this vice, from which we can conclude that the level of addiction to cigarette smoke is high. This aspect is alarming because the effects of smoking on health are devastating and may be causing death.



**Figure 8- Distribution of respondents based on the main reason to smoke**

Asked „How long you have been able to refrain from smoking?” most of the respondents said that the period of non-tobacco consumption ranged between 1 and 6 months (17%) and the opposite less than one month 15%. Unfortunately, the number of people who have never interrupted smoking is 12%, most of them being male individuals who started smoking in adolescence. This demonstrates the impact of nicotine on the brain and the increased level of addiction it creates in the human body. If we analyze the answers of respondents who have failed to refrain from smoking for more than 6 months and over a year we get a rather insignificant percentage of 10%. For 46% of respondents these cases do not apply because they do not smoke or do so very rarely. Regarding the effects of smoking on health, 36% of respondents said they had information that the main consequence of smoking was the appearance of cancer in various forms (lung, laryngeal, or oral), followed in a 28% of those who report respiratory disease. These respiratory illnesses are caused by toxic substances in cigarette smoke and can cause illnesses that lead to frequent coughing, difficulty breathing, including the smallest activities that require effort (clothed, washed, walked). In an amount of 12%, respondents mentioned heart disease and heart disease such as cerebral accidents. Only 3% said they were aware of the effects of smoking on physical appearance and teeth, more precisely that it causes yellowing of the teeth. Concerned is the fact that 7% of the respondents admitted that they do not know any adverse effects of tobacco use, although today information is provided at every step through various means of communication (the Internet, the media, health and education institutions, and others). (see Figure 9)

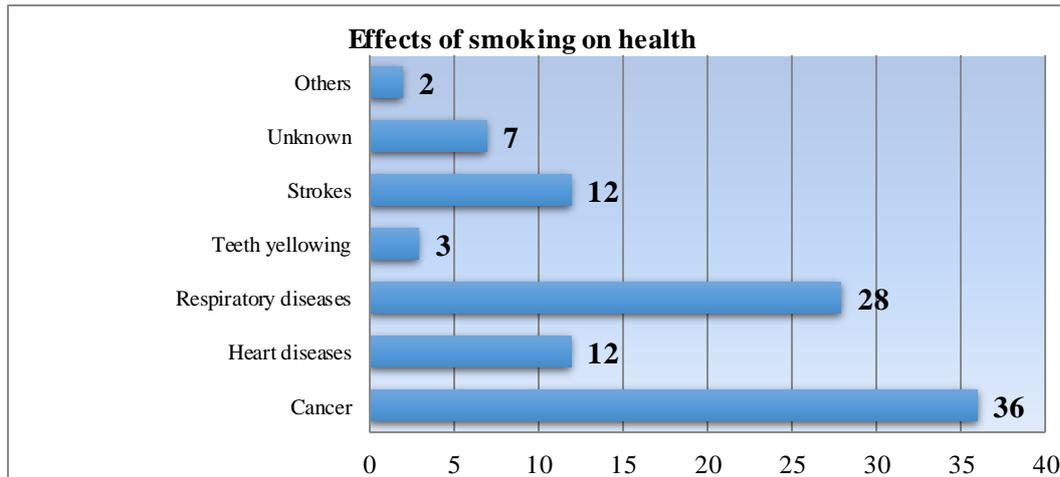


Figure 9- Distribution of respondents based on the effects of smoking on health of the population

Regarding the involvement of healthcare professionals in the awareness of people using tobacco, the following distribution of responses was obtained: 56% of those interviewed discussed with the healthcare staff about the negative effects of smoking, while 35% did not do so discussions, and 9% do not remember. If we consider tobacco dependence, 61% of respondents have never attempted to quit smoking in the last year, while 39% said they were trying to quit smoking. (See Figure 10)

To the question “ How long after smoking a cigarette do you feel the need to light a new one?” the following distribution of responses was obtained: 20% of them feel the need to ignite a new cigarette in less than one hour, 15% feel the need to smoke within 1-3 hours after the last cigarette, 15% the respondents feel the need to light a new cigarette the same day, 5% of the respondents feel the need to smoke as soon as they have extinguished the cigarette, 2% do not feel the need to light a new cigarette the next day and 3% did not know exactly how to describe the need to smoke. A significant 40% does not feel the need to smoke again.

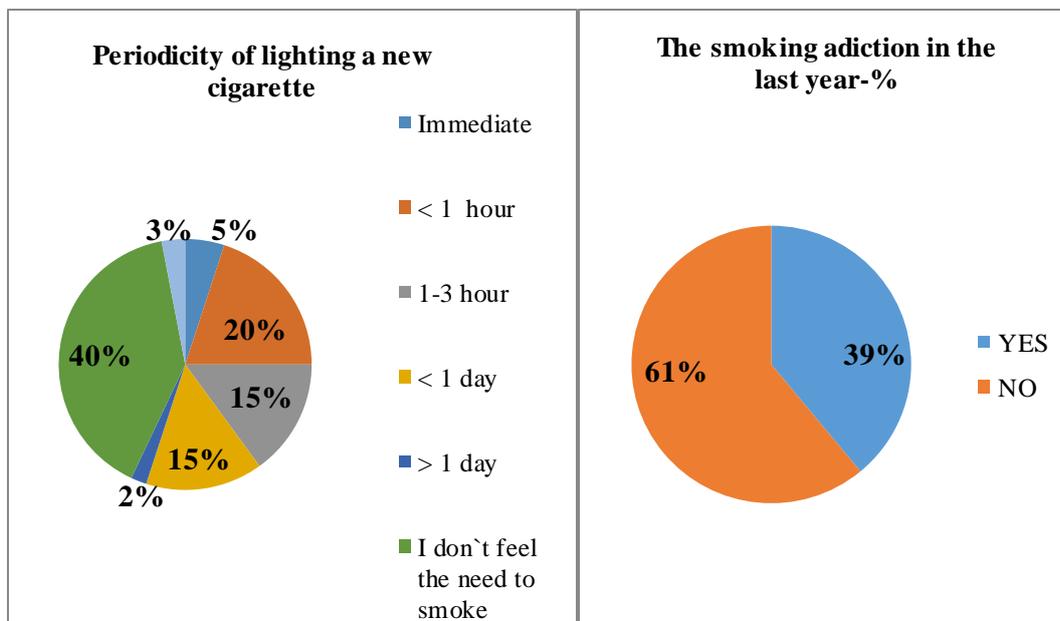


Figure 10- Distribution of respondents based on the periodicity of lighting a new cigarette and the addiction in the last year

This is a positive fact, which also results from the macroeconomic data provided by the National Statistical Institute, which shows that the number of patients with chronic diseases

due to the effects of smoking is decreasing. An aspect of real interest in this questionnaire is also related to the diseases the population suffers from and how they can or may not be influenced by external factors such as smoking. Thus, 44% of them complain of various diseases of the respiratory system, while 22% of the respondents have diseases of the cardiovascular system and 14% have ulcer / gastritis. Only 5% of respondents suffer from cancer and 4% of diabetes. Also, through this study, we also tried to determine the reason for smokers to ignite the next cigarette, resulting in the following distribution of responses: 14% feel the need to smoke due to addiction, 12% feel a lot more relaxed, 9% smoke and 8% have more energy. At the same time, 7% admit that they smoke to socially integrate. The other respondents (<10%) smoke either from amusement, curiosity, because of boredom. At the opposite end, 40% of respondents are non-smokers. This significant percentage of non-smokers is confirmed by the WHO Global Tobacco Report 2000-2025, which points out that in 2000 the average of Romanian smokers was 38.4 %, i.e. about 6,993,600 persons, in 2015 it decreased to 28.2% (about 5,157,700 persons). A positive aspect is that it is estimated that in the future, the number of tobacco consumers will fall to 4,055,400 (22.9%) in 2025 according to the same report.

In conclusion, following the horizontal analysis, the following portrait of the smoker in the capital has emerged, namely: most smokers in Bucharest are male and are part of all age groups starting with 18 years. Most of these have graduated from high school and university studies, which show that although they are educated and have information on the consequences of smoking, they still prefer to do this. The onset of smoking for most people occurs during adolescence or early part of the youth when they are easily influenced as a result of their entourage and family and social situation. At the same time, they want to impress others or are encouraged by the curiosity of trying new things. Finally, we can conclude that addiction to tobacco is stronger than the individual's willingness to abandon smoking, many motivating that anyway at some point they will die.

### **3.4 The Vertical analysis is to determine the perception of smoking and the degree of information on its consequences among urban population based on primary data**

This analysis aims to make statistical correlations between variables in order to detach some essential characteristics of the sample such as: association, correlation intensity, contingency. In order to verify the association between the respondents' genes and the attitude towards smoking in the last year, the test for a 99% chance of guaranteeing results was applied in the paper. After defining the null hypothesis specifying that there are no gender differences in the smoking behavior of the last year of the respondents was determined calculated. Its value was 8.69, a value that was compared to  $\chi^2_{table}$ . The  $\chi^2_{tabular}$  identification is done by two co-ordinates:  $n = \text{the number of freedom degrees} = (r - 1)(k - 1) = (2 - 1)(2 - 1) = 1$ ,  $\alpha = 1\%$ ,  $\chi^2_{0.99;1} = 6.63$ . In conclusion  $\chi^2_{calculated} > \chi^2_{table}$ , which brings us to a significant relation between the two variables. In this case, the null hypothesis is not allowed. To further see if the age of the respondents influenced the smoking frequency of the last month, the 99% probability test was applied to the test. After defining the null hypothesis stating that there are no differences in age with respect to the smoking frequency of the last month of respondents was determined calculated, whose value was 13.31. The  $\chi^2_{tabular}$  identification is done by two co-ordinates:  $n = \text{the number of freedom degrees} = (r - 1)(k - 1) = (4 - 1)(4 - 1) = 9$ ,  $\alpha = 1\%$ ,  $\chi^2_{0.99;9} = 27.9$ . In conclusion  $\chi^2_{calculated} < \chi^2_{table}$ , so the null hypothesis is allowed.

In order to measure the intensity of the association between age and smoking frequency, the contingency coefficient was determined in the paper, whose value of 0.4 suggests that the ratio between the two associated variables is positive but rather modest, so age is not quite a variable

significant in terms of the smoking frequency of respondents in the last month. Further measuring the intensity of the correlation between the time period when respondents began to consume tobacco and the determinants in starting tobacco consumption on the basis of scores (ranges) given to response variants, a correlation coefficient of the Spearman ranks of 0,6. The value of the Spearman correlation coefficient indicates that there is a direct and medium intensity relationship between the two qualitative variables.

#### 4. Conclusions and recommendations

The main objective of the paper was the need for people to become aware of the effects of tobacco consumption on public and especially individual health by determining the degree of addiction and trends in tobacco consumption on the one hand and the way it affects the good course of daily life on the other. Of particular importance is the information about the Romanians' inclination towards tobacco consumption. Thus, the average smokers in Romania in 2014 exceeded the European Union average, which is a worrying statistic for our country. However, it is estimated that in 2025 the number of Romanian smokers will decrease to about 4 million compared to 2010 when their number reached the threshold of nearly 6 million. Therefore, in order for the smoking cessation to be a success according to (Milica, C., Troia, D., 2013), the smoker has to set up several goals such as: observance of the first day when it is proposed to cease indifferent tobacco consumption (cigarette lighter, ashtray), replacing the coffee that is consumed alongside the cigarette, giving up smoking to the smoking areas, removing at least for a period the smoker group and joining a group of non-smokers.

A negative conclusion of this study is that almost 90% of new cases of cancer have causes associated with smoking, this being the most common form of cancer occurring both in the world and in Romania; the second negative conclusion is that this defect is encountered at an early age (adolescence and youth), being mainly due to curiosity, but also to environmental, family and social factors that cannot be quantified due to the very lifestyle the environment of origin, the complexity and the different living standards of the population. This is worrying because long-term tobacco consumption has devastating effects on health, especially during adolescence when the body is in development. On the opposite side, the study also sparked a positive outlook, namely an improvement in the current situation with regard to tobacco consumption (less than one packet of cigarettes per week). Thus, we can see that policies implemented to combat smoking have had positive results such as: the 2015 national tobacco-free campaign, the smoke-free law that has been permanently modified as recommended by the EU.

Among the proposals aimed at reducing the level of addiction and the perception of smoking among the urban population in Romania, there are a few things:

- Promoting programs to educate the population of all ages and from any social environment on the significant reduction of smoking in the future. In this respect, the introduction of a school material that teaches children about what smoking is, its impact on health would have beneficial consequences in developing a harmonious life from a personal and social point of view.
- More active involvement of medical staff through an active advertising campaign in the media and state and private sanitary units on the effects of smoking, existing new treatments, negative effects of pollution;
- Continue to improve patient protection legislation by December 31, 2017 and continue the parliamentary approach to adopt the health prevention law. Thus, the variables included in the multiple correlation model (sick number, medical staff and number of cigarettes) are found in a relationship of mutual interdependence, which also resulted from the analysis based on the primary data, at the level of the questionnaire.

Finally, we can safely say that most smokers are aware that cigarette smoke contains toxins that severely affect human health and cause diseases of the respiratory, cardiovascular or cerebral system, cancer, and has a major impact on physical appearance, but with all most of them continue to smoke declaring that they would be willing to give up the situation if they face any of the above conditions.

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