



**mk**  
est. 2003

# Journal of **EMERGING TRENDS IN MARKETING AND MANAGEMENT**

**Marketing School, The Bucharest University of Economic Studies  
Bucharest  
2020**



**Vol. I, No. 1/2020**

**ISSN: 2537 - 5865**

**ISSN-L: 2537 - 5865**

**Copyright © 2020, The Bucharest University of Economic Studies Publishing House**  
All rights reserved.

**The Bucharest University of Economic Studies Publishing House**

6 Romana Square, 1st district, Bucharest, Romania

Postal Code: 010374

E-mail: [editura@ase.ro](mailto:editura@ase.ro)

Phone: 021.319.19.00 / 021.319.19.01 int. 401

Website: <https://editura.ase.ro/>

The Bucharest University of Economic Studies Publishing House

ISSN: 2537 - 5865

ISSN-L: 2537 - 5865



**Journal of Emerging Trends in Marketing and Management** is affiliated to the **Emerging Trends in Marketing and Management International Conference** and receives for publication the full papers accepted by its Scientific Committee, but is also open to receiving original scientific papers (sent directly). JETIMM Vol I, No. 1/2020 includes papers presented at the 5<sup>th</sup> edition of ETIMM International Conference, which took place on **2020, June 25<sup>th</sup> – 26<sup>th</sup> Bucharest, Romania**.

Papers were selected after a peer review double blind type evaluation process. Reviewer team members will not use ideas from or show another person the manuscript or supplementary materials they have been asked to review without the explicit permission of the manuscript's author, obtained through the journal editor. Advice regarding specific, limited aspects of the manuscript may be sought from colleagues with specific expertise, provided the author's identity and intellectual property remain secure. All reviews are done through a double-blind review process.

Reviewers and journal editors are expected to provide comments and critiques in a confidential, constructive, prompt, and unbiased manner appropriate for their position of responsibility. Collegiality, respect for the author's dignity, and the search for ways to improve the quality of the manuscript characterize the review process.

The editor has the final authority for the acceptance or rejection of any article. Authors who publish in **Journal of Emerging Trends in Marketing and Management** agree to the following terms:

1. Authors retain copyright and grant the journal right of first publication with the work simultaneously licensed under a **Creative Commons Attribution License** that allows others to share the work with an acknowledgement of the work's authorship and initial publication in **Journal of Emerging Trends in Marketing and Management**.
2. Authors are able to enter into separate, additional contractual arrangements for the non-exclusive distribution of the journal's published version of the work (e.g., post it to an institutional repository or publish it in a book), with an acknowledgement of its initial publication in **Journal of Emerging Trends in Marketing and Management**.
3. Authors are permitted and encouraged to post their work online (e.g., in institutional repositories or on their own websites) prior to and during the submission process, as it can lead to productive exchanges, as well as earlier and greater citation of published work.

**Journal of Emerging Trends in Marketing and Management, ISSN: 2537 - 5865** will be sent for approval of inclusion in the **Conference Proceedings Citation Index** - an integrated index within **Clarivate Analytics – Thomson Reuters Web of Science™ Core Collection** database. Moreover, the journal will be indexed in the following international databases **Index Copernicus, RePEc, EconPapers, IDEAS, Microsoft Academic Search and Google Scholar** and respectively on the site of the journal: **www.etimm.ase.ro** in electronic format, with open access to full text.

## Editor-in-Chief

Professor Ionel Dumitru, PhD – The Bucharest University of Economic Studies, Romania

## Editors

Professor Ștefan Claudiu Căescu, PhD – The Bucharest University of Economic Studies, Romania  
Professor Mihai Ioan Roșca, PhD – The Bucharest University of Economic Studies, Romania  
Associate Professor Mihaela Constantinescu, PhD – The Bucharest University of Economic Studies, Romania  
Assistant Professor Lucian-Florin Onișor, PhD – The Bucharest University of Economic Studies, Romania  
Assistant Professor Andreea Orîndaru, PhD – The Bucharest University of Economic Studies, Romania  
Assistant Professor Andreea Pachițanu, PhD – The Bucharest University of Economic Studies, Romania  
Laura Daniela Tănase, PhD – Marketerclub, Romania

## Scientific Committee Members

Professor Laurențiu-Dan Anghel, PhD – The Bucharest University of Economic Studies, Romania  
Professor Eric Arnould, PhD – University of Southern Denmark, Denmark  
Professor Gabriel Brătucu, PhD – Transilvania University of Brasov, Romania  
Professor Ștefan Claudiu Căescu, PhD – The Bucharest University of Economic Studies, Romania  
Professor Ionel Dumitru, PhD – The Bucharest University of Economic Studies, Romania  
Reader Finola Kerrigan, PhD, University of Birmingham, UK  
Professor Violeta Rădulescu, PhD – The Bucharest University of Economic Studies, Romania  
Professor Mihai-Ioan Roșca, PhD – The Bucharest University of Economic Studies, Romania  
Professor Jari Salo, PhD – University of Oulu, Finland  
Professor Alin Stancu, PhD – The Bucharest University of Economic Studies, Romania  
Professor Călin Petrică Vegheș, PhD – The Bucharest University of Economic Studies, Romania  
Professor Diana Maria Vrânceanu, PhD, The Bucharest University of Economic Studies, Romania  
Professor Răzvan Zaharia, PhD – The Bucharest University of Economic Studies, Romania  
Associate Professor Mihaela Constantinescu, PhD – The Bucharest University of Economic Studies, Romania  
Associate Professor Anca Francisca Cruceru, PhD – The Bucharest University of Economic Studies, Romania  
Associate Professor Dan Cristian Dabija, PhD – Babes-Bolyai University, Romania  
Associate Professor Maria Johann, PhD – Warsaw School of Economics, Poland  
Associate Professor Alina Sorescu, PhD – Texas A&M University, US  
Associate Professor Katarzyna Żyminkowska, PhD – University of Bielsko-Biala and University of Economics in Katowice, Poland  
Senior Lecturer Georgiana Grigore, PhD – Bournemouth University, UK  
Senior Lecturer Dan Alex Petrovici, PhD – Kent Business School, UK  
Lecturer Daniela Ionita, PhD – The Bucharest University of Economic Studies, Romania  
Lecturer Derek Ong, PhD – Sunway University Business School, Malaysia  
Assistant Professor Fayçal Boukamcha, PhD – Institute of Business Administration of Gafsa, Tunisia  
Assistant Professor Lucian-Florin Onișor, PhD – The Bucharest University of Economic Studies, Romania  
Assistant Professor Andreea Orîndaru, PhD – The Bucharest University of Economic Studies, Romania  
Assistant Professor Andreea Pachițanu, PhD – The Bucharest University of Economic Studies, Romania  
Assistant Professor Simone Splendiani, PhD – University of Perugia, Italy  
Assistant Professor Crina Tarasi, PhD – Central Michigan University, USA  
Assistant Professor Jason Turner, PhD – Abertay University, UK  
MRes Rita Cannas, PhD – Marie Curie Fellowship, The University of Cagliari, Italy  
Laura-Daniela Tănase, PhD – The Bucharest University of Economic Studies, Romania

## Editorial Review Board

Professor Ștefan Căescu, PhD, The Bucharest University of Economic Studies, Romania  
Professor Ionel Dumitru, PhD, The Bucharest University of Economic Studies, Romania  
Professor Violeta Rădulescu, PhD – The Bucharest University of Economic Studies, Romania  
Professor Mihai-Ioan Roșca, PhD, The Bucharest University of Economic Studies, Romania  
Professor Alin Stancu, PhD – The Bucharest University of Economic Studies, Romania  
Professor Diana Maria Vrânceanu, PhD, The Bucharest University of Economic Studies, Romania  
Professor Răzvan Zaharia, PhD – The Bucharest University of Economic Studies, Romania  
Associate Professor Mihaela Constantinescu, PhD, The Bucharest University of Economic Studies, Romania  
Associate Professor Anca Francisca Cruceru, PhD, The Bucharest University of Economic Studies, Romania  
Associate Professor Maria Johann, PhD – Warsaw School of Economics, Poland  
Lecturer Daniela Ioniță, PhD, The Bucharest University of Economic Studies, Romania  
Assistant Professor Lucian-Florin Onișor, PhD, The Bucharest University of Economic Studies, Romania  
Assistant Professor Andreea Orîndaru, PhD – The Bucharest University of Economic Studies, Romania  
Assistant Professor Andreea Pachițanu, PhD, The Bucharest University of Economic Studies, Romania  
MRes Rita Cannas, PhD – Marie Curie Fellowship, The University of Cagliari, Italy  
Laura-Daniela Tănase, PhD, The Bucharest University of Economic Studies, Romania

## TABLE OF CONTENTS

|                                                                                                                                                    |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>NETNOGRAPHY AND A SUMMATIVE CONTENT ANALYSIS<br/>APPROACH TO MARKET RESEARCH.....</b>                                                           | <b>12</b> |
| ALAN SHAW                                                                                                                                          |           |
| <b>FACTORS AFFECTING CRM SYSTEM ADOPTION: EVIDENCE<br/>FROM ROMANIAN SMES.....</b>                                                                 | <b>23</b> |
| MIHAELA-RODICA GANCIU<br>ANDREEA BARBU<br>RAMONA-ALEXANDRA NEGHINĂ<br>VALENTIN-ANDREI MĂNESCU<br>GHEORGHE MILITARU                                 |           |
| <b>THE ROLE OF ENTREPRENEURIAL ECOSYSTEM IN THE<br/>INTERNATIONALISATION OF HIGH GROWTH SMES IN HEALTH<br/>TECHNOLOGY BUSINESS .....</b>           | <b>32</b> |
| ABDOLLAH MOHAMMADPARAST TABAS<br>HANNA KOMULAINEN                                                                                                  |           |
| <b>COMMUNICATION STRATEGY AIMED AT STRENGTHENING THE<br/>PRESENCE OF TRAINING PROVIDERS ON THE LABOR MARKET<br/>OF THE SOUTH-EAST REGION .....</b> | <b>43</b> |
| AURA COLAN<br>TINCUȚA VRABIE<br>GEANINA COLAN<br>NICOLETA CRISTACHE                                                                                |           |
| <b>INFLUENCE OF COMPUTER GAMES AS AN ADVERTISING<br/>MEDIUM ON BRAND ASSOCIATIONS .....</b>                                                        | <b>54</b> |
| ANDREY KOSTOV                                                                                                                                      |           |

**EVOLUTION OF INTEGRATED MARKETING COMMUNICATION RESEARCH THROUGH LATENT DIRICHLET ALLOCATION (LDA) ANALYSIS .....61**

ALINA POPA

RALUCA-ECATERINA BRANDABUR

**YOUNG CONSUMERS DEMAND SUSTAINABLE AND SOCIAL RESPONSIBLE LUXURY .....71**

AMADEA RUXANDRA AGAPIE

GABRIELA SÎRBU

**DO YOU STILL LOVE FACEBOOK? UNDERSTANDING USERS' PERCEPTIONS THROUGH A NOVEL QUALITATIVE METHOD .....82**

ALEXANDRA HUTANU

PATRICEA-ELENA BERTEA

**THE INTERTWINING BETWEEN CORPORATE GOVERNANCE AND KNOWLEDGE MANAGEMENT IN THE TIME OF COVID-19 – A FRAMEWORK.....93**

DELIA DELIU

**THE IMPACT OF BRAND NOSTALGIA ON PURCHASE INTENTION AMONG GEN Y .....111**

STEFANIE JENSEN

MARTIN OHLWEIN

**THE IMPACT OF COVID-19 PANDEMIC ON ROMANIAN MODERN GROCERY RETAILERS .....122**

ANDREEA ELENA STRĂTILĂ (IRIMIA)

MIHAI MEHEDINȚU

**ADVERTISING AS A MOTIVATOR OF HUMAN BEHAVIOR –  
THEORETICAL APPROACH OF MANIPULATION IN MODERN  
SOCIETY .....132**

MIHAI-IOAN ROȘCA  
ANGELA MADAN

**STUDY ON THE INFLUENCE OF CEO DUALITY ON THE  
PERFORMANCE OF LISTED ENTITIES.....139**

OANA BOGDAN  
VALENTIN BURCĂ

**CONTRACTOR’S STATEMENT OF CASE TO THE DISPUTE  
ADJUDICATION BOARD .....146**

BOGDAN GEORGESCU  
VASILE IONEL POPESCU

**AN INVESTIGATION INTO THE USE OF THE MARKETING MIX IN  
THE FOOD AND BEVERAGE INDUSTRY IN GRAHAMSTOWN,  
SOUTH AFRICA: AN EXPLORATORY STUDY .....156**

MARK MARITZ  
JASON-LEIGH BYRNE  
ROBERTSON SIMON

**AN INVESTIGATION INTO THE FACTORS INFLUENCING THE  
PURCHASING BEHAVIOUR OF SMARTPHONES AMONG  
UNIVERSITY STUDENTS IN SOUTH AFRICA .....168**

MARK MARITZ  
OPHELIE STAUB  
ROBYN VAN BERGEN

**EXPLORING THE INFLUENCE OF GREEN TRANSPARENCY ON THE PURCHASE INTENTION OF GREEN PRODUCTS .....182**

GEN LI  
AMIR HOMAYOUNFARD  
MAGED A A ALI

**EXPLORING THE INFLUENCE OF GREEN TRANSPARENCY IMPROVEMENT ON THE TRUST REPAIR AFTER GREENWASHING .....194**

GEN LI  
AMIR HOMAYOUNFARD  
MAGED A A ALI

**DEVELOPING AN ENTREPRENEURIAL MINDSET AMONG ENGINEERING STUDENTS. A COMPARATIVE ANALYSIS OF ENTREPRENEURSHIP CURRICULUM IN ROMANIAN TECHNICAL UNIVERSITIES .....207**

MĂDĂLINA-ALEXANDRA COȚIU  
ANCA CONSTANTINESCU-DOBRA

**SUPPORTING THE DECISION-MAKING PROCESS OF HIGH-SCHOOL STUDENTS IN CHOOSING THEIR UNIVERSITY TRACK. A RASPBERRY PI CASE STUDY.....214**

MADALINA COTIU  
ADRIAN SABOU  
ANCA CONSTANTINESCU-DOBRA

**THE ROLE OF DIGITAL ENTREPRENEURIAL PLATFORMS AND BRICOLAGE ENTREPRENEURIAL PROCESSES IN RURAL TRANSFORMATION.....220**

CRANMER RUTIHINDA

**BRANDING IN HIGHER EDUCATION .....231**

LAURA RALUCA ȘTEFAN

**STUDYING THE EVOLUTION OF BUSINESS IN THE FIELD OF NUTRITION USING INSTRUMENTS SPECIFIC TO ONLINE SOCIAL NETWORKS IN THE CONTEXT OF THE NEW COVID-19.....237**

DAVID-FLORIN CIOCODEICĂ

RALUCA-GIORGIANA CHIVU

IONUȚ-CLAUDIU POPA

ADRIAN MOCIU

**THE IMPACT OF ONLINE PLATFORMS ON REDUCING THE SHORTAGE OF STAFF IN THE AIR TRANSPORT INDUSTRY: AN ENTREPRENEURIAL APPROACH.....245**

IONUȚ-CLAUDIU POPA

ADRIAN IONUȚ MOȘESCU

RALUCA GIORGIANA CHIVU

**THE INFLUENCE OF THE CULTURAL FACTOR IN EATING HABITS: AN INTERNATIONAL MARKETING CASE STUDY .....252**

RALUCA GIORGIANA CHIVU

DAVID-FLORIN CIOCODEICĂ

ADRIAN MOCIU

**USING BIG DATA IN MARKETING AND ADVERTISING: A CASE STUDY .....259**

ADRIAN IONUȚ MOȘESCU

RALUCA GIORGIANA CHIVU

ȘTEFAN-CLAUDIU CĂESCU

IONUȚ-CLAUDIU POPA

FLORINA BOTEZATU

**THE IMPLICATIONS OF ETHICS AND RESPONSIBILITY IN PUBLIC MANAGEMENT .....265**

MARIA DANIELA FRAȚILĂ  
PAUL COSMOVICI

**THE EFFECTS OF VIRAL MARKETING, INCLUDING FAKE NEWS, IN ELECTIONS CAMPAIGNS .....274**

FLORINA BOTEZATU  
PAUL COSMOVICI  
ȘTEFAN-CLAUDIU CĂESCU  
MARIA DANIELA FRAȚILĂ  
ALINA ALECU

**THE ORGANIC FOOD MARKET IN ROMANIA.....280**

MIHAI STOICA  
MIHAI MEHEDINȚU  
MAGDALENA STOIAN  
ALIN STANCU  
ALINA FILIP  
MIHAI-IOAN ROȘCA

**MARKETING AND MANAGEMENT OF EUROPEAN FUNDS IN ROMANIA IN THE LAST 10 YEARS.....289**

VASILE IONEL POPESCU  
ȘTEFAN BOBOC

**PECULIARITIES OF THE EUROPEAN FUNDS PROGRAMMING PERIOD IN TERMS OF REGIONAL DEVELOPMENT .....298**

VASILE IONEL POPESCU  
IONEL DUMITRU

**THE LINK BETWEEN INNOVATION, DIGITALIZATION AND THE ENERGY SECTOR – A BIBLIOMETRIC ANALYSIS .....306**

MARIA-FLORIANA POPESCU

**ASSESSING CORPORATE CLIENTS' EXPECTATIONS ON RELATIONSHIP BUILDING WITH A DIGITAL MARKETING AGENCY – A QUALITATIVE APPROACH .....319**

ANDREEA ORÎNDARU  
MIHAELA CONSTANTINESCU  
DANIELA IONIȚĂ  
ȘTEFAN-CLAUDIU CĂESCU  
FLORINA BOTEZATU

**TRANSFORMATION IN CONSUMERS' BEHAVIOURS AND ATTITUDES TOWARD SERVICES IN ROMANIA .....327**

LAURA DANIELA ROȘCA (TĂNASE)

## **Netnography and a Summative Content Analysis Approach to Market Research**

**Alan SHAW**

Leeds Beckett University  
alan.shaw@leedsbeckett.ac.uk

### **Abstract**

With organisations like Facebook restricting how their application programming interface (API) can be used and scholars questioning the legality and ethics of web scrapping (i.e., the use of technology in the automatic extraction of data from the Web) more discussions around a qualitative Netnographic approach is needed. This paper addresses these issues by reflecting on the application of a passive summative content analysis method to Netnography and how it can be used in marketing research. It focuses on the rollout of smart meters (meters that allow consumers and service providers to monitor power consumption), which the UK Government has now delayed because of a poor uptake. As such, it contributes to the marketing domain's theory and knowledge and provides a possible set of solutions that the UK Government and energy providers could consider to increase engagement. The study starts by providing an overview of the literature within Netnography and its use as a qualitative methodology. It then demonstrates, step by step, how a summative content analysis approach can be applied to Netnography, using NVivo as the platform of analysis. The case study utilises Mumsnet (UK's biggest network for parents, with approximately 10 million unique visitors and 100 million-page views per month) as the forum for analysis. Threads over a six-month period were considered. The key themes identified can be explained as: smart meters were not transferable between energy providers; users were concerned about being hacked; the connecting signals did not always work; and such meters were not compulsory. The study demonstrates how effective and efficient Netnography can be in market research. It also provides some clear guidance on how copyright issues should be addressed.

**Keywords:** Netnography, Summative content analysis, Market Research, Smart meters.

**JEL classification:** C90, D83, M30, O30.

### **1. Introduction**

Netnography is an adapted ethnographic approach that uses archival and real-time data from all internet enabled technologies (Kozinets, 2015). It can be quantitative (see Belz and Baumbach, 2010; Hardy, 2017) or qualitative (see Bartl et al., 2016; Elliot et al., 2005), although Kozinets (2015), who arguably is the 'father' of Netnography, only positions it as a qualitative approach. There are a variety of data capture processes used in Netnography, Reid and Duffy (2018) acknowledge that a platform's application programming interface (API), which is a piece of software that lets two applications talk to each other (Lauret, 2019), is the ideal mechanism for providing researchers with vast amounts of data to analyse. Venturini and Rogers (2019) have since identified that the data breach involving Cambridge Analytica and Facebook in 2014 has resulted in Facebook and a number of similar organisations restricting access to their APIs. This restriction makes the data capture process harder, so Venturini and Rogers (2019) have asked scholars to look at other means of gaining digital data. A possible alternative is to employ web scraping techniques (i.e., the use of technology in the automatic extraction of data from the Web), but scholars like Krotov and Silva (2018) question the legality and ethics of such a process. This dilemma could be a reason why Costello et al. (2017) posits that the Netnographic process is poorly understood. As such, this study will critically evaluate the issues relating to data capture and analysis in Netnography, using an adapted summative content analysis approach to demonstrate a possible solution. For illustrative purposes, a case study focusing on the rollout of smart meters (meters that allow consumers and service

providers to monitor power consumption) was considered. The author believes that this study contributes to the theory and knowledge within the marketing and research process domains because it addresses the gaps identified by Costello et al. (2017) and Venturini and Rogers (2019). In addition to this, the author believes that there is also a contribution to practice because the case study identified a number of possible solutions which could be used by the UK Government to address the poor uptake of smart meters by the general public (see OFGEM's (2019) open letter to key its stakeholders).

## **2. The Qualitative Approach to Netnography and Summative Content Analysis.**

Data collection is one of the key elements within the Netnographic process (Kozinets, 2010), with the API protocol being the most efficient (Puschmann & Ausserhofer, 2017). As mentioned however, API restrictions and the legal/ethical issues associated with web-scraping have restricted the options open to researchers. The two remaining alternatives are to either analyse the data directly from the site under review or to copy and paste extracts onto another platform for dissection and manipulation. The first option is arguably more cumbersome and restrictive. It also means that the researcher is reliant on using the host platform for the back-up of their research data, this makes retrieval or reassessment difficult because more posts are likely to appear after the initial review. Copying and pasting the data onto an alternative platform would be a better solution, but this may lead to legal issues. Kozinets (1998) first raised copyright concerns in his initial assessments of Netnography. It was revisited again in 2014 (Kozinets et al., 2014) but the author's assessment of the literature associated with Netnography identified that the discussions relating to Netnography and copyright were very limited.

Copyright regulations are complex because they are country specific (Kozinets et al., 2014), this may explain why researchers have chosen to ignore it. There are however, mitigating arguments to counter possible copyright infringement claims. These mitigating arguments are linked to a doctrine known as "fair use" or "fair dealing". The USA uses *Section 107 of the Copyright Act* as its statutory framework for identifying if a copied item can be deemed as "fair use". The framework has a list of factors that must be considered before a final decision can be made. In the UK, the term "fair dealing" is used and is governed by *Sections 29 and 30 of the Copyright, Designs and Patents Act 1988*. From an academic research perspective, scholars who copy and paste data for Netnographic research could use the "fair use" or "fair dealing" argument to counter copyright infringement claims, that said the claim will still be open to interpretation. The argument of "fair use" and "fair dealing" are considered under common law jurisdictions (Band and Gerafi, 2013). Countries that adopt a civil law jurisdiction (i.e., Continental Europe) do not have a "fair dealing" copyright process. Europe sets out directives that are not legally binding but must be adapted (or transposed [The transposition of EU Directives is the process by which member states give effect to Directives within their own domestic legal system (LexisNexis, nd)]) by each member country. This means that each European member country may have a slightly different view. More concerning are Articles 15 and 17 (see Directive (EU) 2019/790), these will require authors to provide proof of licencing in the use of any copyright material, which could impact how editors view articles related to Netnography. There is also a wider debated in terms of how any "fair use" or "fair dealing" perceived materials will be viewed in all academic journals, but this goes beyond the scope of this article. Researchers from countries adopting a civil law jurisdiction will have to review their country's statute books before making a decision on their data captured method. A solution to this dilemma is to always approach the owner for permission, although it is the author's experience that engaging with the big social media networks like Facebook and Twitter is difficult.

Bartl et al. (2016) identified numerous qualitative approaches that could be applied to the Netnographic process. Kozinets (2020) believes that researchers should link these to either a passive approach (where there are no engagements with participants) or an active approach (where researchers would interact with participants). In contrast, Costello et al. (2017) advocate that users should only embrace the active approach. Lugosi et al. (2012) and Costello et al. (2017) argue that the passive application of Netnography should be reframed as ‘qualitative archival data research, and not Netnography. The author believes that such a proposition could be detrimental to the Netnographic domain, because even though active engagements could yield significant cocreation opportunities and/or identify richer sources of information, they do not address the ethical and procedural implications associated with such a stance. The Market Research Society [MRS] (2014) stipulate that all online research that has any participant engagement must gain informed consent, a view which is also shared by Keim-Malpass, et al. (2014). Heinonen and Medberg (2018) identified that the majority of Netnographic researchers used the passive approach because of its ease of implementation. It confirms that passive qualitative Netnographic research remains an important methodology. In addition, Elliot et al. (2005) identified the passive approach to be less costly for market researchers to employ.

Vaismoradi et al. (2013) believe that scholars select qualitative methods because they want to gain a deeper understanding of a participant’s viewpoint for a given situation. Readers, however, will no doubt be aware that there is a plethora of options available to researchers employing qualitative techniques. As such, this study will restrict its overview to the thematic and content analysis approaches. The thematic analysis approach is widely used in the field of qualitative research but is rarely acknowledged (Braun and Clarke, 2006). Braun and Clarke (2006) also believe that some researchers mistakenly misclassify the type of researcher they have embarked upon. Vaismoradi et al. (2013) argue that the thematic approach is about the interpretation of data whereas content analysis focuses on quantifying data. This conclusion is arguably too simplistic, because Hsieh and Shannon (2005) present three approaches to qualitative content analysis. They started with ‘*conventional content analysis*’, here the primary aim was to describe a phenomenon inductively, without using any preconceived categories or ideas. The author contends that such a premise will be difficult to achieve because as soon as a researcher decides on a list of semi-structured questions there will be some constructivist bias. The next was the ‘*directed content analysis*’, where existing theory or prior research is used as the framework for understanding the phenomenon. Hsieh and Shannon (2005) support the findings of Mayring (2004) by positioning it as a deductive application to the qualitative process. This deductive and inductive differentiation was also presented by Braun and Clarke (2006) but their distinction was between the various forms of thematic analysis, although they concede that the inductive approach is similar to grounded theory. Hsieh and Shannon’s (2005) final option was the ‘*summative content analysis*’ approach, where text, images and other forms of data are quantified to explore usage as well as the interpretation of the information in question. Hsieh and Shannon (2005) did not explain if the ‘*summative content analysis*’ approach was inductive or deductive but the author contends that they could be either or a mixture of both.

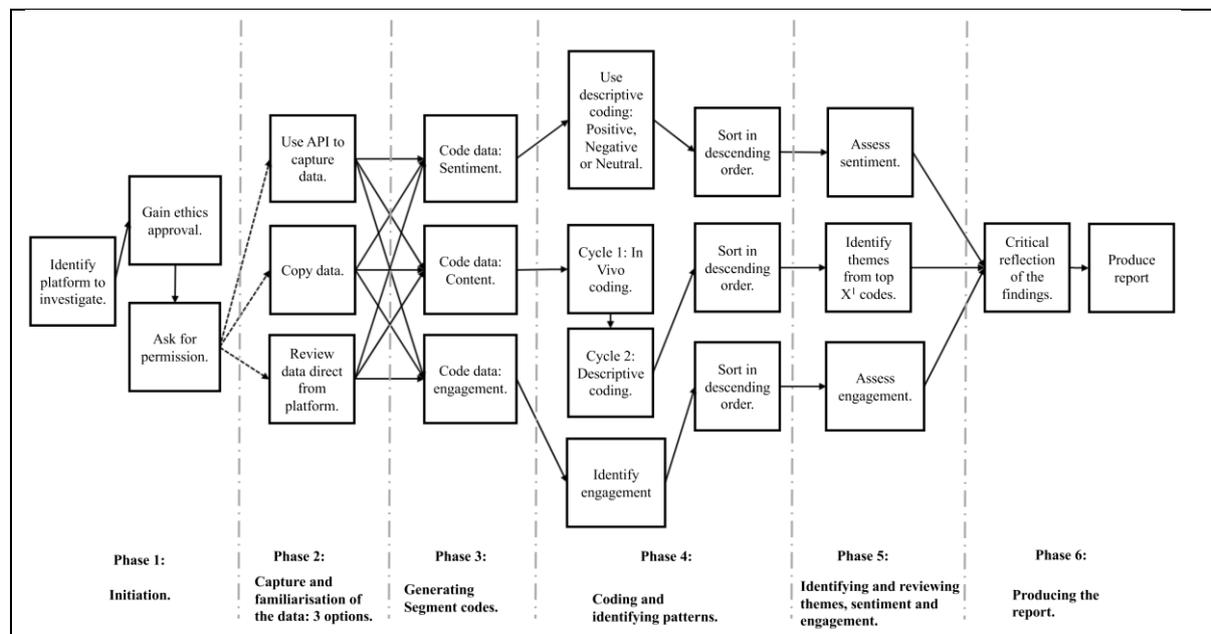
Having considered the differences between the various content and thematic analysis options, the author will assert that the ‘*summative content analysis*’ or more specifically the ‘*passive, inductive, summative content analysis*’ approach is ideal for Netnography because the quantitative aspect of the analysis will give the researcher an idea of the dominant elements linked to the users/participants in question and the interpretivist aspect will provide a deeper/richer understanding of the problem. That said, researchers who form a pragmatic philosophical stance could support their findings with the statistical significance of their summative counts. Having completed this brief overview of the qualitative approach to

Netnography, the author will now demonstrate how an interpretivist approach to the ‘*passive, inductive, summative content analysis*’ can be applied to the domain in practice.

### 3. Methodology

As discussed earlier, the author has chosen to assess the perceptions of smart metres in the UK using a passive Netnographic approach (see Kozinets, 2020). The first task was to identify suitable sources of information to analyse. This search was limited to social media sites and internet forums. The author identified Mumsnet ([www.mumsnet.com](http://www.mumsnet.com)) as an ideal platform to initiate the analysis. “Mumsnet is now the UK’s biggest network for parents, with around 10 million unique visitors per month clocking up around 100 million-page views” (Mumsnet, nd). It had 88 separate threads [The author has defined a thread as a series of posts that are link to a question] that focused specifically on smart meters (i.e., where the initiating post had the words ‘smart meter(s)’ embedded within in it). The first ever post on smart meters was dated the 23/08/2011. Posts continued year on year, demonstrating an exponential profile with 37.5% (n=33 threads) occurring in 2019/20 (as at February 2020). The author made the decision to focus only on those messages published over the last 6 months. This was based on the argument that the most recent threads would give a better reflection on current perceptions of smart meters.

The author approached Mumsnet for permission to undertake a passive Netnographic review, which included the copying of a section of data onto NVivo. This was done to demonstrate good practice, even though the author would not be infringing copyright protection (see the ‘fair dealing’ exceptions identified in Sections 29 and 30 of the *Copyright, Designs and Patents Act 1988*). The author also confirmed that anonymity would be given to all participants. This meant that any direct quotes used in the final research report would need rewriting to ensure internet searches could not be traced back to a given participant. Ethics approval was also granted from the author’s research establishment. The coding of the data was completed in six phases, the overall framework can be seen in figure 1:



**Figure 1: The passive Netnography framework using a summative content analysis approach.**

Source: developed by Author. Note: X<sup>1</sup> is based on the Pareto Framework.

The first phase was the initiation and was discussed above. The second phase captured the data (note, the author only used the ‘copy data’ option), it also included the process of data familiarisation which is advocated by Braun and Clarke (2006) when embarking on any qualitative research. Phase three was the identification of segments to code, in this example three segments were identified. The first segment focused on sentiment (i.e., positive, neutral or negative). The second segment identified words, phrases and paragraphs for coding. The third segment identified the levels of engagement. Phase four was data coding and pattern identification. Here, the sentiment and engagement processes were done in one-cycle, but the theme development adopted a two-cycle approach: the author first used an ‘in vivo’ method to name codes (see Saldana, 2015). The second cycle compared all codes and their posts with the view of consolidating the data and creating a final code. This second cycle adopted a combination of Saldana’s (2015) ‘in vivo’ and ‘descriptive’ guidelines. As an example, after reviewing the initial codes of ‘wi-fi’, ‘broadband’ and ‘internet connection’ it had been established that the posts were arguably of the same family. As such they were given the final code of wi-fi. Where a code had no obvious relation with another, its final code remained the same as its initial code. The coding of sentiment and engagement used a ‘descriptive’ approach (see Saldana, 2015). For the sentiment analysis, each post was reviewed and was tagged as either positive or negative. The exception being the initial posts (i.e., those asking a question): they were classed as neutral. The engagement analysis focused on the thread profile, here the objective was to identify what type of thread gained the most engagement.

On completing the coding, the data was consolidated in NVivo and sorted into descending order, this was the start of phase 5. The counts for sentiment and engagement were taken, and the final theme development was initiated. Using Pareto’s 80:20 principle (see Sanders, 1987) only those codes within the top 80% of the cumulative post count were considered. Here an attempt was made to extend the final code, allowing a reader to have a better understanding of its context, as an example, the final code, ‘wi-fi’ was given the theme ‘needs a wi-fi signal’, which arguably provides the reader with a better understanding of what the researcher was intending to convey. Building on the work of Braun and Clarke (2006), the final themes and codes were analysed again to give the author an opportunity to select additional extract (i.e., those items not in the top 80%, but still have the ability to provide some insightful interpretations). The final phase was the critical reflection of the results and the production of the journal article.

#### 4. Results and Discussion.

The messages reviewed consisted of 12 threads (i.e., the initial post/question) and 727 posts from 670 different participants, see table 1. The engagement (i.e., how many responses to an initiating question) had a mean and standard deviation of  $M=60.58$  and  $S.D.=77.22$  posts. The engagement values provide a market researcher with the opportunity to assess what type of question instilled the greatest response. This type of analysis is particularly useful if a researcher’s key question focused on what type of posts attract greater consumer involvement. In this instance, it can be seen that title’s with specific questions had a greater number of interactions, but there were more threads ( $n=7$ ) with just the title ‘smart meters’.

**Table 1: A summary of the post’s engagement.**

| Thread Title Code.                     | Threads | Posts | % of Posts | Users | % of Users |
|----------------------------------------|---------|-------|------------|-------|------------|
| A question about people perceptions.   | 1       | 291   | 40.03%     | 278   | 41.49%     |
| Smart meters.                          | 7       | 206   | 28.34%     | 182   | 27.16%     |
| A question about intimidation.         | 1       | 82    | 11.28%     | 73    | 10.90%     |
| A question about smart meter problems. | 1       | 73    | 10.04%     | 65    | 9.70%      |
| Should I have a smart meter.           | 1       | 44    | 6.05%      | 42    | 6.27%      |
| Inferring smart meters are now good    | 1       | 31    | 4.26%      | 30    | 4.48%      |

In terms of the sentiment analysis, a summary of the findings can be seen in table 2. To enhance the validity of the research, Sousa (2014, p.215) recommends that researchers “present interpretive evidence that should seek to go beyond citation” i.e., present examples of the posts so that readers can assess the thoughts of the researcher. The problem with adopting this approach in Netnography is the post will need altering (hopefully in a manner that does not distort the context). This is because it will mitigate the issues relating to anonymity, as the text cannot be used as a search term to identify the individual who made the post. It thus becomes a limitation of this research. Examples of the interpretations of the sentiment analysis are:

**Negative sentiment:** “*I don’t trust the energy companies; I don’t see why I should have a smart meter.*” (Participant 12)

**Neutral sentiment:** “*Does anyone know anything about smart meters? Should I get one?*” (Participant 1)

**Positive sentiment:** “*I haven’t had a problem, they are helping me save money.*” (Participant 57)

**Table 2: Summary of the message sentiment.**

| Sentiment    | Count      | %      |
|--------------|------------|--------|
| Negative     | 536        | 73.73% |
| Neutral      | 12         | 1.65%  |
| Positive     | 179        | 24.62% |
| <b>Total</b> | <b>727</b> |        |

As mentioned in the methodology section, there is an argument that a researcher could adopt a statistical/quantitative approach in the analysis of the findings, the same could also be said for the differences associated with each theme and engagement. The author would argue that this would be perfectly valid, but the philosophical perspectives would need changing, a pragmatist stance would be the ideal philosophical paradigm for such an option. The author, however, has opted to remain an interpretivist and as such has not embarked on any statistical analysis. Earlier the author stated that a researcher should use the Pareto approach when summarising the themes, i.e., to present only those themes equating to 80% of the summative cumulative count. The final count can be seen in table 3, but it should be noted that researchers must be flexible in this process. Here, the author has expanded the boundary to just over 70% otherwise there would have only been 2-3 themes to discuss.

**Table 3: Summary of the key themes identified.**

Note: There are more than 390 themes because some messages had more than one theme attached to it.

| Theme                | Count      | %      | Cumulative % |
|----------------------|------------|--------|--------------|
| Non-transferable     | 79         | 10.87% | 10.87%       |
| Not compulsory       | 49         | 6.74%  | 17.61%       |
| Hacking concerns     | 40         | 5.50%  | 23.11%       |
| Don’t bother         | 28         | 3.85%  | 26.96%       |
| Needs a Wi-Fi Signal | 17         | 2.34%  | 29.30%       |
| Other Themes         | 514        | 70.70% | 100.00%      |
| <b>Total</b>         | <b>727</b> |        |              |

Again, using Sousa (2014) guidance on increasing validity, the interpretation of the themes are as follows:

- a. **Non-transferable:** if participants changed their energy supplier at a later date, the smart meters would not work. A new one would have to be installed and it was unclear if they would have to pay for this. **Example:** “*I had one, but when I changed supplier it wouldn’t work, what a joke.*” (Participant 117).

- b. **Not compulsory:** a number of participants were under the impression that the fitting of smart meters was compulsory. This is not the case, households can decide if they want it installed. **Example:** *“If your provider says you must have one then they are lying, it is not compulsory, it’s up to you if you want to install one.”* (Participant 85)
- c. **Hacking concerns:** participants were concerned that the system would be hacked, and they would be charged for the wrong energy consumption. **Example:** *“I have heard that the systems can be easily hacked, I am not getting one until there is more assurance.”* (Participant 502).
- d. **Don’t bother:** there was a strong recommendation for participants to wait until the major issues identified are fully rectified before installing a smart meter. **Example:** *“The whole thing is a complete waste of time, it won’t save you any money and the contractors they use don’t know what they are doing: I had to stay at home on three separate occasions because the installers did not know what they were doing. I would wait until they get their act sorted.”* (Participant 304).
- e. **Needs a Wi-Fi Signal:** there was a misconception that smart meters require a wi-fi signal. **Example:** *“You need to have a wi-fi signal by the meter for it to work, ours is in the basement and it picks up nothing!”* (Participant 54).

The results demonstrate that there is a disconnect between consumers (those on Mumsnet at least) and the product, the UK Government should work with providers to make the product interchangeable between energy suppliers. The study identified that even the latest second-generation meters had problems with interchangeability. There also seems to be some misinformation about the product, 6.7% of the posts had assumed that the meters were compulsory and 2.34% believed that meters needed a wi-fi signal. These two misconceptions were wrong and could be rectified by better marketing. The hacking concerns and the conversations about ‘not to bother’ could also be addressed through better marketing.

The analysis provided above is only a brief overview of the findings, this is because the author’s main objective was to provide a critical evaluation of the issues relating to data capture and analysis in Netnography. The first of these issues can be linked to the Pareto model, the importance of themes outside of the designated threshold should not be wholly ignored. The use of Pareto’s 80:20 rule, would arguably enhance the summative content analysis process because it provides some rigour to the methodology and it addresses Hsieh and Shannon (2005, p.1285) concern that “the findings from this approach [summative content analysis] are limited by their inattention to the broader meanings present in the data”. Several other qualitative researchers advocate segmenting themes into major and minor groups (see Costa et al., 2017). An example is Houser (2019), although such a stance could be seen as cumbersome. The author thus advocates the consideration of minor themes in addition to those within the adapted Pareto frame, when applicable. It would ensure that a study is not overloaded with themes but has a range that provides a ‘rich understanding’ of the topic under review. It would also fit with the interpretivist and pragmatist paradigms so is unlikely to cause any philosophical conflict. These minor themes can still provide valuable insights into the perceptions of users. As an example, there was a theme tagged as “can save money”, which accounted for n=3 or 0.6% of the posts and represented an opinion that smart meters do work for some people. It demonstrates three points of interest, the first relates to the application of the model, in that there is a small cohort of users who have identified value in smart meters. The second relates to the sentiment analysis, it puts into context what people find attractive about the product. Finally, there is the question of influencer marketing, such individuals could be harnessed as advocates to support the brand/product or service, although the processes and procedures of such an approach go beyond the scope of this study. It does, however, demonstrate that Netnography can be used as a means

of identifying such individuals. This finding also demonstrates that adopting a prescribed ridged approach is not ideal in a qualitative Netnography process, which is a premise supported by Holloway and Todres (2003). That said, scholars must ensure that they can demonstrate inner consistency and coherence, which the author has interpreted as an ability of a piece of research to be replicated by others through a clear set of logical guidelines. This stipulation is arguably, similar to the guidance given by Sousa (2014) on the validation of qualitative research and has already been applied to this research.

The study identified 670 different participants had engaged in conversations relating to smart meters. The question that researchers should ask is, how many participants are required to validate the study? Crouch and McKenzie (2006) advocate 20 as an optimum number in qualitative research, but this is Netnography, where opinions are essentially snippets of information. So, can 20 posts be the minimum number to consider? To help resolve this dilemma, readers should consider the work of Sousa (2014) on the validation of qualitative research. He advocates the guidance from Morrow (2005), where a validity assessment can only be completed in relation to the research paradigm and epistemology. As mentioned in the methodology section, the author had adopted an interpretivist paradigm and a constructivist epistemology (see Gray, 2019). This means that results were based on the author's interpretation of the data using his experience as the key mechanism for analysis. As per Sousa (2014) guidance, readers should also consider the '*trustworthiness of the method*'. The question of trustworthiness increases (or should increase) when researchers present a detailed account of their methods, which the author has done. What is unique to Netnography, and is an element not considered by Sousa (2014), is the trustworthiness of the site under review. It could be that unscrupulous individuals may have signed up with multiple accounts and were set on misleading those reading the threads. To mitigate this, the study's author would need to view the IP addresses [An IP address (or Internet Protocol address) is a numerical label assigned to all devices connected to a computer network that uses the Internet Protocol for communication (Rooney, 2011)] of each participant, this was not possible, as such becomes another limitation of the study.

## Conclusion

Taking all the above points into consideration, readers will hopefully see that an adapted passive summative content Netnographic approach can provide market researchers with insightful data about the topic in question. This is particularly important when access to the API is restricted. The author has also addressed the issues relating to copyright infringements and provided advice on how to mitigate against them. The passive aspect of embarking on this type of study would mean that there would be no engagement with users, making it a streamlined and cost-efficient way of assessing any product or service. It would also result in the ethics approval process becoming much easier. The adapted passive summative content Netnographic approach provides researchers with the ability to capture consumer thoughts and feelings without the risk of participant bias (see Goodwin and Goodwin, 2016) because there is no direct interaction with the researcher, although there are other limitations that researchers must consider like, being unable to confirm that each person in the study was unique (i.e., there were no unscrupulous bodies set on misleading others). Using the Pareto 80:20 rule would provide a researcher with the rigour needed to increase the validity of the research. That said, some flexibility is still needed to ensure the greatest number of appropriate insights are presented.

From the case study review, it was evident that there was a disconnect between consumers and the product. The UK Government and its smart meter providers should focus on how the functionality can be adapted such that it becomes interchangeable between different

energy suppliers. They should also work on their marketing campaigns to address the concerns identified which would also counter the misinformation that exists around the product.

### Acknowledgments

The author would like to thank Mumsnet for providing the author with their permission to embark on this research and to use their name. Their forum can be found at [www.mumsnet.com](http://www.mumsnet.com).

### References

- BAND, J. and GERAFFI, J., 2013. The Fair Use/Fair Dealing Handbook. Available: <http://infojustice.org/wp-content/uploads/2013/03/band-and-gerafi-2013.pdf>.
- BARTL, M., KANNAN, V.K. and STOCKINGER, H., 2016. A review and analysis of literature on netnography research. *International Journal of Technology Marketing*, 11(2), pp. 165-196.
- BELZ, F. and BAUMBACH, W., 2010. Netnography as a method of lead user identification. *Creativity and Innovation Management*, 19(3), pp. 304-313.
- BRAUN, V. and CLARKE, V., 2006. Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), pp.77-101.
- CADWALLADR, C. and GRAHAM-HARRISON, E., 2018. Revealed: 50 million Facebook profiles harvested for Cambridge Analytica in major data breach. *The guardian*, 17, pp. 22.
- COSTA, A.P., REIS, L.P., DE SOUZA, F.N. and MOREIRA, A., 2017. *Computer Supported Qualitative Research: Second International Symposium on Qualitative Research (ISQR 2017)*. London, UK, Springer.
- COSTELLO, L., MCDERMOTT, M. and WALLACE, R., 2017. Netnography: range of practices, misperceptions, and missed opportunities. *International Journal of Qualitative Methods*, 16(1), pp. 1-12
- CROUCH, M. and MCKENZIE, H., 2006. The logic of small samples in interview-based qualitative research. *Social science information*, 45(4), pp. 483-499.
- ELLIOTT, R., SHANKAR, A., LANGER, R. and BECKMAN, S.C., 2005. Sensitive research topics: netnography revisited. *Qualitative market research: An international journal*, 8(2), pp.189-203.
- GOODWIN, C.J. and GOODWIN, K.A., 2016. *Research in psychology methods and design*. Hoboken, NJ: John Wiley & Sons.
- GRAY, D.E., 2019. *Doing research in the business world*. London, UK: Sage Publications Limited.
- HARDY, S.A., 2017. Quantitative analysis of open-source data on metal detecting for cultural property: Estimation of the scale and intensity of metal detecting and the quantity of metal-detected cultural goods. *Cogent Social Sciences*, 3(1), pp. 1298397.
- HEINONEN, K. and MEDBERG, G., 2018. Netnography as a tool for understanding customers: Implications for service research and practice. *Journal of Services Marketing*, 32(6), pp. 657-679.
- HOLLOWAY, I. and TODRES, L., 2003. The status of method: flexibility, consistency and coherence. *Qualitative research*, 3(3), pp. 345-357.
- HOUSER, R.A., 2019. *Counseling and educational research: Evaluation and application*. London: Sage Publications.
- HSIEH, H.F. and SHANNON, S.E., 2005. Three approaches to qualitative content analysis. *Qualitative health research*, 15(9), pp. 1277-1288.

- KEIM-MALPASS, J., STEEVES, R.H. and KENNEDY, C., 2014. Internet ethnography: A review of methodological considerations for studying online illness blogs. *International journal of nursing studies*, 51(12), pp. 1686-1692.
- KOZINETS, R.V., 1998. On netnography: Initial reflections on consumer research investigations of cyberculture. In: J.W. ALBA and J.W. HUTCHINSON, eds, *Advances in Consumer Research Volume 25*. Provo, UT: Assoc for Consumer Research, pp. 366-371.
- KOZINETS, R.V., 2010. *Netnography: Doing ethnographic research online*. Thousand Oaks, CA: Sage Publications Limited.
- KOZINETS, R.V., 2015. *Netnography: Redefined, 2nd ed.*, Thousand Oaks, CA: Sage Publications Limited.
- KOZINETS, R.V., 2020. *Netnography: The Essential Guide to Qualitative Social Media Research*. London, UK: Sage Publications Limited.
- KOZINETS, R.V., DOLBEC, P. and EARLEY, A., 2014. Netnographic analysis: Understanding culture through social media data. In: U. FLICK, ed, *The SAGE Handbook of Qualitative Data Analysis*. London, UK: Sage Publications Limited. pp. 262-276.
- KROTOV, V. and SILVA, L., 2018. Legality and ethics of web scraping, *Twenty-fourth Americas Conference on Information Systems*, 2018.
- LAURET, A., 2019. *The Design of Web APIs*. Shelter Island, NY: Manning Publications.
- LEXISNEXIS, nd. Obligations to transpose and process EU directives. Available: <https://www.lexisnexis.co.uk/legal/guidance/obligations-to-transpose-and-process-eu-directives>.
- LUGOSI, P., JANTA, H. and WATSON, P., 2012. Investigative management and consumer research on the internet. *International Journal of Contemporary Hospitality Management*, 24(6), pp. 838-854.
- MAYRING, P., 2004. Qualitative content analysis. In: U. FLICK, E. VON KARDOFF and I. STEINKE, eds, *A Companion to Qualitative Research*. London: Sage Publications Limited. pp. 266-269.
- MORROW, S.L., 2005. Quality and trustworthiness in qualitative research in counseling psychology. *Journal of counseling psychology*, 52(2), pp. 250.
- MRS, 2014. MRS Guidelines for Online Research. Available: <https://www.mrs.org.uk/pdf/2014-09-01%20Online%20Research%20Guidelines.pdf>.
- MUMSNET, nd. About Us. Available: <https://www.mumsnet.com/info/about-us>.
- OFGEM, 2019. *Statutory consultation on the post-2020 smart meter rollout supplier reporting requirements*. Available: [https://www.ofgem.gov.uk/system/files/docs/2019/10/statutory\\_consultation\\_on\\_the\\_post-2020\\_smart\\_meter\\_rollout\\_reporting\\_requirements\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/10/statutory_consultation_on_the_post-2020_smart_meter_rollout_reporting_requirements_0.pdf).
- PUSCHMANN, C. and AUSSERHOFER, J., 2017. Social Data APIs: Origin, Types, Issues. In: M.T. SCHÄFER and K. VAN ES, eds, *The datafied society studying culture through data*. Amsterdam, Netherlands: Amsterdam University Press, pp. 147-154.
- REID, E. and DUFFY, K., 2018. A netnographic sensibility: Developing the netnographic/social listening boundaries. *Journal of Marketing Management*, 34(3-4), pp. 263-286.
- ROONEY, T., 2011. *IP Address Management: Principles and Practice*. Hoboken, NJ: John Wiley & Sons.
- SALDAÑA, J., 2015. *The coding manual for qualitative researchers*. Third ed. London: Sage Publications Ltd.
- SANDERS, R., 1987. The Pareto principle: its use and abuse. *Journal of Services Marketing*, 1(2), pp. 37-40.

- SOUSA, D., 2014. Validation in qualitative research: General aspects and specificities of the descriptive phenomenological method. *Qualitative Research in Psychology*, 11(2), pp. 211-227.
- VAISMORADI, M., TURUNEN, H. and BONDAS, T., 2013. Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study. *Nursing & health sciences*, 15(3), pp. 398-405.
- VENTURINI, T. and ROGERS, R., 2019. “API-Based Research” or How can Digital Sociology and Journalism Studies Learn from the Facebook and Cambridge Analytica Data Breach. *Digital Journalism*, 7(4), pp. 532-540.

## **Factors Affecting CRM System Adoption: Evidence from Romanian SMEs**

**Mihaela-Rodica GANCIU**  
Energomontaj S.A.  
mihaella.ganciu@gmail.com

**Andreea BARBU**  
University Politehnica of Bucharest  
barbu.andreeab@yahoo.com

**Ramona-Alexandra NEGHINĂ**  
Webecom S.R.L.  
ramona@webecom.ro

**Valentin-Andrei MĂNESCU**  
Webecom S.R.L.  
valentin@webecom.ro

**Gheorghe MILITARU**  
University Politehnica of Bucharest  
gheorghe.militaru@upb.ro

### **Abstract**

In a broad sense, it includes the activities of the departments of marketing, sales, financial and technical support relative to customers, potential customers, suppliers and partners. It helps companies to maintain and develop customer relationship, improving profitability and streamlining processes eventually. Also, this system has gained the reputation of being a significant business tool and among the first technological contributions of companies in the 21st century. The main objectives of this study are: identifying the most important factors against Customer Relationship Management adoption, the link between them and also discovering the most important demographic or cultural factors that influence the adoption of this type of digitization in Romania. The data collection was done by a quantitative research using the questionnaire method as a survey tool and it was made up of questions measured with Likert scale, containing variables based on the construct's relevance to business process digitization. All hypotheses about the links between the dependent variable and the independent variables are first developed, then tested using reliability, validity and multiple regression tests. It was used a statistical software, analyzing 7 independent variables, as follows: perceived usefulness, knowledge sharing, IT project management, change management, information quality, intention to implement, technology driven strategy. Perceived usefulness will be the dependent variable. Finally, this can be seen also with the help of the Structural Equation Model, after the validity of the model has been verified, to highlight the importance of this system. A significant effect is represented by quality information, perceived ease of use, change management and knowledge sharing on the degree of adoption of this system.

**Keywords:** Business process digitization, Customer Relationship Management system, SMEs, Romania, Structural Equation Model (SEM).

**JEL classification:** O32.

## **1. Introduction**

### **1.1. Customer Relationship Management – reviews in literature**

Customer Relationship Management System is a set of strategies, policies and technologies for attracting, retaining and retaining customers. The channels with a significant

role in CRM system adoption are social media ones: customers or potential customers that talk openly about, services or products through it and these channels usage become a necessity to attract and keep such customers (MAROLT, PUCIHAR, & ZIMMERMANN, 2015).

According to Lehmkuhl, people have a different opinion of what CRM is and that's why there isn't any established definition of social CRM (LEHMKUHL & REINHARD, 2013). The most complete social CRM definition was defined by Greenberg as "a philosophy and a business strategy, supported by a technology platform, business rules, processes and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value" (GREENBERG, 2010). Social CRM combines certain traditional consumer-oriented activities with social media applications to engage them in collaborative conversations, for a mutually beneficial value. (TRAINOR, 2012).

Companies should be aware of the opportunities that social media offers, especially for customer service or sales departments, where social media has huge potential. (KIRON, PALMER, PHILLIPS, & BERKMAN, 2013).

Regarding 20/80 Pareto rule, customers are shared in 80% of organization's sale. This may show the lasting relationship with wealthy customers in order to maximize the profit is necessary. CRM is a business strategy focused on client. It increases his satisfaction and loyalty by presenting him the personalized services and some know it as a managerial approach which includes identifying, attracting, developing and maintaining the successful relationship with customer in order to increase profitability (MOZAHEB, ALAMOLHODAEI, & ARDAKANI, 2015).

## 1.2. Technology Acceptance Model

Venkatesh and Davis gave a final TAM used in information systems research for adopting information systems (BACH, ČELJO, & ZOROJA, 2016). The most significant moderator variables were established as sex and age (IM, HONG, & KANG, 2011).

TAM is a paradigm with a model and theory (TRA based) that helps to study all types of Information System usage. Also, TAM offers some ways to formulate research hypotheses to address and solve them (NEGOVAN, HURBEAN, & DANAIATA, 2011).

Practical theories such as Theory of Reasoned Action (TRA), Theory of Planned Behavior (TPB) and Technology Acceptance Model (TAM) have taken a long time to explain and anticipate acceptance of adoption information systems (MUTHITCHAROEN, PALVIA, & GROVER, 2011). Three major factors proposed for adopting a system are Perceived Usefulness (PU), Perceived Ease of Use (PEoU) and Attention to Use (AU). Two most critical determinants are the perceived usefulness and perceived ease of system usage. Perceived Usefulness and Perceived Ease of Use have an important and direct impact on the technology adoption in general. After the effect of information quality was tested, it was found that it has a positive influence on CRM system adoption. Technology driven strategy is development and usage of technologies introduced in new product or service development and also its integration. Law and Ngai involve supplier inspection, support and user involvement as key factors in digitized projects. Also, it was established that the "right knowledge" to "right person(s)" at the "right time" allows for bigger control on the project. Researchers' findings suggest that communication and training about project communication influences TAM, because of the perceived ease of use and perceived usefulness, which contribute to behavioral intention in using CRM.

On the strength of developed model, this paper aims to verify the following hypotheses:

**H1:** *Perceived Usefulness of CRM positively influences CRM Implementation.*

**H2:** *Perceived Ease of CRM Implementation positively influences its Implementation.*

**H3:** *Perceived Ease of CRM Implementation positively influences Perceived Usefulness of CRM usage.*

**H4:** *Information Quality positively influences Perceived Ease of CRM Implementation.*

**H5:** *Technology Driven Strategy positively influences Perceived Usefulness of system usage.*

**H6:** *Change Management positively influences Project Management in companies.*

**H7:** *Knowledge sharing positively influences Project Management in companies.*

**H8:** *Project Management positively influences Perceived Ease of CRM Implementation”* (BACH, ČELJO, & ZOROJA, 2016)

## 2. Methodology

The data collection was carried out in 2 months through a questionnaire with 25 questions and at the end of the session allocated to complete the questionnaire, a total number of 78 respondents were registered. The 5% significance level will be used for testing research proposals. The sample consists of small and medium-sized companies, defined as a sample framework. The sample size of 10 companies contains two layers (depending on the size of the company): 5 small companies and 5 medium companies. The survey will be conducted with employees as respondents. The purpose of this research work is to investigate and to understand the facts that affect the customer relationship management system. With this purpose, the following objectives are pursued:

1. Identify the critics who contributed to the acceptance of the use of the Customer Relationship Management system;
2. Identify some of the links in the critical work that contributed to the acceptance of this system;
3. Identify the characteristics of the characteristics (education, age and gender) that influence the scope of the CRM system.

Table 1 shows the questionnaire questions, having the following factors: perceived usefulness of CRM, intention to implement CRM, perceived ease of CRM use, quality information in companies, technology based strategy in companies, IT project management, change management and knowledge sharing in companies (BACH, ČELJO, & ZOROJA, 2016). The questionnaire constructs were made as questions with Likert scale as answer (with values from 1 to 7), which measures the level of agreement of the respondents with specific statements. The questionnaire was constructed in such a way that using the statements validated by other international studies, but adapted to the economic and social environment in Romania. For this, the questions were grouped on these chapters, but randomly placed in the questionnaire.

*Table 1. Questions used to construct the questionnaire*

| Factor                     | Variable | Item                                                                                                                        |
|----------------------------|----------|-----------------------------------------------------------------------------------------------------------------------------|
| Perceived Ease of Use      | PEoU1    | Implementation process of CRM is understandable.                                                                            |
|                            | PEoU2    | Company has adequate financial resources for CRM implementation.                                                            |
|                            | PEoU3    | IT department has adequate knowledge for CRM implementation.                                                                |
|                            | PEoU4    | It is easy to integrate CRM with existing solutions.                                                                        |
| Perceived Usefulness       | PU1      | Using CRM improves company performance.                                                                                     |
|                            | PU2      | Using CRM increases company job productivity.                                                                               |
|                            | PU3      | Using CRM improves employee's performance.                                                                                  |
| Intention to Implement     | II1      | BI is used in all organizational units, and hierarchical levels.                                                            |
|                            | II2      | Internal (both structured and unstructured) and external data are integrated, and requirements (e.g. data quality) are met. |
| Technology Driven Strategy | TDS1     | Our company can develop technology, designs products based on that technology.                                              |
|                            | TDS2     | Our company “knows” what is best for the customer.                                                                          |

| Factor                | Variable | Item                                                                                       |
|-----------------------|----------|--------------------------------------------------------------------------------------------|
| Information Quality   | IQ1      | Content representation of information in Information System (IS) is logical and clear.     |
|                       | IQ2      | The knowledge or information provided by the IS is available when needed.                  |
|                       | IQ3      | The knowledge or information provided by the IS is important and helpful.                  |
| IT Project Management | PM1      | Information Technology projects are strongly connected with the enterprise strategy.       |
|                       | PM2      | Implementation goals for the IT projects are clearly defined.                              |
| Change Management     | CM1      | If new features of the IS are introduced written procedures on how to do it are available. |
|                       | CM2      | Coaching or trainings are available when new features of the IS are introduced.            |
| Knowledge Sharing     | KS1      | Employees are able to share knowledge with other employees.                                |
|                       | KS2      | Company has written procedures or guidelines to support knowledge.                         |

Source: (BACH, ČELJO, & ZOROJA, 2016, p. 999)

### 3. Results and discussion

This study uses multiple regression and correlation analyzes, using IBM SPSS version 20.0. The reason for using the multiple regression test is to investigate the relationship between the independent variables and the dependent variable. Table 2 below shows some of the respondents' profile. Descriptive statistics show a fairly young and well educated population, about 99% of respondents being under the age of forty, while almost 67% of them have at least university studies. In terms of gender, the population is not evenly divided between male and female respondents. The majority of the respondents are from the female category, which are 47 persons (60.3%), and the men the difference of 31 persons (39.7%).

*Table 2. Demographic profile of respondents*

|                 | Atributes            | Frequency | Percentage (%) |
|-----------------|----------------------|-----------|----------------|
| Gender          | Female               | 47        | 60.3           |
|                 | Male                 | 31        | 39.7           |
| Age             | 20-30 years          | 77        | 98.7           |
|                 | 31-40 years          | 0         | 0              |
|                 | 41-50 years          | 0         | 0              |
|                 | 51-60 years          | 1         | 1.3            |
| Education level | Postgraduate studies | 22        | 28.2           |
|                 | University studies   | 52        | 66.7           |
|                 | Others               | 4         | 5.1            |

Cronbach Alpha coefficient is used to study the internal consistency of items in a questionnaire or can be used as a method of item reduction. The not-very-distant values produced here (.910 vs. .915) indicate that the means and variances of the original scales do not differ much and, therefore, standardization does not make a big difference in Alpha. In this case, the Cronbach Alpha value in Table 3 is .910, which indicates a very good value to excellent. Moreover, it indicates a fairly high degree of internal consistency with regard to the specific sample.

*Table 3. Cronbach Alpha - Reliability statistics*

| Cronbach Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|----------------|----------------------------------------------|------------|
| .910           | .915                                         | 20         |

The table below (Table 4) was used to improve the value of the Alpha coefficient. Analyzing the correlation coefficient, the analyzed factors weren't reduced because this would affect the value of the Cronbach Alpha factor, decreasing. Given that some items values are not very low (> 200), their elimination from the general questionnaire will not be considered. It is also noted that item PU3 has the lowest correlation with the overall score (0.393); its contribution to the overall score is quite small.

**Table 4. Validity test – Factors correlation coefficient**

|                                   | The average scale if the item is deleted | Scale variance if the item is deleted | Correlation of the total corrected item | Multiple square correlation | Cronbach Alpha if item is deleted |
|-----------------------------------|------------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------|-----------------------------------|
| <b>Perceived Ease of Use</b>      |                                          |                                       |                                         |                             |                                   |
| PEoU1                             | 105.4231                                 | 174.091                               | .671                                    | .752                        | .903                              |
| PEoU2                             | 105.9615                                 | 177.362                               | .505                                    | .762                        | .907                              |
| PEoU3                             | 105.9231                                 | 174.929                               | .521                                    | .702                        | .907                              |
| PEoU4                             | 106.0000                                 | 180.390                               | .420                                    | .596                        | .909                              |
| <b>Perceived Usefulness</b>       |                                          |                                       |                                         |                             |                                   |
| PU1                               | 105.1410                                 | 181.525                               | .575                                    | .896                        | .906                              |
| PU2                               | 105.3205                                 | 180.480                               | .568                                    | .903                        | .906                              |
| PU3                               | 105.4744                                 | 182.460                               | .393                                    | .788                        | .909                              |
| <b>Intention to Implement</b>     |                                          |                                       |                                         |                             |                                   |
| II1                               | 106.3590                                 | 175.714                               | .440                                    | .741                        | .910                              |
| II2                               | 106.1026                                 | 174.924                               | .614                                    | .836                        | .904                              |
| <b>Technology Driven Strategy</b> |                                          |                                       |                                         |                             |                                   |
| TDS1                              | 106.2179                                 | 175.004                               | .449                                    | .686                        | .910                              |
| TDS2                              | 106.2436                                 | 180.966                               | .484                                    | .585                        | .907                              |
| <b>Information Quality</b>        |                                          |                                       |                                         |                             |                                   |
| QI1                               | 105.9231                                 | 176.384                               | .621                                    | .862                        | .904                              |
| QI2                               | 105.7821                                 | 173.497                               | .654                                    | .893                        | .903                              |
| QI3                               | 105.3846                                 | 178.707                               | .649                                    | .760                        | .905                              |
| <b>IT Project Management</b>      |                                          |                                       |                                         |                             |                                   |
| PM1                               | 105.9744                                 | 179.012                               | .530                                    | .659                        | .906                              |
| PM2                               | 105.8974                                 | 175.210                               | .596                                    | .869                        | .905                              |
| <b>Change Management</b>          |                                          |                                       |                                         |                             |                                   |
| CM1                               | 106.0641                                 | 173.983                               | .675                                    | .873                        | .903                              |
| CM2                               | 105.8205                                 | 174.019                               | .588                                    | .897                        | .905                              |
| <b>Knowledge Sharing</b>          |                                          |                                       |                                         |                             |                                   |
| KS1                               | 106.0000                                 | 169.247                               | .669                                    | .924                        | .903                              |
| KS2                               | 106.0256                                 | 171.895                               | .627                                    | .871                        | .904                              |

A correlation is often called a bivariate correlation to designate a simple correlation between two variables (table 5), as opposed to the relationships between more than two variables, as is often seen in multiple regression analyzes or structural equation modeling. A correlation is also often called Pearson correlation or Pearson r. Karl S. Pearson is credited with the formula from which these correlations are calculated. For example, a high positive relationship existed between IT Project Management and Information Quality ( $r = .782$ ,  $\text{Sig} = .000$ ). These values indicate a positive relationship between the score on the MP test and the IQ.

**Table 5. Pearson Correlation**

| Factors | PEoU            | PU     | II     | TDS    | IQ     | PM     | CM     | KS     |        |
|---------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| PEoU    | Pearson         | 1      | .579** | .469** | .604** | .549** | .574   | .475** | .540** |
|         | Sig. (2-tailed) |        | .000   | .000   | .000   | .000   | .000   | .000   | .000   |
| PU      | Pearson         | .579** | 1      | .601** | .431** | .494** | .325** | .554   | .376** |
|         | Sig. (2-tailed) | .000   |        | .000   | .000   | .000   | .004   | .000   | .001   |

| Factors |                 | PEoU   | PU     | II     | TDS    | IQ            | PM            | CM            | KS            |
|---------|-----------------|--------|--------|--------|--------|---------------|---------------|---------------|---------------|
| II      | Pearson         | .469** | .601** | 1      | .600** | .358**        | .344**        | .563**        | .264*         |
|         | Sig. (2-tailed) | .000   | .000   |        | .000   | .001          | .002          | .000          | .019          |
| TDS     | Pearson         | .604** | .431** | .600** | 1      | .396**        | .432**        | .381**        | .295**        |
|         | Sig. (2-tailed) | .000   | .000   | .000   |        | .000          | .000          | .001          | .009          |
| IQ      | Pearson         | .549** | .494** | .358** | .396** | 1             | <b>.669**</b> | .579**        | <b>.782**</b> |
|         | Sig. (2-tailed) | .000   | .000   | .001   | .000   |               | <b>.000</b>   | .000          | <b>.000</b>   |
| PM      | Pearson         | .540** | .376** | .264*  | .295** | <b>.782**</b> | .561**        | .549**        | 1             |
|         | Sig. (2-tailed) | .000   | .001   | .019   | .009   | <b>.000</b>   | .000          | .000          |               |
| CM      | Pearson         | .574** | .325** | .344** | .432** | <b>.669**</b> | 1**           | <b>.754**</b> | .561**        |
|         | Sig. (2-tailed) | .000   | .004   | .002   | .000   | <b>.000</b>   |               | <b>.000</b>   | .000          |
| KS      | Pearson         | .475** | .554** | .563** | .381** | .579**        | <b>.754**</b> | 1**           | .549**        |
|         | Sig. (2-tailed) | .000   | .000   | .000   | .001   | .000          | <b>.000</b>   |               | .000          |

By using the multiple regression test, Table 6 presents a significant regression model between Perceived Ease of Use, Intention to Implement, Technology-Based Strategy, Information Quality, Project Management, Change Management and Knowledge Sharing. As can be seen, the power of each predictive variable, which suggests the dominance of the largest ones, is on the scale of perceived ease of use ( $t = 4,087$ ), the quality of information scale ( $t = 3,076$ ), the scale of implementation intention ( $t = 1,837$ ) and that of change management ( $t = -3,887$ ).

**Table 6. Multiple regression test**

| Factors    | Coefficients                  |                |                           |        |             |
|------------|-------------------------------|----------------|---------------------------|--------|-------------|
|            | Non-standardized coefficients |                | Standardized coefficients | t      | Sig.        |
|            | B                             | Standard Error | $\beta$                   |        |             |
| Constant   | 2.805                         | .403           |                           | 6.968  | .000        |
| PEoU       | .374                          | .091           | .456                      | 4.087  | .000        |
| II         | .131                          | .071           | .208                      | 1.837  | .070        |
| <b>TDS</b> | -.024                         | .078           | -.033                     | -3.03  | <b>.762</b> |
| IQ         | .333                          | .108           | .419                      | 3.076  | .003        |
| PM         | -.169                         | .095           | -.227                     | -1.774 | .080        |
| CM         | -.367                         | .094           | -.542                     | -3.887 | .000        |
| KS         | .312                          | .083           | .525                      | 3.767  | .000        |

The relationship between each independent variable and "perceived usefulness" will be determined. To test the null hypothesis, this should refer to the statistical value  $t$  where the value of "significance" (for the technology-based strategy,  $\text{Sig} = 0.762$ ) reflects that the technology-based strategy has no effect on the perceived usefulness.

The validity of the acceptability model was verified, using the Structural Equation Modeling, adapting the Technological Acceptance Model (TAM) to the questioned sample, shown in Figure 1.

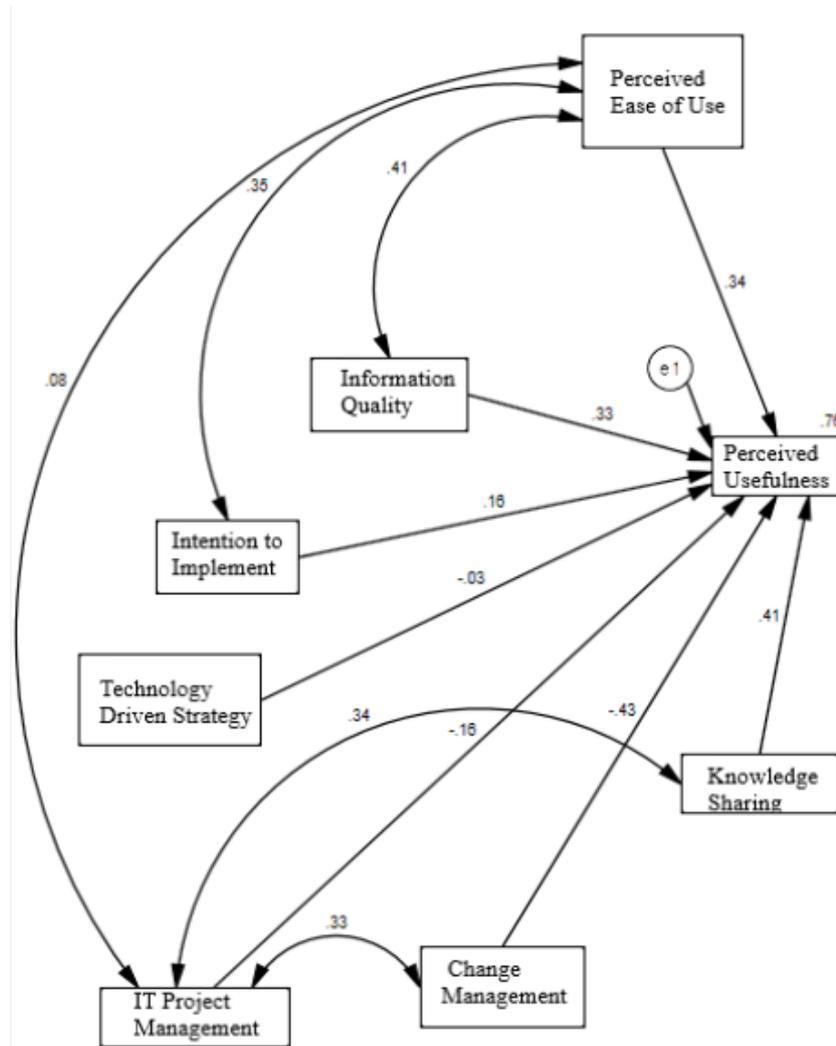


Figure 1. TAM regarding the adoption of CRM in Romanian SMEs resulted from the research

After that, were validated/ invalidated the hypotheses, taking into account the coefficient  $\beta$  and the standard error, analyzed using the SPSS AMOS program, demonstrated in Table 7. Regarding the invalidation of Hypothesis 5, the potential for conflicting orientations and the lack of functional collaboration between marketing and IT can therefore be an important basic reason for the failure to adopt CRM technology. With the increasing adoption of technology to help When addressing marketing needs, it is important to understand the relationship between market and technology orientations within firms.

Knowledge management allows the team to reduce the workload and compress the time needed to plan the project. Furthermore, byword "correct knowledge" regarding "the right person(s)" at the "right time" allows a bigger control on the project through the life cycle of the project by reducing uncertainty.

Table 7. Validation / Invalidation of Hypothesis

| Hypotheses                                                                          | B Coefficient | Standard Error | Validation / Invalidation of Hypothesis |
|-------------------------------------------------------------------------------------|---------------|----------------|-----------------------------------------|
| H1: Perceived Usefulness of CRM positively influences CRM Implementation.           | .131          | .049           | VALIDATE                                |
| H2: Perceived Ease of CRM Implementation positively influences it's Implementation. | .302          | .094           | VALIDATE                                |

| Hypotheses                                                                                        | B Coefficient | Standard Error | Validation / Invalidation of Hypothesis |
|---------------------------------------------------------------------------------------------------|---------------|----------------|-----------------------------------------|
| H3: Perceived Ease of CRM Implementation positively influences Perceived Usefulness of CRM usage. | .374          | .075           | VALIDATE                                |
| H4: Information Quality positively influences Perceived Ease of CRM Implementation.               | .281          | .079           | VALIDATE                                |
| <b>H5: Technology Driven Strategy positively influences Perceived Usefulness of system usage.</b> | <b>-.024</b>  | <b>.051</b>    | <b>INVALIDATE</b>                       |
| H6: Change Management positively influences Project Management in companies.                      | .282          | .097           | VALIDATE                                |
| H7: Knowledge sharing positively influences Project Management in companies.                      | .336          | .111           | VALIDATE                                |
| H8: Project Management positively influences Perceived Ease of CRM Implementation.                | .053          | .056           | VALIDATE                                |

#### 4. Conclusion

Referring to respondents profile, the demographic statistics show a relatively young and well educated population, the majority of the respondents (almost 99%) being between 21 and 30 years old. In terms of sex, the majority of respondents are women (60%), while men are in proportion of 40%. Knowledge sharing, technology-based strategy, information quality and change management in companies were added to the technology acceptance model. The research led to the following conclusions:

1. Relationship between information quality, perceived ease of use, change management and knowledge sharing (independent variables) and perceived usefulness (dependent variable) are the "most significant" (Sig = .000).
2. The relationship between technology-based strategy (independent variable) and perceived usefulness (dependent variable) is "least significant" (Sig = .762).

The results of this questionnaire shows that using any digital technologies is perceived as a very important opportunity for future business development but real adoption still faces big challenges. However, another very important aspect is that Romania is at the bottom of the European charts that measure the progress of EU countries towards a digital economy and society.

Compared to regression, the results of multiple and linear regression analyzes recognize that quality information, change management and knowledge sharing significantly predict perceived usefulness. In terms of knowledge sharing, another important organizational factor in IT adoption is the alignment between organizational goals and IT problems. The results found could lead to future implications for IT teams and strategies for CRM system deployments and digitization within enterprises and the end-user perspective on the use of CRMs. For the purpose of developing this system, the research could have implications for future planning and design of some CRM systems solutions.

Software companies selling CRM solutions should also take into account the importance of project management maturity in the targeted companies. Thirdly, the evaluation of the practices of change management and knowledge management would also be recommended before launching the project for the implementation of digitization, more specifically CRM systems.

#### 4.1. Limitations

This study had some limitations, mainly in terms of sampling and technologies examined. The respondents were especially young people whose behavior might differ slightly from the average population. The other limitation was that the Romanian sample contained

many full-time workers. However, many of Romanian students work full time, which makes the two samples compatible. The consumers examined use the system, even if they do not fully accept it. The data were weighted in report to the surveyed population. It is an exploratory research, made in order to discovery the adoption rate of Customer Relationship Management in Romanian SMEs. The research is relevant to understanding the experience of the sample respondents, but is still unrepresentative for CRM users.

### Acknowledgments

The author would like to acknowledge the academical support of the Faculty of Entrepreneurship, Business Engineering and Management from University Politehnica of Bucharest in conducting this research.

### References

- BACH, M. P., ČELJO, A., & ZOROJA, J. (2016). Technology Acceptance Model for Business Intelligence Systems: Preliminary Research. *Procedia Computer Science* , 995-1001.
- Greenberg, P. (2010). The impact of CRM 2.0 on customer insight. *Journal of Business & Industrial Marketing* , 25 (6), 410-419.
- GREENBERG, P. (2010). The impact of CRM 2.0 on customer insight. *Journal of Business & Industrial Marketing* , 25 (6), 410-419.
- IM, I., HONG, S., & KANG, M. S. (2011). An international comparison of technology adoption testing the UTAUT model. *Information & Management* , 48, 1-8.
- KIRON, D., PALMER, D., PHILLIPS, A. N., & BERKMAN, R. (2013). Social Business: Shifting Out of First Gear in collaboration with. *Massachusetts Institute of Technology Sloan Management Review* .
- Kiron, D., Palmer, D., Phillips, A., & Berkman, R. (2013). Social Business: Shifting Out of First Gear in collaboration with. *Massachusetts Institute of Technology Sloan Management Review* .
- Lehmkuhl, T., & Reinhard, J. (2013). Towards Social CRM – Scoping the Concept and Guiding Research. *BLED Proceedings. 14*. Bled, Slovenia: BLED Proceedings.
- LEHMKUHL, T., & REINHARD, J. (2013). Towards Social CRM – Scoping the Concept and Guiding Research. *BLED Proceedings. 14*. Bled, Slovenia: BLED Proceedings.
- Marolt, M., Pucihar, A., & Zimmermann, H.-D. (2015). Social CRM adoption and its impact on performance outcomes: a literature review. *Organizacija* , 48 (4), 260-271.
- MAROLT, M., PUCIHAR, A., & ZIMMERMANN, H.-D. (2015). Social CRM adoption and its impact on performance outcomes: a literature review. *Organizacija* , 48 (4), 260-271.
- MOZAHEB, A., ALAMOLHODAEI, S. M., & ARDAKANI, M. (2015). Effect of Customer Relationship Management (CRM) on Performance of Small-Medium Sized Enterprises (SMEs) Using Structural Equations Model (SEM). *International Journal of Academic Research in Accounting, Finance and Management Sciences* , 5 (2), 42-52.
- MUTHITCHAROEN, A., PALVIA, P., & GROVER, V. (2011). Building a Model of Technology Preference: The Case of Channel Choices. *Decision Sciences* , 42 (1), 205-237.
- NEGOVAN, A. M., HURBEAN, L., & DANAIATA, D. (2011). Using Technology Acceptance Model for Managing IT Changes in Universities. *Proceedings of the 7th International Conference Management of Technological Changes*. Greece.
- Trainor, K. (2012). Relating Social Media Technologies to Performance: A Capabilities-Based Perspective. *Journal of Personal Selling and Sales Management* , 32 (3), 317-331.
- TRAINOR, K. (2012). Relating Social Media Technologies to Performance: A Capabilities-Based Perspective. *Journal of Personal Selling and Sales Management* , 32 (3), 317-331.

## **The Role of Entrepreneurial Ecosystem in the Internationalisation of High Growth SMEs in Health Technology Business**

**Abdollah Mohammadparast TABAS**

University of Oulu

abdollah.mohammadparast@oulu.fi

**Hanna KOMULAINEN**

University of Oulu

hanna.komulainen@oulu.fi

### **Abstract**

The concept of the entrepreneurial ecosystem (EE) has recently attracted a lot of research attention. Despite the growing popularity, there is still a limited theoretical, empirical and conceptual understanding of the phenomenon. The purpose of this study is to explore the role of EE in the high growth SMEs' internationalisation, specifically in the context of the health technology business in Finland. Due to the limited size of the domestic markets, internationalisation is often the only possibility for these companies to grow their business. In addition to the practical relevance, the topic is also important from the theoretical perspective, since internationalisation has not been addressed adequately in the existing research on EEs. Moreover, empirical studies on EEs are still scarce. This study aims to fill these research gaps by presenting an extensive qualitative explorative study. In total, 19 interviews with health-tech SME's decision-makers comprising managing directors/chief executive officers and senior managers were conducted during autumn 2019. According to our findings, EE is crucial for high growth health-tech SMEs' internationalisation, especially in the early phases, but there are also shortcomings in utilizing the EE. EE can enhance internationalisation by providing foreign market entry support, boosting collaboration within the ecosystem, offering various networking opportunities including access to resources and references, and increasing credibility for the high growth SMEs. Overall, this research makes valuable insights into both the theory and practice of EE research. It is among the first attempts to study the role of EE in the high growth SMEs' internationalisation in the health-tech business and thus provides valuable implications to both academics and business managers.

**Keywords:** Entrepreneurial ecosystems, health technology, high growth SMEs, internationalization.

**JEL classification:** M31.

### **1. Introduction**

The health technology industry is one of the fastest-growing industries globally (Malmström and Hed, 2010). Europe is the second-largest health-tech market, with more than 80% of companies comprising of small and medium-sized enterprises (MedTech Europe, 2019). Finland can be called a small giant of health-tech with more than 2.3 billion export of health technology (Healthtech Finland, 2018). Health-tech business is thus a significant field of business both in Finland and internationally, specifically for SMEs. As compared to large multinational corporations, small firms often have promising ideas, organizational agility, willingness to take risks, and aspirations of rapid growth (Weiblen and Chesbrough, 2015). However, growth is not self-evident or easy for small companies operating in the health-tech business, specifically in a small country such as Finland. The domestic market is too limited in size to be profitable, which creates a need for companies to seek growth through internationalisation. In their endeavors to extend business abroad, the entrepreneurial ecosystem (EE) around the SMEs may provide a significant starting point.

The concept of the entrepreneurial ecosystem has recently attracted a lot of research attention (Stam, 2015; Stam and Spigel, 2017). Stam (2015) defines it as “a set of

interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship” (p. 1765). The entrepreneurial ecosystem approach offers a distinctive perspective on the clustering of economic activity that is mostly ignored and underplayed in previous studies. It focuses on entrepreneurial activity and especially on high growth firms (Mason and Brown, 2014). High growth businesses with significant management functions and R&D are at the heart of an EE (Bosma and Stam, 2012). Furthermore, as Mason and Brown (2014) point out, EEs are often industry-specific (e.g., pharmaceuticals cluster in Copenhagen and mobile cluster in North Jutland, Denmark) and emerge in locations that have place-specific assets. Since EEs are conducive to the emergence of high growth ventures (Mason and Brown, 2014), their role in the internationalisation of the health-tech SMEs aiming at high growth needs further research attention.

Although the EEs have become a popular research field in academia, there is still limited theoretical, empirical and conceptual body of inquiry underpinning the key phenomenon (Colombo et al. 2019). The previous studies have focused on, for example, defining the EE concept (Isenberg, 2010; Manson and Brown, 2014; Stam, 2015), examining the roots of EE in terms of its antecedents in the literature (Acs et al. 2017), developing a process perspective on EE (Spigel and Harrison, 2018) and studying the governance structure of EE (Colombo et al. 2019). However, internationalisation has not been adequately addressed in the existing research (Mohammadparast Tabas, Komulainen, and Arslan, 2020). However, this is often critically important for high growth ventures that are in the core of EE. Besides, empirical studies on EEs are still scarce. EE scholars have pointed to a need to create a better understanding of entrepreneurship in broader contexts such as in their regional, temporal and social settings (Autio et al. 2014; Zahra and Wright, 2011; Zahra, Wright, and Abdelgawad, 2014). This study aims to fill these research gaps by presenting an empirically grounded research to answer the following research question: What kind of role does EE play in the high growth SMEs’ internationalisation in the context of health-tech business?

To answer the research question, an extensive qualitative exploratory study is conducted. The data consists of altogether 19 interviews with managers of health-tech SMEs’ in Finland and other sources of information, such as the collection of diverse archival material (e.g., articles, press releases, and company webpages). According to our findings, EE can be crucial for the high growth SMEs’ internationalisation, especially in the early phases. We identified six main aspects that extensively describe the EE’s role in the high growth SMEs’ internationalisation in the health-tech context. EE provides various benefits, yet there can also be shortcomings in utilizing the EE in the firms’ internationalisation process. Theoretically, this study contributes to the existing EE research by exploring this timely topic empirically in the under-researched, yet highly relevant context of the internationalisation of high growth SMEs in the health-tech business. From the practical perspective, better understanding the role of the EE provides valuable insights for the managers of high growth SMEs on how to view internationalisation and how to utilize EEs most efficiently.

The remainder of this study is organized as follows. First, the literature review sheds light on the previous research in the field of EE, and after that, the methodology of the study is described. Next, the empirical findings are discussed. Finally, conclusions present theoretical contributions, managerial implications, and future research suggestions of the study.

## **2. Literature review**

There are several features inherent for EEs that aid in understanding their nature. Entrepreneurial ecosystem approach focuses on the unique needs and trajectories of innovative high-growth ventures rather than traditional statistical indicators of entrepreneurship, such as “self-employment” or “small businesses” (Stam, 2015; Spigel and Harrison, 2018). The EE

approach often narrows this entrepreneurship down to “high-growth start-ups” and claiming that this type of entrepreneurship is an essential source of innovation, productivity, growth and employment (Mason and Brown, 2014). According to Alvedalen and Boschma (2017), EE research aims to provide an explanation of entrepreneurship and specifically of high quality, ambitious entrepreneurship. Due to the emphasis on firm’s growth, in EE approach size is seen as a “temporary state” and hence it is not given undue attention. Nevertheless, the EE perspective recognizes that high growth firms make a disproportionate contribution to economic growth and need to be actively fostered to generate further rounds of ‘blockbuster entrepreneurship’ (Mason and Brown, 2014). EE creates a supportive regional environment that increases the competitiveness of new ventures (Spigel, 2017).

The success of an innovating entrepreneurial firm often depends on the efforts of other innovators in its environment (Adner and Kapoor, 2010). Hence, despite the emphasis on high growth firms, different types of firms are also essential in the EE. As Stam (2015) states, leadership provides direction and role models for the EE. For example, large, established companies focusing on R&D can provide the foundation for a technology base in an area (Cohen, 2006). The ecosystem thus becomes a vehicle for partners to leverage one another’s capabilities and enhance their innovation and financial performance (Zahra and Nambisan, 2011). This kind of leadership is critical in building and maintaining a healthy ecosystem (Stam, 2015).

EE provides various benefits for the involved firms. Previous research identifies that the ecosystem enables entrepreneurs to identify untapped market niches and draw on the local resources, support and financing to grow new ventures into globally competitive firms (Spigel and Harrison, 2018). EE can provide support for the entrepreneur in various forms, for example, emotionally, financially, and in the form of education (Isenberg, 2010; Feld, 2012). Also, EE can offer entrepreneurs human capital and workforce (Foster et al. 2013) and the flow of tacit knowledge between the companies in the ecosystem (Saxenian, 2007). Moreover, EE can help to speed up innovation and improve customer service (Williamson and Meyer, 2012).

In terms of internationalisation, extant EE research is quite taciturn. It has been suggested that ecosystem can equip firms with a more proactive attitude in the overseas market (Rong et al. 2015). High growth SMEs usually face the liability of newness (Stinchcombe, 1965) and foreignness (Zaheer, 1995) that can hinder their internationalisation, especially in its early phases. The newness of entrepreneurial ventures means that such enterprises are initially not known and are usually poorly understood within an ecosystem (Kuratko et al. 2017). Entrepreneurs confront a significant challenge in legitimizing their venture in the eyes of potential foreign partners (Komulainen et al. 2006) and within an entrepreneurial ecosystem (Kuratko et al. 2017). New enterprises lacking legitimacy struggle to access resources and support (Fisher, Kotha, and Lahiri, 2016). Therefore, internationalization is important to them.

SMEs in the health-tech sector face different challenges in their internationalisation process compared to small firms operating in other industries. For example, they need to pass specific regulation certificates. Even this is not always enough since although the company has a regulation certificate (CE mark) in the EU, they still need to get the Food and Drug Administration (FDA) approval if they want to enter to USA markets. Thus, internationalisation poses many different challenges to health-tech SMEs. To be able to overcome those, EE can provide significant help. In order to understand its role, we will next empirically explore Finnish health-tech high growth SMEs’ internationalisation.

### **3. Methodology**

This paper presents a qualitative exploratory study (Denzin and Lincoln, 2000). The research process follows an abductive logic in terms of continually going back and forth

between empirical observations and theoretical concepts (Dubois and Gadde, 2002). The empirical data consists of interviews with the key companies' representatives in the North Finland health-tech ecosystem. More specifically, interviews were conducted during September-December 2019 with Managing Directors/Chief Executive Officers and Senior Managers of altogether 19 health-tech SMEs aiming at high growth in their business. The firms were selected based on their collective mindset, i.e. with ambitions to grow. Although all firms in our study do not fulfill the strict criteria of high growth ventures defined by EUROSTAT-OECD (that is, enterprises with average annualized growth greater than 20% per annum, over three years; growth being measured by the number of employees or by turnover). Firms examined in this study are in different stages of their growth and internationalisation, thus offering us a versatile and comprehensive data of various aspects related to EE's role in internationalisation. Interviews were conducted as semi-structured and they varied in duration between 47-100 minutes. All interviews were recorded and transcribed word-for-word. In addition to interviews, other sources of information, such as the collection of archival material (e.g., articles, press releases, company webpages), were utilized. The data was analysed using a content analysis method. The whole data set was read through several times, and notes were made about the ad hoc interpretations and interesting issues emerging from the data. The verbatim interview transcripts provide the raw data for analysis, while another source material was used to complement the understanding of the research phenomenon. As suggested by Miles and Huberman (1994), the analysis was implemented through phases of data reduction, data display and concluding.

#### **4. Empirical study**

In this chapter, we present the results of analysing the role of EE in the high growth health-tech SMEs' internationalisation based on our empirical data. We identified six main aspects that extensively describe the EE's role in the high growth SMEs' internationalization in the health-tech business. These are highly intertwined and even partly overlapping, but present the various vital facets related to the phenomenon under scrutiny.

##### **4.1 Foreign market entry support**

Firstly, the analysis of the empirical data confirms the fact already known that the main reason for Finnish health-tech SMEs to start internationalisation is the small size of the domestic markets. The companies were unanimous that the Finnish market is not big enough to be profitable, and that creates an urge to extend the business to foreign markets. In addition, due to the small size of health-tech markets in Finland, firms often use the domestic market as a testbed that helps them go to international markets when they start to grow.

*"The customer base in Finland is simply a drop in the ocean. And there is a huge need for our product globally. For us, it would not make sense to operate just in Finland, and it would not be viable at least."* Company A

Based on the data, the EE may help high growth SMEs' foreign market entry. It can provide knowledge about the potential new markets, and this way aid in choosing the most prominent markets where to start the firm's internationalisation. Some companies said that their entrepreneurial ecosystem had a definite influence on what market they decided to target at the beginning of their internationalisation.

*"Last year, Business Finland [i.e. public funding agency for research funding in Finland directed by the Finnish Ministry of Employment and the Economy] provided a project for companies in our entrepreneurial ecosystem to study our internationalisation possibilities. It helped us. We understood that especially the emerging markets such as China, India, etc. are*

*the potential markets for us. One reason is that they don't have extensive legislation yet that would prohibit us from entering the market". Company B*

Besides, EE can provide direct information related to a particular market, or it might indirectly connect the firm to someone who can provide the needed information.

*"Our entrepreneurial ecosystem helped us to get an understanding of the potential new markets [...] They give us answers to our concerns and they indirectly connect us to someone to provide us the answer". Company C*

At the beginning of internationalisation, it is also essential for health-tech SMEs to be able to join a foreign market ecosystem, and the local EE can be beneficial in this. Having international contacts can considerably smooth the overseas market entry phase.

*"We already have a joint venture with the Chinese company called Mini Silicon Valley. They are enabling us to start our business in China. With the help of them, we can get access to the China market." Company D*

#### **4.2 Collaboration within ecosystem**

One of the critical benefits of EE is the diverse forms of collaboration within the ecosystem. Some firms said that the network around them gives them a chance of interacting with others in the ecosystem and in relation to this, to get help from each other whenever needed.

*"In the Finnish ecosystem, we have a perfect relationship with the companies. I know most of the Finnish companies related to the area. We have a certain kind of 'helping each other' mentality here. [...] I think the success of the individual company depends on the ecosystem. Alone it is hard for a small company to make such an impact that we need to do. We need to use the partners, and we need to work with the partners to get that impact out." Company E*

According to our data, the EE around the companies gives them a chance of together having more visibility and possibly even a more comprehensive product portfolio.

*"Health-tech business is for a startup company too much time consuming and money consuming without the partners. We are just building the type of network where we would be a partner where our product may be a part of a more significant product portfolio, and we try to find the partner for that because that is the way to survive". Company F*

In addition, collaboration within the EE is beneficial for the companies as they can utilize the experiences of other firms in their business, both negative and positive ones. In other words, they can learn from each other's mistakes and, on the other hand, to follow the example of successful firms. For instance, there can be some "big players" or leader firms, which can give motivation, aspiration, and support to other members of the EE. This is in line with previous literature emphasizing the importance of more established firms and their leadership in EE. Generally, the companies saw it very important to be able to share some of their best practices with the other ecosystem partners, for instance, technological knowledge.

*"Startup relationships (are necessary); we help each other as we have the same kinds of questions and problems and think along in R&D and so forth. Internationally we have many relations to other startups and established big companies. They are vital for us." Company E*

Overall, it can be said that an EE is a massive enabler for the high growth SMEs in the health-tech sector due to the significant collaboration possibilities. Some of the interviewees noted that without the ecosystem, they would not be able to grow at all, and some even said they would not exist without the ecosystem.

*"We would not be here without our ecosystem, and no company would go anywhere without an ecosystem. You can start to produce something that nobody wants or understands if you are not networking with others." Company G*

### 4.3 Networking opportunities

Closely related to the above aspects, networking opportunities are one of the critically important benefits of belonging to the EE. According to our data, EE provides firms with access to new partner relationships, i.e. the opportunity to meet their future partners and collaborators such as co-producers, distributors, sellers, and investors through different channels (e.g., meetings, trade fairs, seminars, and congresses). Ecosystem both offers opportunities for Finnish companies to go abroad and it invites the international delegates and foreign government representatives to Finland.

*“The ecosystem helps us to approach a specific market easily. For example, in China, the governmental level is involved in doing business there. It is beneficial to have a delegation from the city to go there with the companies [...] and meet certain people. Vice versa, there is a delegation from China who came to the city. We can meet them here locally.” Company A*

*“Business Finland is arranging for the companies in our network, for example, international trips to China, Vietnam, South Korea, and more recently to the USA. We were able to identify our partner companies through these kinds of events. We have identified a lot of potential future partners and even prospective customers because of these events.” Company G*

More specifically, firms in our study agreed that EE helps them to get acceptance in the local market by allowing them to connect with leading health-tech sector companies, hospitals, and doctors. It is essential to have contacts with the so-called key opinion leaders who can then open routes to new contacts in foreign markets. This kind of networking is highly necessary for health-tech SMEs.

*“Other key players are, of course, the leading clinics and hospitals. So, every country has a prominent public or private clinic acting as a key opinion leader whose researchers’ and doctors’ decisions are based the way. We need their opinion to support our solution to get the local acceptance at the broader level.” Company H*

### 4.4 Access to resources

Our data highlights the importance of EE in providing firms with resources and capabilities. As many of the companies are start-ups and newcomers in the market, they face numerous challenges, and one of the most important is the lack of needed resources. EE can provide firms with access to different resources, such as knowledge, technology, or finance. Information sharing between the parties is one form of getting access to the needed knowledge as the following quotation reveals:

*“In the ecosystem, there is this kind of knowledge and technology base that helps to share knowledge and know-how [...] we can share some of our best practices with the other ecosystem partners. I think that it strengthens the ecosystem. To get something and sometimes you need also to give something back to the ecosystem and the other partners. It is a kind of two-way route”. Company I*

Hospitals and health care centers are the main customers for SMEs operating in the health-tech business. Moreover, these institutions are helpful for the companies also from the resource perspective as they can help them to test and improve their products. Health-tech SMEs can also get references from the doctors who use their products to help them sell their products to diverse markets. Furthermore, other research institutions were mentioned as an essential source of resources, for example, in the form of R&D. Likewise, the importance of having access to talented labor and knowhow in the hospitals was highlighted in the interviews.

*“The collaboration with the university hospital is very beneficial for us to get references. It is essential to collaborate with the university hospital, as it is where we test our products. We have a good collaboration as they are also our customers.” Company J*

*“In the early development phase, we were collaborating with the research institution quite extensively. We had a joint research project with a research institution and university. We utilized their resources as well as the facilities in our early start-up phase.” Company I*

Finally, EE is also a source of financial resources for health-tech SMEs. For example, EE can help firms in the form of different funding and loan instruments. In addition, EE can bring investors to the district and aid firms in relating to these investors.

*“The ecosystem is beneficial for us, as it provides an opportunity for us to find partners, such as technology partners and sometimes it also helps in the financing. For example, it helps by bringing investors to the city and getting us meeting with these investors.” Company A*

#### **4.5 References and credibility**

EE plays an essential role in high growth health-tech SMEs in providing them with references and credibility. Many of the studied firms mentioned that the ecosystem gives them credibility that helps them in their internationalisation process. Besides, as they are operating in the health-tech sector, they need to get references from hospitals to pass the regulation assessment. For example, many firms mentioned Medical School as it could give them free test labs. This also aids in getting a more recognized position in the eyes of future customers.

*“The critical element is to get references from the university hospital [...] through that, we will get name and acceptance. If the big-name says it is okay to use (our product) anywhere, then it will be good for us. Thus, we need the name to be able to be recognized.” Company F*

#### **4.6 The shortcomings of the ecosystem**

Although the role of the EE was mostly seen as highly positive from the interviewed firms' perspective, some negative aspects were also mentioned. Some firms thought that the capacity of Finnish EE is not enough to support their internationalisation. Some companies said that the local ecosystem was beneficial at the beginning of their internationalisation process, but as they grew, the same ecosystem did not provide benefits as much. They think that to expand internationally they need to be involved with other international EEs in addition to the local ones.

*“The Finnish ecosystem can help, but I feel to be genuinely fruitful out there globally, you need to go outside Finland. I do not think we have in this country enough knowledge about how to make a successful company from health-tech point of view internationally. The knowers and know-how are within so few hands in here. The advice this kind of ecosystem can give can be quite narrow. [...] You need a network somewhere else.” Company E*

#### **Conclusions**

This study examined the role of entrepreneurial ecosystems in the high growth SMEs' internationalisation in the health-tech business. We found that EE plays various roles in enabling and supporting their internationalisation, but there are also some shortcomings making the EE less useful.

Overall, putting health-tech products and services into the market is complicated and expensive. It is especially challenging for small companies and start-ups because firms need e.g. proof of concept, references, and medical device as well as legitimacy in the eyes of potential customers abroad. This research suggests that the local entrepreneurial ecosystem can provide firms with various benefits and help to overcome the challenges. First, EE gives firms with *foreign market entry support*. For instance, this includes crucial knowledge about the potential new markets and access to the international ecosystems that can significantly facilitate the overseas market entry phase. Secondly, *diverse forms of collaboration within the ecosystem* is vital for EE participants. Interaction between the firms enables them to help each other in

various situations, get more visibility in the markets, utilize each other's experiences, and share the best practices within the EE. Thirdly, *networking opportunities* are one of the critically important aspects of belonging to the EE. This means for example, getting access to new business relationships through different channels such as trade fairs, seminars, and congresses. In addition, EE helps the firms to connect with leading health-tech sector companies, hospitals, and doctors who can then open routes to new contacts in the foreign markets. Fourthly, EE can provide firms with *access to different kinds of resources*, such as knowledge, technology, or finance. Finally, EE plays an essential role in high growth SMEs' internationalisation in providing them with *references and credibility* that are important in their internationalisation process. For instance, getting referrals from hospitals aids in passing the regulation assessments and in getting a more recognized position in the eyes of future customers.

This study has several theoretical contributions. Although EEs have recently received an increasing research interest, there is still quite a limited theoretical and empirical understanding of their various roles in the economy in general and in firms' internationalisation in particular. As the latest research shows, internationalisation has not been properly discussed (Mohammadparast Tabas, Komulainen, and Arslan, 2020) although this is often critically important for high growth ventures that are in the core of EEs. Furthermore, there is a call for empirical studies on EEs as well as a need to create a better understanding of EEs in diverse contexts and from different perspectives (Autio et al. 2014; Zahra, Wright, and Abdelgawad, 2014, Mohammadparast Tabas et al. 2020). This study contributes to the EE literature by providing new insights into EE's role in high-grow SMEs internationalisation, specifically in the health-tech business, which is a topic that has not been previously studied. However, other mainstream theories have discussed the different aspects related to firms' internationalisation, such as foreign direct investment theory (e.g. Morgan and Katsikeas, 1997), the Uppsala internationalisation model (e.g. Johanson and Wiedersheim-Paul, 1975), and the network approach to internationalisation (e.g. Johanson and Vahlne, 2003). We found that our study has some points in common with the previous studies, especially with those conducted within industrial network research. These are related to e.g. the importance of social relationships and collaboration between the companies (see e.g. Mainela, 2007; Komulainen et al. 2006), different aspects of foreign market entry phase (Coviello, Brodie and Munro, 1997; Zahra, and Nambisan, 2012) and gaining credibility (Lu and Beamish, 2001). In the EE the literature, however, there is no reference made, or connection acknowledged to the network literature, theoretically nor analytically (Alvedalen and Boschma, 2017). The findings of this study thus provide a novel understanding of EE's role in high growth SMEs internationalisation that highlights the specific features of EE.

This study also provides implications for the managers of high-growth SMEs on how to view internationalisation and how to utilize EEs more efficiently. One of the most important things is to strive for being an active member of the EE in which the company operates. This includes being aware of and getting to know the other firms in the EE and their direct and indirect connections. This aids in utilizing the different opportunities that can be provided by the EE, such as access to the right international contacts, visibility, and sharing of experiences and best practices. Closely related to this, knowledge sharing is a critically important aspect of EE. When there is a culture of open knowledge sharing within the EE, it is useful and valuable for all the companies; they can help each other in various ways and also get help when needed, for example, in R&D or gaining access to different resources. The findings of this study show that it is important that this is seen as a two-way street and that all the companies are willing to contribute to create a common good within the EE. Furthermore, managers need to attend to events actively (e.g. trade fairs and congresses enabled by EE), and keep their eyes open for various opportunities that may arise that can help them start or enhance the internationalisation

process. As this study demonstrates, the EE can aid many different ways in this if the managers are actively collaborating and interacting with each other. However, as a shortcoming related to EE, the managers of high growth SMEs need to understand that local EE might not be enough for them in the long run. They also need to aim for the other EEs (especially in the foreign markets) by utilizing the existing relationships in the local EE. Finally, it can be concluded that probably the most important thing is to take care of relationships, not only with customers and with prominent partners but also widely within the EE. After all, the relationships are the most valuable asset a company can have in their internationalisation.

As a limitation, the study was conducted in Finland, a technologically developed, small European country, so that the results could be different in different economies. In the future, the current understanding of the role of EEs in high-growth SMEs could complement quantitative data in various countries.

## References

- ACS, Z.J., STAM, E., AUDRETSCH, D.B. AND O'CONNOR, A., 2017. The lineages of the entrepreneurial ecosystem approach. *Small Business Economics*, 49(1), pp.1-10. <https://doi.org/10.1007/s11187-017-9864-8>
- ADNER, R. AND KAPOOR, R., 2010. Value creation in innovation ecosystems: How the structure of technological interdependence affects firm performance in new technology generations. *Strategic Management Journal*, 31(3), pp.306-333. <https://doi.org/10.1002/smj.821>
- ALVEDALEN, J. AND BOSCHMA, R., 2017. A critical review of entrepreneurial ecosystems research: Towards a future research agenda. *European Planning Studies*, 25(6), pp.887-903. <https://doi.org/10.1080/09654313.2017.1299694>
- AUTIO, E., KENNEY, M., MUSTAR, P., SIEGEL, D. AND WRIGHT, M., 2014. Entrepreneurial innovation: The importance of context. *Research policy*, 43(7), pp.1097-1108. <https://doi.org/10.1016/j.respol.2014.01.015>
- BOSMA, N. AND STAM, E., 2012. Local policies for high-employment growth enterprises. In Report prepared for the *OECD/DBA international workshop on high-growth firms: local policies and local determinants*, Copenhagen.”
- COHEN, B., 2006. Sustainable valley entrepreneurial ecosystems. *Business Strategy and the Environment*, 15(1), pp.1-14. <https://doi.org/10.1002/bse.428>
- COLOMBO, M.G., DAGNINO, G.B., LEHMANN, E.E. AND SALMADOR, M., 2019. THE governance of entrepreneurial ecosystems. *Small Business Economics*, 52(2), pp.419-428. <https://doi.org/10.1007/s11187-017-9952-9>
- COVIELLO, N.E., BRODIE, R.J. AND MUNRO, H.J., 1997. Understanding contemporary marketing: development of a classification scheme. *Journal of Marketing management*, 13(6), pp.501-522. <https://doi.org/10.1080/0267257X.1997.9964490>
- DUBOIS, A. AND GADDE, L.E., 2002. Systematic combining: an abductive approach to case research. *Journal of Business Research*, 55(7), pp.553-560. [https://doi.org/10.1016/S0148-2963\(00\)00195-8](https://doi.org/10.1016/S0148-2963(00)00195-8)
- FOSTER, G., SHIMIZU, C., CIESINSKI, S., DAVILA, A., HASSAN, S., JIA, N. AND MORRIS, R., 2013. Entrepreneurial ecosystems around the globe and company growth dynamics. In *World Economic Forum* 11, pp. 1-36.
- HEALTHTECH FINLAND 2018. [https://healthtech.teknologiateollisuus.fi/sites/healthtech/files/file\\_attachments/htvuosijulkaisu\\_2018\\_eng\\_04.pdf](https://healthtech.teknologiateollisuus.fi/sites/healthtech/files/file_attachments/htvuosijulkaisu_2018_eng_04.pdf) (Accessed 24 April 2019)
- ISENBERG, D.J., 2010. How to start an entrepreneurial revolution. *Harvard Business Review*, 88(6), pp.40-50.

- JOHANSON, J. AND VAHLNE, J-E. 2003. Business relationship learning and commitment in the internationalisation process. *Journal of International Entrepreneurship*, 1, pp.83-101. <https://doi.org/10.1023/A:1023219207042>
- JOHANSON, J. AND WIEDERSHEIM-PAUL, F. 1975. The internationalisation of the firm: Four Swedish cases. *Journal of Management Studies*, October, pp.305-22.
- KOMULAINEN, H., MAINELA, T., AND TÄHTINEN, J. 2006. Social networks in the initiation of a high-tech firm's internationalisation. *International Journal Entrepreneurship and Innovation Management* 6(6), pp.526-541.
- LU, J.W. AND BEAMISH, P.W., 2001. The internationalisation and performance of SMEs. *Strategic Management Journal*, 22(6-7), pp.565-586. <https://doi.org/10.1002/smj.184>
- MAINELA, T., 2007. Types and functions of social relationships in the organizing of an international joint venture. *Industrial Marketing Management*, 36(1), pp.87-98. <https://doi.org/10.1016/j.indmarman.2005.08.003>
- MALMSTRÖM, D., AND HED, C., 2010. The Internationalisation of SMEs within the medical technology industry: How to make it in the global world.
- MASON, C. AND BROWN, R., 2014. Entrepreneurial ecosystems and growth oriented entrepreneurship. *Final Report to OECD, Paris*, 30(1), pp.77-102.
- MEDTECH EUROPE, 2019. The European medical technology industry in figures. Brussels: MedTech Europe.
- MILES, M.B. AND HUBERMAN, A.M., 1994. Qualitative data analysis: *An expanded sourcebook*. Sage.
- MOHAMMADPARAST TABAS, A, KOMULAINEN, H, AND ARSLAN, A., 2020. Internationalisation in entrepreneurial ecosystem and innovation system literatures: A systematic review. *International Journal of Export Marketing* (forthcoming).
- MORGAN, R. E. AND KATSIKEAS, C. S. (1997). Theories of international trade, foreign direct investment and firm internationalisation: a critique. *Management decision*. 35 (1), pp. 68-78. <https://doi.org/10.1108/00251749710160214>
- RONG, K., WU, J., SHI, Y. AND GUO, L., 2015. Nurturing business ecosystems for growth in a foreign market: Incubating, identifying and integrating stakeholders. *Journal of International Management*, 21(4), pp.293-308. <https://doi.org/10.1016/j.intman.2015.07.004>
- SAXENIAN, A., 2007. The new argonauts: Regional advantage in a global economy. *Harvard University Press*.
- SHANE, S., 2009. Why encouraging more people to become entrepreneurs is bad public policy. *Small Business Economics*, 33(2), pp.141-149. <https://doi.org/10.1007/s11187-009-9215-5>
- SPIGEL, B. AND HARRISON, R., 2018. Toward a process theory of entrepreneurial ecosystems. *Strategic Entrepreneurship Journal*, 12(1), pp.151-168. <https://doi.org/10.1002/sej.1268>
- SPIGEL, B., 2017. The relational organization of entrepreneurial ecosystems. *Entrepreneurship Theory and Practice*, 41(1), pp.49-72. <https://doi.org/10.1111/etap.12167>
- STAM, E., 2015. Entrepreneurial ecosystems and regional policy: a sympathetic critique. *European Planning Studies*, 23(9), pp.1759-1769. <https://doi.org/10.1080/09654313.2015.1061484>
- STINCHCOMBE, A.L., 1965. Social structure and organizations. *Handbook of organizations*, 7, pp.142-193.

- WEIBLEN, T., AND CHESBROUGH, H. W., 2015. Engaging with startups to enhance corporate innovation. *California Management Review*, 57(2), 66-90. <https://doi.org/10.1525/cmr.2015.57.2.66>
- WILLIAMSON, P.J. AND DE MEYER, A., 2012. Ecosystem advantage: How to successfully harness the power of partners. *California Management Review*, 55(1), pp.24-46. <https://doi.org/10.1525/cmr.2012.55.1.24>
- ZAHEER, S., 1995. Overcoming the liability of foreignness. *Academy of Management Journal*, 38(2), pp.341-363. <https://doi.org/10.5465/256683>
- ZAHRA, S. A., AND WRIGHT, M., 2011. Entrepreneurship's next act. *Academy of Management Perspectives*, 25(4), 67-83. <https://doi.org/10.5465/amp.2010.0149>
- ZAHRA, S.A. AND NAMBISAN, S., 2011. Entrepreneurship in global innovation ecosystems. *AMS review*, 1(1), p.4. <https://doi.org/10.1007/s13162-011-0004-3>
- ZAHRA, S.A., WRIGHT, M. AND ABDELGAWAD, S.G., 2014. Contextualization and the advancement of entrepreneurship research. *International Small Business Journal*, 32(5), pp.479-500. <https://doi.org/10.1177/0266242613519807>

## **Communication Strategy aimed at Strengthening the Presence of Training Providers on the Labor Market of the South-East Region**

**Aura COLAN**

"Dunărea de Jos" University of Galați  
colanaura@gmail.com

**Tincuța VRABIE**

"Dunărea de Jos" University of Galați  
vrabietincuta@yahoo.com

**Geanina COLAN**

"Dunărea de Jos" University of Galați  
colangeanina@yahoo.com

**Nicoleta CRISTACHE**

"Dunărea de Jos" University of Galați  
nicoleta.cristache@ugal.ro

### **Abstract**

Deming emphasizes that professional training is not only performed by organizing training sessions for staff or users. Professional training should be organized so that the employee learns how to optimally carry out an activity within the culture of the organization to which he belongs. When considering adult education, communication and participation are of paramount importance. Making and implementing the right managerial decisions are inconceivable without perfect communication between the manager and the rest of the members of the organization, and between the internal and the external environment. The promotion activity includes a wide variety of types and modes of manifestation, in terms of content, role and form of achievement. By implementing the continuous training system within the framework of the training / education / public organizations, it is possible to develop a human resource training plan with the use of minimal (time and personnel) resources, carry out an evaluation of the economic, financial and social results of the training programs, and to have permanent control of the established budget, so that it can be a valuable tool for the management of the Romanian organizations.

**Keywords:** Communication strategies, Strategy training, service management, service quality.

**JEL classification:** I25, I28, M31, M53, Z18.

### **1. Introduction**

When considering adult education, communication and participation are of paramount importance. Making managerial decisions and implementing them in the right way are inconceivable without perfect communication between the manager and the rest of the members of the organization, and between all those involved and the external environment. The promotion activity includes a great variety of types and modes of manifestation, in terms of content, role and form of achievement, so that we meet classifications according to various criteria: the content and form of promotional actions; their recipients; the immediate purpose; the nature of the communication channel. Occupational structure within 2016-2030, detailed by occupation categories, will go through the following percentage changes in Romania:

**Table 1** *Relative change of employment, at the level of Romania, in the period 2016-2030, by occupation categories*

| <b>Occupation</b>                                               | <b>Realistic change</b> |
|-----------------------------------------------------------------|-------------------------|
| <b>Officials</b>                                                | <b>11.7</b>             |
| <b>Managers</b>                                                 | <b>-1.95</b>            |
| <b>Specialists with intellectual and scientific occupations</b> | <b>29.78</b>            |
| <b>Operational workers in services and trade</b>                | <b>20.05</b>            |

Source: Cedefop

## 2. Methods

The research was based mainly on quantitative methods, the area of investigation focused on issues that were found, in the form of questions, in questionnaires sent to institutions but also through documentary analysis, interview, case study, multicriteria comparative analysis. The documentary analysis included both specialized publications, studies and research in the field, as well as normative acts, relevant documents issued by institutions and authorities in Romania or at European level, other documents issued by relevant entities.

From the quantitative analysis conducted among employees and employers in the southeast region, a sample of 87 providers of continuing education with 335 training programs and interviews with local actors show that there are obstacles in knowing the labor market and the need for training, local economic strategies are missing; The involvement of local decision-makers is more declarative than effective and there is a tendency to shift responsibility to higher levels of decision-making; The image of the labor market and, in particular, of vocational training is unclear; Communication between political, economic and social actors, between the public and private sectors, in all areas, including in the field of vocational training, is deficient and local cooperation resources are not valued; lack of communication between the Ministry of Labor and Social Protection, CNFPA, trade unions, employers and between the provider and the authorization commission, inadequate monitoring of vocational training programs, lack of correlation, training with the real needs of the labor market (especially for graduates) . The promotional activity is carried out by the contact staff, advertising having a smaller role, often restricted due to lack of funds (see tab. No. 2 and tab. No. 3).

**Table 2.** *Opinion on available sources of information*

|        | <b>Total weight (%)</b> |
|--------|-------------------------|
| Extern | 51,72                   |
| Intern | 48,28                   |

**Table 3.** *Share of media used by respondents*

|                               | <b>Total weight (%)</b> |
|-------------------------------|-------------------------|
| TV                            | 6,17                    |
| Radio                         | 20,99                   |
| Press                         | 67,90                   |
| Talks with friends, relatives | 4,94                    |

The main function of communication in education is to facilitate a correct and effective exchange of values, goods and services between the continuous training institution and the community. However, it is important for the institution to carry out a correct segmentation of the market in order to obtain the necessary information, in a clear form and at the right time. If these aspects are neglected, the marketing mix will be incorrectly designed and applied. Therefore, it is very important for each institution to use the marketing tools to study the market and know its requirements, to be able to provide the most important goods and services, to

communicate the information the customers need in order to get adequate knowledge of the offer.

Through promotional activity, the training institution obtains a visual market identity. It is supposed to inform its customers about all the activities they carry out and the services they provide. Within the structure of promotional activities, a significant place is held by print advertising, free advertising (especially oral) or public relations, service promotion, promotional events, image promotion, direct marketing, marketing events, use of brands, sales forces.

Promotion refers to those official or unofficial statements submitted by the educational institution. Through the promotional activity carried out, the educational institutions obtain a visual market identity, informing the clients about all the activities they carry out and the offer of services they provide. In the structure of promotional activities, a significant place is occupied by print advertising, but also free advertising (especially that expressed orally) or public relations. Particularly frequently, a series of actions are used to cultivate an attitude of pride to all those who graduated from a certain educational institution, by establishing associations of graduates, by establishing the habit of organizing the review of graduate promotions, issuing jubilee plaques, etc. Among the specific actions are the organization of symposia, scientific communication sessions, etc. The most used forms of communication are public relations and advertising.

Usually, the communication strategy used by educational institutions is based on promoting the global image permanently, offensively, undifferentiated and, as far as possible, with their own forces. In particular cases, especially in the case of launching new products, strategic alternatives can take the form of an exclusive product promotion, intermittently, possibly through specialized institutions. The purpose of public relations is to form, maintain or change the public's attitude towards the educational institution. To accomplish this mission, the public relations person, department, or institution must be able not only to identify the target audience, but also to measure the images and attitudes that may influence that audience in order to accurately define the required budget. Public relations specialists must demonstrate excellent communication skills, the ability to write materials and communicate through modern systems, as well as direct contact with target people or institutions.

As a rule, the communication strategy used by the educational institutions is based on the constant, aggressive, undifferentiated promotion of the global image, performed as far as possible by internal means. In the case of the launch of adult training projects, the strategic alternatives may take the form of an exclusive promotion of the product / project, which is performed intermittently, possibly through specialized institutions.

By comparing what happens with companies to what happens with educational institutions, several particular aspects of using promotional communication in educational marketing may be pointed out:

- the educational institutions place greater emphasis, compared to the companies, on the personalized relations than on mass communication;
- the educational institutions use, in comparison with the enterprises, less expensive forms of communication;
- the educational institutions avoid the communication means with a too obvious commercial character.

In schools' public relations are used to a large extent, cultivating a favorable attitude among those population groups that can support them or favorably influence the organization's work: underwriters, the media, opinion leaders and prescribers, some target groups, etc.

The activity of the training institution is, especially in small localities, aimed at the whole community and the manner in which it is perceived is extremely important. Even if the image

is the basic result of the activity of the institutions, we cannot neglect aspects related to techniques of promoting any service in a competitive market where the providers of private professional training services are particularly dynamic.

Private competitors have much easier access to funds that lead to extremely large course budgets, with performance indicators well below those that public education institutions have, being forced to do more and better so that the image of professional training services could improve. Advertising is the compulsory condition for the sale of any product and training services are no exception.

An important place is also held by the free publicity that these organizations benefit from, due to both the mass media interest for the educational problems, and the public relations actions directed to the mass media representatives. On the contrary, certain traditional promotional formulas - in particular, those that use the corporeal components (form, packaging) and incorporeal components (brand, price) of the product, such as using brands and / or promoting sales through temporary price cuts - are quite rarely present in the activity of these organizations, the motivation being related not only to the predominantly intangible character of the activity carried out, but also to the desire to distance themselves from events with a too obvious commercial character, which could have negative consequences on the image.

At the level of the educational institution, the existence of the "spokesperson" has improved the relationship with the media, but the message must also reach the less accessible areas, such as the rural areas. To do so, apart from the compulsory display panels in any work place, with a distinct area for vocational training services, the relationship with the local media is essential, the more so since, most of the times, it is free because it responds to its commercial needs to sell its products. There are cases when the messages related to needed to enroll in, start, or graduate school courses arrive faster and cheaper through the local media announcements. Also, those authorized to deal with the media must have regular meetings to get the attention of the clients. Communication with the identified market segments is an essential task during and after market analysis. The purpose of the communication may be information, but also manipulation, making a decision or obtaining feedback from the client.

The purpose of public relations is to form, maintain or change public attitude towards the educational institution. To complete this mission, the person, department or institution in charge of public relations must be able to not only identify the target audience, but also to measure the images and attitudes that can influence that particular public in order to be able to accurately define the budget required. Specialists in public relations must demonstrate excellent communication skills, ability to write materials and communicate through modern systems, as well as direct contact with the target persons or institutions.

The public relations of the institution involve many types of activities:

- writing and editing messages, press releases, press, radio and television news, letters, announcements, talks, activity reports, newsletters.

- maintaining the contact with the press, contacting journalists, placing materials in the press, facilitating the connection between journalists and managers or trainers, identifying the categories of public that are involved in school, collecting information inside and outside the organization on the opinion of the different public categories, etc.;

- Management activities, counselling, organizing special events, public speaking, lobbying, etc.

In conditions of strong competition, the communication between the institution and the client becomes a decisive success factor, as there is displacement of the traditional communication activity focus towards the dialogue with the client. Push and pull communication is expected, as a positive influence on the decision of the choice of potential

clients is attempted, as well as direct communication because there must be a dialogue between the school and the potential trainers; dialogue is possible because the need for client interaction and self-fulfillment is met by providing information and interactions in the most diverse media expressions. The challenge for the institution lies in integrating and correlating the new tools oriented to dialogue and interaction with the communication mix existing in the adult training institution.

Unit slogans, central messages, arguments and key images are used as common threads. We will have to check to what extent each instrument is fit for its purpose and if the two are compatible. The purpose of the integration among the clients is the personalized approach of each client in the different phases of the life cycle. For example, there will be communication measures that respond to the purpose of informing and initiating a dialogue, or communication tools that are oriented towards customer loyalty (Matis, 2019).

It may be said that the communication objectives are in the service of the marketing objectives which in turn are subordinated to the objectives of the overall policy of the organization. It should be noted that the objectives regarding the image of the products and the organization were at the center of the concerns.

Advertising is the main activity of a promotional nature, being considered the "nerve of communication policy of the company" (Sylvere, 1983) and defined by (Bruhn 1999) as "a special form of mass communication, which, through the chosen means of communication, is addressed to target groups specific to the enterprise, in order to achieve its communication goals."

The basic tools used by the organization in relation to the media are: presentation materials, press release, press conferences, news, articles and interviews for print media, and radio and television broadcasts.

Among the presentation materials we find in the activity of the school, especially in the case of European funded projects, there are: brochures, presentation leaflets, leaflets, the organization's newsletter, the organization's bulletin, journals, the final report.

Sales promotion is defined as a set of techniques by which the customer is stimulated to purchase the product and the service providers are mobilized to become more efficient. The most common means of promoting sales are the price cuts, through which the company aims to attract new customers, increase the frequency of purchases.

The forms that price cuts may take are the following:

- special offers - when the services are distributed at reduced rates only around or during the development of special events;
- group sales: "assorted" sales, grouping several different services in one package and selling them at a global price lower than the sum of the costs of individual services;
- "multipack" sales, the offer is presented in the form of a service package of the same kind, the global price being digressive in relation to the volume of services, which is ensured by practicing a regressive tariff per unit of service.
- definitive reductions, are based on large cost reductions.

Informing the general public about destinations, products and services can also be done by organizing seminars, conferences or workshops, which, in a short time and with relatively small funds, a large number of people can be informed.

Another means of promoting sales is also the advertising at the place of sale, which is performed through posters, panels, banners, displays or electronic materials (DVDs, CDs), in order to attract, orientate and direct the interest of consumers in a particular service. The advantage of this method of promotion is the fact that, immediately after a service catches the eye of a customer, it can be purchased.

All this is the result of the fact that the use of the sales force , in the process of the promotional communication, grants a number of advantages , one of them being the fact that the communicative message is conveyed in a much simpler manner and it is better adapted to the information needs, the wishes and reactions of the customers, and, more often than not, it is transmitted exactly to the one to whom it is intended (the target segment).

Another advantage of the use of the sales forces in the communication process is their ability to monitor the progress of this process, as well as its effects in terms of sales (Balaure, 1999). The involvement of the sales personnel in the activity of promoting tourism companies is so great that they manage to personify a whole series of attributes that bear the image of the organization, becoming even part of the brand of the company they work for.

Communication via supports customers, as well as people who in one way or another have become aware of the company or its services. Although such a communication medium is difficult to control, its existence raises distinct problems about the way in which information is received by the public, and consequently on the way in which the other promotional activities are carried out (Olteanu, 2006).

Direct marketing uses direct marketing techniques that allow capitalization on the numerous and inexpensive human resources available (students, learners), while emphasizing the personalized character of the concern for the problems of different target groups.

The increasing scope that this type of promotion acquires is explained by a series of advantages that it offers, almost exclusively: it is fun and comfortable, it saves time, it establishes a continuous relationship with the customers, the strategy used is less visible to competitors, it allows the quantification of the responses (and therefore the efficiency) of the campaigns carried out. Direct marketing, used by adult training companies, uses mailing - mail advertising or mail order, it involves sending personalized (or not) letters, leaflets, flyers, etc.

One cannot discuss the forms of direct marketing without mentioning the basic tool used by this form of promotion, namely the database, which is, in fact, a structured set of comprehensive information, about individuals and companies that can be consulted at any time, in order for the organizations to make decisions regarding the products, targets, promotion and dissemination of their products.

For database use to be effective, it must be built on a homogeneous community, be recent (updated), be made up of actual and potential buyers, contain as much identifying data as possible. These can be built by the company itself or can be rented or bought from companies that own databases (population records offices, research institutes, statistics, etc.).

Recent technological developments, which are also being used in Romania, have promoted a new tool used by direct marketing companies, i.e. online marketing. By means of this new tool, two categories of objectives can be attained: image and sales-related objectives.

The stages of applying direct marketing by training companies:

- establishing a schedule of staff visits to the headquarters of the economic agents, potential employers, for finding vacancies and job analysis;
- contacting employers by phone;
- organizing "round table" direct meetings with economic agents from a certain field of activity where there is an clear shortage of labor force: establishing the field of activity, establishing the topic, date, time and place of the activity, contacting the economic agents from the respective fields of activity, implementing the activity, assessing its results.

The expected feedback aids in retrieving essential and precise information regarding the impact of the forms of promotion on the market and professional training. Databases are thus created, and periodic monitoring is instituted. The indicators whereby the promotion impact on demand can be quantified are: for direct marketing (number of economic agents visited, number of jobs found, number of economic agents contacted by telephone, number of round

tables / meetings held, number of participants in the round tables), for advertising (number of press releases, media types used, number of leaflets / brochures / posters / posters / banners), for public relations (number of signed partnerships, number of implemented / on-going partnerships).

The indicators by which the impact of the promotion on the offer can be quantified are: for advertising (number of press releases regarding the number of students grouped by gender, age, professional training, types of media used, number of leaflets / brochures / posters / posters / banners), for public relations ( number of round tables, meetings with representatives of other institutions that are connected to the issue of employment and vocational training, number of persons participating in round tables, number of persons employed, number of persons enrolled in vocational training programs), for direct marketing (number of participants attending meetings, round tables).

Following the analysis of these indicators, the types of promotional means used can be changed or improved. The main index that measures the market reaction or response is the number of clients (economic agents, jobseekers, etc.).

Regardless of the nature of the promotional activity, the homogeneity or heterogeneity of the forms of promotion used, their action over time, the economic effects that they have, the organizations must permanently take into account their complementary character. An active and efficient marketing strategy presupposes their use in a unitary framework, incorporated in a well-defined and operational promotional strategy, capable of contributing to the organization's objectives.

## Results

One of the factors that influence the accurate foundation of promotional strategies is the nature of the information available for this purpose. This information can be of two types, respectively:

### **General information:**

- the advertising means that can be used for a certain market and their accessibility (radio and television stations covering the geographical area of the market in question; newspapers, magazines, special publications that are broadcast in the respective area, telephone networks and their accessibility); the promotional events that will be organized during the period covered by the promotional strategy (exhibitions, fairs, etc.), the requirements and the cost of participation in these actions; the possibilities of editing special media : catalogues, leaflets, bulletins, brochures, notebooks, calendars

### **Special Information:**

- the services of the school / training institution and their success elements (qualitative characteristics, brand, etc.); forecasting of the educational demand , educational supply, prices (tariffs); the position of the competition on the educational market: the market share held by the main competitors, the characteristics of the competition supply, promotional activities carried out by the competitors; promotional expenses incurred by the institution, their structure and the effects obtained previously; the image of the clients (actual or potential students) about the institution and its educational offer;

The personnel of the training companies must be aware that the services they provide are perceived by the clients through their attributes (promptness, professionalism, politeness, transparency) and contracted for the advantages they offer. They should be aware that all the marketing tools used are not for an isolated service but for a sum of services that includes all the associated elements, the whole environment. In addition, the competition from service providers is increasing. The consequence is the rapid increase of the competitiveness in the field of adult training, so that attracting a loyal clientage becomes decisive.

The communication coordination policies and decisions are made to a large extent when the organization is in the initial stage and must create a type of communication specific to the resource company. However, there are other circumstances when managers have to make decisions on the communication and coordination policy in order to change one or more specific communication resource companies, for example in cases of repositioning the brand and overcoming the reputation crisis.

The marketing strategy approached by educational institutions aims at:

1. Increasing the number of pupils / students through the intensive use of internal means of communication and especially of external media;
2. Intensifying the collaboration relations with the media and developing a pro-active attitude on strengthening these relations;
3. Development of collaboration relations with companies / advertising agencies;
4. Development of applied scientific research (practice base for pupils / students and services for society) in order to increase the role of the school beyond the limits of the campus;
5. Development of working tools in order to achieve a communication policy: newspaper, radio station, TV, web page;
6. Strengthening the local, regional, national or international role of the institutions.

Only in this way does the management of training institutions consider that it will be able to ensure the increase of sensitivity to the dynamics of the education market. Clients pay tuition fees, opt for one institution or another after exposure to advertising campaigns of these institutions, choose one area or another depending on their usefulness, claim a certain quality of services received, which if they do not receive, can give up to the services of the institution and opt for market competition. A marketing policy, sometimes even aggressive, is the solution for an educational institution to be known by both customers and funders. Communication with the identified market segments is an essential task during and after the market analysis. The purpose of communication can be to inform, but also to manipulate, to choose a decision or to obtain feedback from the client.

These situations usually involve changes in the positioning expressions of an organization and decisions to coordinate the necessary policies, for example, aimed at:

- redefining common starting points / thematic messages, thus adapting them to basic themes around which an organization can concentrate its actions and distinctiveness;
- restoring common process rules to stimulate bidirectional communication and dialogue with internal and external stakeholders, enabling the organization in question to adapt to environmental changes;
- necessity to enhance the emotional appeal in order to allow an organization to be perceived as transparent and coherent (by keeping organizational purpose, values and beliefs in line with the employees, managers and the CEO behaviour);
- rethinking storytelling and / or codes of corporate conduct in order to convey the statements and behaviour of a more credible and transparent organization in certain situations.

At the same time, practitioners are frequently focused on allocation and coordination decisions regarding the best use of a company's communication resources. Such decisions can be useful in a variety of different ways to increase the visibility of communication initiatives. This would involve a quite different use of company-specific communication resources. For example, an unusual or alternative way of using the corporate blog might be an appropriate type of allocation decision.

References to the history of the organization are another case in point. Such references can be important manifestations of corporate identity and "may be especially valuable for corporate communications, because of the reliability that age can offer" (Blombäck and Brunninge, 2009). Communication managers could make allocation decisions that involve the

selective use of corporate history to legitimize ideas about the distinctiveness of an organization (Schulze 1987; Blombäck and Brunninge 2009). This technique specifically allows aspects of the history of the organization that managers want to highlight within companies, which is a type of communication that needs to be emphasized from time to time (Lundström, 2006).

The data we obtained from the research and education statistics in various European countries showed that public relations are not normally studied from a scientific point of view. In addition, scientific journals rarely contain articles by European researchers. While this may be partly due to translation difficulties, we consider that part of the reason is also the lack of good research. It is obvious that in European countries it is common practice, and science is not very interested in the development of public relations theory. The country reports drawn up by our participants made it clear that the picture is the same when it comes to education; researchers and educators do not exactly form a critical mass. Clearly, public relations have yet to develop as a large area of research or teaching. This may be due to cultural and theoretical differences or approaches to the theoretical field. Another factor, we believe, may be the lack of public relations identity as an interesting scientific activity (Siano A. 2013).

## **Conclusion**

The first conclusion, and perhaps the most important, of the research undertaken, is the major disinterest of the institutions to answer the questionnaires submitted.

In media advertisements, as well as on web pages, institutions are more concerned with illustrating educational spaces and less with highlighting the particularities or benefits of the offers themselves or the opportunities that training provides from the perspective of labor market integration and career development. Only occasionally do explanations appear about the job prospects in the field offered.

The second significant conclusion that emerges from this study is the reorganization of the educational market by fields of training, by prestigious centers or institutions, but also by the polarization of the candidates' option.

Without the existence of an own development strategy, based on an internal audit correlated with a coherent analysis of the external environment, and the pursuit of the results according to the defined indicators, one cannot speak of marketing strategies, but only of common or “fashionable” ways”. For the presentation of the faculties.

After studying the answers and searching for a description of the domain characteristics, we grouped all statements and ideas into four aspects: reflective, managerial, operational, and educational, as follows:

**Reflective:** to analyse changing standards and values and standpoints in society and discuss these with members of the organization, in order to adjust these standards and values / standpoints of the organization accordingly. This role is concerned with organizational standards, values and views and aimed at the development of mission and organizational strategies.

**Managerial:** to develop plans to communicate and maintain relationships with public groups, in order to gain public trust and / or mutual understanding. This role is concerned with commercial and other (internal and external) public groups and with public opinion as a whole, and is aimed at the execution of the organizational mission and strategies.

**Operational:** to prepare means of communication for the organization (and its members) in order to help the organization formulate its communications. This role is concerned with services and is aimed at the execution of the communication plans developed by others.

**Educational:** to help all members of the organization become communicatively competent, in order to respond to societal demands. This role is concerned with the mentality and behaviour of the members of the organization and aimed at internal public groups.

Communicating and creating the image of the educational institution on the market - through public relations and advertising - in marketing strategies is a very important objective, because it contributes fundamentally to increasing the number of requests for specific services provided, but also their perceived quality. The communication, within the analysis and research systems undertaken by the educational institution, allows the collection of information and their subsequent use in the processes of optimization or transformation of educational offers according to market requirements.

The call for these common promotion tools is due to the fact that faculties need many students only to be able to cover the budget deficit generated by inflation or salary increases of certain categories of teachers and not as a result of special development or development strategies. increase the quality of services provided. Very few resorts to other methods, and these are related to the specifics of the faculty. In these cases, ways of promoting and marketing are chosen depending on the profile of the faculties and the specific environment in which they carry out their activities, which proves the lack of specialists to deal with marketing activity, limits of thinking in developing policies. and own tools, but also to appreciate the benefits they could have.

## References

- \*\*\* INCSMPS, 2005, Dezvoltare economică și ocupare, implicații asupra ofertei de educație și formare profesională,
- \*\*\* Analiză socio-economică pentru programarea Fondurilor Europene 2014-2020 a Comitetului Consultativ Tematic: Ocupare, Incluziune Socială și Servicii Sociale, Grupul de lucru privind Formarea Profesională,
- \*\*\* Prognoza Evoluției și Tendințelor Pieței Muncii – Amenințări și Oportunități, 2018, IRES.
- ABRATT, R., (1989), O nouă abordare a procesului de management al imaginii corporative. Jurnalul din Managementul marketingului 5, nr. 1: 63-76.
- ANDREWS, K., (1971). Conceptul de strategie corporativă, Homewood, Illinois: Dow-Jones-Irwin.
- ARGENTI, PA, (2007). Comunicare corporativă. New York: McGraw-Hill.
- BALAURE, V., CĂTOIU, I., ȘERBĂNICĂ, D., VEGHEȘ, C., (1999). Tehnici promoționale, Editura Uranus, București, pg. 236
- BRUHN, M., Marketing, Editura Economică, București, 1999, p. 220
- BLOMBÄCK, A. AND BRUNNINGE, O. (2009), "Corporate identity manifested through historical references", Corporate Communications: An International Journal, Vol. 14 No. 4, pp. 404-419. <https://doi.org/10.1108/13563280910998754>
- COLAN, G., (coautor), (2016), „The use of marketing support in the strategic development of educational institutions and training of adults”, “Dunărea de Jos” University Of Galati, Faculty of Economic Sciences of Galati, The XVII-th Annual International Conference „The Risk In Contemporary Economy”, ISSN – L 2067 – 0532 ISSN Online 2344 – 5386.
- COLAN, G., (coautor), (2017), Adults’ Educational Needs and Continuous Professional Development, “Dunărea de Jos” University Of Galati, Faculty of Economic Sciences of Galati, 18th edition of the Conference “Risk in Contemporary Economy”, RCE 2017, June 9-10, Galati, Romania.
- COLAN, G., (2016). Marketing educational, Editura Europlus, Galați, ISBN 978-606-628-147-8, ISBN 978- 606-628-149-2.
- TAOUI, H., B., PÉREZ, S., L., (2018). Teaching Written Communication Strategies: A Training to Improve Writing, International Journal of Applied Linguistics & English Literature, E-ISSN: 2200-3452 & P-ISSN: 2200-3592, [www.ijalel.aiac.org.au](http://www.ijalel.aiac.org.au).

- KOWALIK, K., KLIMECKA-TATAR, D., (2018). The process approach to service quality management, Production Engineering Archives, ISSN2353-7779 (online), [www.qpij.pl/production-engineering-archives](http://www.qpij.pl/production-engineering-archives).
- OLTEANU, V., Management Marketing, (2006), O provocare științifică, Editura Ecomar, P. 267.
- MATIS CIPRIAN, MATIS COSMIN, (2019), Opinions Regarding the Impact of Globalization on the Insurance Industry, Annals of “Dunarea de Jos” University of Galati Fascicle I. Economics and Applied Informatics, no.2/2019, ISSN-Online 2344-441X, p.125
- SIANO A., VOLLERO A., CONFETTO MG, SIGLIOCCOLO M. (2013), „Managementul comunicării corporative: un cadru bazat pe luarea deciziilor cu referire la resursele de comunicare”, Journal of Marketing Communications, Vol.19, n. 3, p. 151-167.
- SYLVERE, P., (1983), La publicite, Nerf de la Communication, Les Editions d’Organisation, Paris, pg. 120.

## **Influence of Computer Games as an Advertising Medium on Brand Associations**

**Andrey KOSTOV**

University of Economics - Varna

kostov.andreev@gmail.com

### **Abstract**

The relevance of this paper is related to both the evolving personalization and the increasing opportunities for interactivity in the entertainment and marketing industries, as well as the diminishing role of television as a source of entertainment and information. This decreasing trend is important for marketers because less viewing time equals less chance of consumer impact through ads. The object of this research are video games as a channel for advertising messages and the subject matter is their influence on the brand associations of the advertised brands. For the purposes of this study, an experiment was developed involving three groups of respondents with the following structure: The first part is a photograph of a car and participants in the experiment must select three of the eleven possible car descriptions indicated. The second part of the experiment is a video clip, different for the three groups, which contains the same message for the three groups. The third part of the experiment gathers information about brand associations created and recalled through the ad clip. Free-text and multiple-choice questions are used. The last part assesses respondents' attitudes towards computer games and advertising messages in different environments. The study aims to analyze whether the contextual link between advertising content and the medium in which it is displayed has a beneficial effect on the brand associations of the promoted product. The experiment proved that the advertising environment influences brand associations when there is a contextual connection, overall pace and emotion of the advertising message. Subsequent research on the topic can further the results by using eye tracking technology to refine the results.

**Keywords:** brand associations, computer games, product placement.

**JEL classification:** M31.

### **1. Brand associations**

Brand associations can be defined as any single thing in the mind of consumers associated with a brand. (Aaker, 1991) Any idea, thought or image associated with a brand can be treated as a brand association. (Kunkel, Funk, & Hill, 2013) According to researchers in this field, brand associations serve as a starting point in the minds of consumers and help to create brand value (Chen, 2001). Brand associations can be formed by several means (Juneja, 2015):

- Clients who contact the organization and its employees;
- Advertising;
- Publicity by word of mouth;
- The price at which the brand product is sold;
- Celebrity Associations
- Product quality;
- Products and services offered by competitors;
- The product category to which the brand belongs;
- Points of sale;

Also, the formation and differentiation of brand associations can be based on demographic factors such as gender, age, race and income, on psychographic factors such as career attitudes, environment and more. An example of this is the fact that women have a more positive attitude and tendency to make a purchase when the brand they are interested in has associations associated with a social cause (Rohit & Panda, 2018). Analyzing the origins of brand associations is the basis for building better segmentation strategies, which would lead to

more effective marketing communication. Brand associations are classified into three main categories: attributes, benefits and attitudes (Keller, 1993). Attributes describe the characteristics of a product or service, i.e. how the user explains their product and what it represents. Attribute brand associations can be grouped into several categories. The first product-related, which is defined as the necessary ingredients for a product to function and serve in a way sought by consumers. Non-product related attributes are defined as external aspects of a product or service that are related to its purchase and / or consumption. Benefits represent the value that consumers place on a product character, what customers actually think a product or service can do for them. The benefits are grouped mainly into three groups. The first, the functional benefits, are related to product consumption and correspond to product-related attributes - basic motivations such as the need for security. Emotional benefits are related to the emotions and thoughts consumers have when using a product or service. Symbolic benefits are non-productive and characterize social approval (Stanimirov, Zhechev, Pavlova, & Palamarova, 2018). Brand attitudes are defined as the overall assessment of the brand and as such are often the basis for consumer behavior. These attitudes can be associated with both functional benefits and non-product and symbolic benefits. In developing the relationship between brands and consumers, the latter form brand associations based on product attributes. Subsequently, after long-term use, marketing activities and other factors, brand associations associated with the benefits of the product or service occupy a major place in the customer's memory. An example of this is loyalty to the sports team (Kunkel, Daniels, & Karg, 2019). Initially, users remember the style of play, the qualities of the athletes and other characteristics of the team, and after several years, when they witnessed more games, consumers associate their team with victories, the joy of winning a trophy, etc. Brand associations are described by four main characteristics: propriety, strength, uniqueness and consistency. (Keller, 1993) The benefits of a brand association are the result of the success of the company's marketing program. If consumers do not consider an attribute important to them, they will not evaluate it, therefore creating favorable associations is directly related to the degree of importance that consumers attach to the attributes. Also, in order to properly analyze brand associations, their application must be considered on a case-by-case basis. The ability to communicate with a store representative is a plus only when the customer needs one. A consumer who avoids contact with store representatives and does not want communication with a person would not appreciate this attribute favorably. The strength of a brand association depends on how the information is received by the user and how it is stored as part of the overall brand image. This is a combined quantity that is a function of the amount of decoded information and the quality of the information, i.e. how the user views the brand knowledge they have acquired. When an association is associated with only one brand, it is unique, so long as it is not affiliated with a competitor. The homogeneity of the associations is observed when they are shared with a large part of the market. In addition to the above characteristics, brand associations may also have other characteristics - ambiguity. It is most often manifested in cases of transfer of associations to brand extension. (Kim & Yoon, 2013) It is defined as the potential for multiple interpretations of overall product quality. If a user encounters unrelated characteristic, it would be difficult to build positive brand associations. Brand extensions that share or have strongly associated associations with the parent brand would have lower levels of ambiguity. This feature can have no effect on consumers, as long as key brand associations are rejected. Another way to increase the value added by the brand is through the use of secondary associations. These secondary associations can link the brand to various sources such as the company itself, through branding strategies, to countries or other geographical regions, to the origin of the product and to distribution channels or even to other brands. (Kotler & Keller).

## **2. In-game advertisement**

Business models in the video game industry represent the set of strategies by which a company creates a product and develops its value. Osathanukul's classification groups the models based on consumer accessibility and how the company generates revenue (Osathanukul, 2016). The first group of models is user-focused - it looks at the ability for users to access most of the content of a video game. The Pay-to-Play model is traditional for the industry. It requires users to make a payment to get fully functional content. There are three variants of the model - one-time payment, subscription, payment plus subscription. The last of the three varieties is commonly used in MMORPGs [Massive Multiplayer Online Role Playing Games] where the original content is provided for a one-time fee, but over a period of time, company customers have to pay a certain amount of subscription fees (on a monthly, quarterly or yearly basis) to be part of the game world. Unlike P2P, the Free-to-Play model provides functional and standalone content to users at no cost. Using ads as a monetization tool is called In-Game Advertising (IGA). Products that are wholly or partially funded by advertising will display advertisements to their sponsors through billboards, banners, backgrounds and other elements in the video game. This model is popular with free mobile games and in sports and racing video games where advertising space can easily be included along the track / terrain. Marketers have three types of IGAs available: static, dynamic ads and advergames. Static video game ads are elements of a digital product that promote real-world goods or services. They are part of the game itself and are not subject to change. An example is the Energizer batteries in the Alan Wake computer game. (Mago, 2015) Players collect realistic-looking copies of new batteries and their packaging, meet billboards with the logo and advertising messages of the new Energizer product, and even display its product qualities. The targeting allowed by static ads is directly related to the target audience of the video game (RapidFire, 2019). In contrast to the above, Dynamic In-game Advertising / DIGAs allow various advertisements to be displayed via game elements (for example billboards). The third variant of video game ads is the so-called advergames or advertising games. They differ from static and dynamic ads in that the entire game is designed to promote a product or service. It does not create a product to entertain consumers and finance it (wholly or partially) through ads, but creates a digital product that is part of the company's branding strategy and a secondary benefit is the entertainment of potential customers (Carollo, 2019).

## **3. Overlay advertisements**

Overlay Ad is a promotional message that is placed on another medium. This type of ad can use a corporate logo or photos, as well as moving text. They can be solid or transparent. They are most commonly used on television but also when broadcasting videos on online platforms. (Schnotz, 2017) This format can also be used in online video broadcasting platforms. (althos.com, 2010).

## **4. Methodology**

An experiment involving three groups of respondents has been developed for the purposes of this paper. The first group is control group and the second and third are experimental. The experiment consists of four parts (sections). The first part is a photo of a car (2015 Mitsubishi Lancer Evolution) and participants in the experiment should choose three of the eleven possible car descriptions (color, model, size, etc.). This part seeks to segment the respondents by their knowledge of cars and their brands and by their overall perception of light vehicles. This is important because brand associations created by a person describing a car simply as "white" would be different from another describing it as a model and type of body. The second part of the experiment is a video clip, different for the three groups, with an average

of one minute and thirty-five seconds, containing a thirty-second ad starting at thirtieth seconds, with 16:9 aspect ratio, and occupying 10, 42% of the total viewing area. For all three groups, the advertisement is the same - a video presentation of the Mitsubishi Eclipse Cross on the occasion of the car victory in the "Car of the Year" category for 2019 at RJW. The control group used a clip of a race between VW Golf R and Subaru WRX. The video has a similar context to the advertisement, shows sports cars, just like the promoted ones and the aggression of the race is in sync with the aggressive tone of the short advertisement. The first experimental group watches a clip from Forza Horizon 4, in which the player competes race for time. Here again, there is a connection between the content of the video and the advertising in it - sports cars, aggression in the form of a race and a photorealistic gameplay. The third group is watching a video of the game Battlefield V. The game is a visually realistic representation of World War II events. It is again characterized by extremely detailed graphics. In the segment used again aggression was present, but not through sports cars; there is no contextual link between the video and the promoted content.

The study aims to analyze whether the contextual link between advertising content and the medium in which it is displayed has a beneficial effect on the brand associations of the promoted product. In order to accomplish this, several characteristics (content of the advertising message, content of the advertising environment, emotion of the advertising message and emotion of the advertising environment) are used and data from an experiment are analyzed. Tasks directly related to the purpose of the study were set:

- To examine how respondents perceive cars - as a colored vehicle or as a machine, with a model and characteristics capable of carrying passengers from one point to another. In this way, to determine the respondent's interest in the automotive industry.
- To survey respondents' associations with Mitsubishi cars.
- To investigate whether there is a relationship between the perception of cars and brand associations.
- To investigate whether the contextual link between advertising content and the content of the advertising environment influences brand associations.

Hypotheses:

- H1: The relationship between advertising and the medium in which it is distributed helps to reinforce positive brand associations.
- H2: Preferred video game genres influence the formation of positive brand associations.

## 5. Results

The first step in analyzing the results of the survey is to form groups of respondents based on how they would describe the car. This division will highlight respondents who are interested in cars and have knowledge of them and those who are not interested. This is important for the following analysis because brand associations are the product of consumer tastes, which in turn are partly shaped by the overall perception of the world. Through the question "How would you describe this car to a friend / girlfriend?", the respondents indicated their interest in cars by the definitions given by them. The author's thesis is that those more familiar with the automotive industry would say "Mitsubishi, Lancer and Sedan," while everyone else would use the more general definitions, like "White, Expensive and Big". The division of respondents is done by filtering the answers to this question and placing them in two groups:

- "Interested" - those who have indicated two or three of the functional answers;
- "Disinterested" - those who have indicated zero or one of the functional answers

When analyzing the results of the question "In your opinion, which of the following words best describes the car shown in the ad slot?", Four associations stand out:

- Expensive: 66% of the respondents;
- Quick: 82% of respondents;
- Sports: 46% of the respondents;
- Aggressive: 69% of the respondents;

*Table 1. Distribution by brand associations and groups*

| Group                |                   | Expensive |            | Quick    |            | Sport    |            | Aggressive |            |
|----------------------|-------------------|-----------|------------|----------|------------|----------|------------|------------|------------|
| Control group        | Interested – 8    | 6         | 60%        | 5        | 50%        | 1        | 10%        | 6          | 60%        |
|                      | Disinterested – 2 | 2         | 20%        | 2        | 20%        | 2        | 20%        | 2          | 20%        |
|                      | <b>Total</b>      | <b>8</b>  | <b>80%</b> | <b>7</b> | <b>70%</b> | <b>3</b> | <b>30%</b> | <b>8</b>   | <b>80%</b> |
| Experimental group 1 | Interested – 2    | 2         | 20%        | 2        | 20%        | 2        | 20%        | 2          | 20%        |
|                      | Disinterested – 8 | 6         | 60%        | 7        | 70%        | 5        | 50%        | 4          | 40%        |
|                      | <b>Total</b>      | <b>8</b>  | <b>80%</b> | <b>9</b> | <b>90%</b> | <b>7</b> | <b>70%</b> | <b>6</b>   | <b>60%</b> |
| Experimental group 2 | Interested – 3    | 0         | 0%         | 3        | 30%        | 1        | 10%        | 2          | 20%        |
|                      | Disinterested – 7 | 3         | 30%        | 5        | 50%        | 3        | 30%        | 5          | 50%        |
|                      | <b>Total</b>      | <b>3</b>  | <b>30%</b> | <b>8</b> | <b>80%</b> | <b>4</b> | <b>40%</b> | <b>7</b>   | <b>70%</b> |

Source: Author

The four associations correspond, in part or in full, to the content of the advertising message and the environment in which it is distributed. In order to properly evaluate the impact of the advertising environment on brand associations, it is necessary to look at the results by groups and subgroups. The primary division is by which video they viewed, and the subsequent segmentation is based on the first question in the survey cards - their interest in the automotive industry. In the first association ("Expensive") there is a coincidence of the number of respondents in CG [Control Group] and EG1 [Experimental Group] who stated that this word describes the promoted car - 80%. In contrast, only 30% of EG2 indicated this answer. This difference can be explained by the contextual differences between the promotional videos shown to the different groups. In the first two we have a race and a sports car, which suggest that they have higher prices than conventional models. Also, in the video shown on EG2, no elements can be found that stimulate the creation and highlighting of the Expensive Association. The Quick Association - 70% of the control group indicated that this word describes the vehicle from the ad slot, 90% of the first experimental group and 80% of the second experimental group stated the same answer. Despite the similar results, it is again possible to discover the impact of the advertising environment on brand associations. The control group and EG1 have high values, because in their advertising environments there are competitions, and the main task in one race is to determine who is faster. Therefore, the environment helps to create or highlight the Quick Association. Also, the thirty-second promotional video of Experiment Group 2 is projected into a segment in which it is quiet; there is little action and mostly introductory captions and scenery. Against this background, Mitsubishi's fast and aggressive advertising stands out and gives a strong impression of the car's speed to the respondents. There are some interesting results with the sports association. 30% of the control group indicated that this response described the advertised car, 40% of the second experimental group and 70% of the first experimental group agreed. Here again the results can be explained by the content of the advertising environment. The duration of the control group clip is one minute and forty-one seconds. The snippet began at thirty seconds and has the same duration. In this one-minute clip, cars are introduced in the video - sporty but static. The race starts in the last twenty seconds, so respondents have only 20 seconds to create a sports association environment. The connection with this association is also hampered by the fact that the promotional video is not shown in the competition section. Unlike the control

video in Experiment Group 1, the race begins as early as the seventh second. The Aggressive Association is named by 80% of the control group, 60% by EG1 and 70% by EG2. In the results of the CG, there is again an overlay of close ways of expressing emotion (aggression, through competition). EG1 scores are lower because the racing element in the middle is more difficult to highlight because the context of the video is a competition with an aircraft that is not constantly above / to the player. The results of EG2 are also high, which can be explained by the quiet segment in which the advertisement is designed and the subsequent explicit form of aggression.

From the data presented in this question it is possible to draw the following conclusions:

- The advertising environment influences brand associations by the pace of the actions that take place in it. The difference in pace between the background (advertising environment) and the promotional content can have both a favorable and a negative impact on the perception of some of the attributes of the advertised product;

- The advertising environment influences brand associations when there is a contextual link between the content of the environment and advertising;

- The advertising environment influences brand associations when the expression of the general emotion in the background corresponds to the expression of the general emotion of the advertising message.

Based on the above analysis, it is possible to confirm Hypothesis 1 (The relationship between advertising and the medium in which it is distributed helps to validate positive brand associations.)

Hypothesis 2: Preferred video game genres influence the formation of positive brand associations.

The third hypothesis is tested by comparing the results of the following three questions:

- "In your opinion, which of the following words best describes the car shown in the ad slot?"

- "If yes - what genres (video games)?"

- "Do you have a favorite genre (video games)?"

The data shows that in all three groups the favorite genre of games is MMORPG. Only in Experiment Group 1 is there a reference to the racing genre as a favorite. However, positive brand associations were formed in each of the three groups: Expensive - 63%, Quick - 80%, Sport - 46.60%, Aggressive - 70%. Therefore, there is no reason to argue that respondents' preferences for the video game genre are related to the formation of positive brand associations. H2 is therefore rejected.

## Conclusion

Like radio until the mid-1950s, television lost its primary role as a source of information and entertainment. The informational role also provides viewers, and their number is the basis of advertising revenue. The segmentation of society, the need for personalized information and entertainment, and the desire for it to happen, are pushing television to change to meet these demands. Despite different approaches to this change, television has a static form of entertainment, i.e. pre-prepared and filmed productions of a format and content that will appeal to as many people as possible. This is where the benefits of video games stand out as a form of entertainment. They provide personalized content at a time specified by the user and in the format, they want, i.e. from viewers, people become actors. This freedom of action and pre-segmentation makes video games an extremely good communication channel with high efficiency if the communication process is designed properly. The results of the study show that the relationship between the content of the game and the ads in it can have a positive effect on brand associations. The gaming industry is an extremely powerful engine for technological

development. This industry is pushing for areas such as cryptocurrencies and artificial intelligence for various purposes - from simulating human behavior to training it to produce different digital products. Marketing science will be another area that will be influenced by the rapid development of this entertainment industry by providing the opportunity to design the most interactive communication channel to date.

## References

- AEKER, D., 1991. *Managing brand equity..* s.l.:New York: FreePress.
- althos.com, 2010. *Overlay Ads.* [Online] Available at: <http://www.althos.com/tutorial/TV-advertising-tutorial-overlay-ads.html> [Accessed 22 April 2020].
- CAROLLO, A., 2019. *What is In-Game Advertising? - Definition & Examples,* s.l.: study.com.
- CHEN, A. -. H., 2001. Using free association to examine the relationship between the characteristics of brand associations and brand equity. *Journal of Product & Brand Management*, pp. 439 - 451.
- JUNEJA, P., 2015. *Brand Positioning - Definition and Concept.* [Online] Available at: <https://www.managementstudyguide.com/brand-positioning.htm> [Accessed 22 April 2020].
- KELLER, K., 1993. Conceptualizing, Measuring, and Managing Customer-Based Brand Equity. *Journal of Marketing*, 57(1), pp. 1 - 22.
- KIM, J. & YOON, H. J., 2013. Association Ambiguity in Brand Extension. *Journal of Advertising*, Volume 42, pp. 358 - 370.
- KOTLER, P. & KELLER, K. L., 2015. *Marketing Management - Global Edition.* 15 ed. s.l.:Pearson.
- KUNKEL, T., DANIELS, J. & KARG, A., 2019. New Brands: Contextual Differences and Development of Brand Associations Over Time. *Journal of Sport Management*, Volume 33, pp. 133 - 147.
- KUNKEL, T., FUNK, D. & HILL, B., 2013. Brand architecture, drivers of consumer involvement, and brand loyalty with professional sport leagues and teams. *Journal of Sport Management*, pp. 177 - 192.
- MAGO, Z. & KNAPCOVA, J., 2015. IN-GAME ADVERTISING WITHIN ALAN WAKE AND ITS PERCEPTION. *Marketing Identity*, pp. 491 - 502.
- OSATHANUNKUL, C., 2016. A classification of business models in video game industry. *International Journal of Management Cases*, pp. 35 - 42.
- RAPIDFIRE, 2019. *Advergaming.* [Online] Available at: <https://www.rapidfire.com/portfolio/advergaming/> [Accessed 22 April 2020].
- RAPIDFIRE, 2019. *Dynamic In-Game Advertising (DIGA)..* [Online] Available at: <https://www.rapidfire.com/portfolio/dynamic-in-game-advertising/> [Accessed 23 April 2020].
- RAPIDFIRE, 2019. *Static In-Game Advertising (SIGA)..* [Online] Available at: <https://www.rapidfire.com/portfolio/static-in-game-advertising/> [Accessed 23 April 2020].
- ROHIT, D. & PANDA, R., 2018. Cause-Brand Association. *Journal of Management Research*, 18(1), pp. 13 - 26.
- SCHNOTZ, W., 2017. *What Is Overlay Advertising?*, s.l.: A-Z Central.
- STANIMIROV, E., ZHECHEV, V., PAVLOVA, D. & PALAMAROVA, P., 2018. *Brand management.* 1 ed. Varna: Science and economy.

## **Evolution of Integrated Marketing Communication Research through Latent Dirichlet Allocation (LDA) Analysis**

**Alina POPA**

The Bucharest University of Economic Studies  
dragomir.alina.alexei@gmail.com

**Raluca-Ecaterina BRANDABUR**

The Bucharest University of Economic Studies  
raluca.brandabur@mk.ase.ro

### **Abstract**

Integrated Marketing Communication (IMC) is an area that emerged as a shift in the way MarCom departments were functioning at the beginning of 90's. For the last 30 years, the concept evolved from being a tactical set of actions to a customer-focused strategy. Despite the great interest in the field and empirical studies that showed the great impact of implementing the concept in organisations, there are no studies that would have extracted the tendencies in the whole field of IMC development of the last decade. The purpose of this study is to investigate the general research trends with an emphasis on what topics were mostly in focus, which ones were diminished in order to understand the life cycle of the IMC theory and practice. This study analysed the distribution of topics in each of the research papers from the IMC area published in the last 10 years using Latent Dirichlet allocation (LDA), an unsupervised topic modelling approach that extracts topics from a collection of documents. The results were then compared against other content analysis studies from the previous decade. Education in the IMC area, measurement and performance were found to be the topics of the greatest interest and growth. This denotes the transition of the domain from building the unanimously accepted theoretical basis to the practical part of the concept like efficient implementation, measurement and monitoring of the performance. This study answers the question regarding IMC development stage placing it into maturity and identifies a slight decline in the overall efforts in the area. Also, the paper enables researchers with an example methodology on how to use a machine learning approach for efficient, unbiased and replicable content analysis. Further studies are needed to understand how the topics in the IMC area evolved over time and how they relate to topics in related fields.

**Keywords:** Integrated Marketing Communication (IMC), Latent Dirichlet Allocation (LDA), Topic Modelling.

**JEL classification:** M31.

### **1. Introduction**

The development of the Integrated Marketing Communication (IMC) in the way it is now understood is largely due to the fact that towards the end of 1980s, the Department of Advertising, Direct Marketing and Public Relations of the Northwestern University changed its name into the Department of Integrated Communication (Schultz et al., 2014). This meant that the two practices (Advertising and PR) were merged together under the same concept. First definition of IMC was the result of an extended study (Schultz et al., 1993) realised by scholars from same university together with American Association of Advertising Agencies (AAAA). Out of this study, Schultz and his colleagues emphasise the fact that the communication message should be heard and understood correctly. This initial IMC abstraction through message consistency passed a series of development stages and evolved to include a myriad of new elements.

A series of authors made the attempt to create an overview of the researched subjects and used methodologies of IMC (Kliatchko, 2008; Schultz et al. 2014; Seric, 2015). In his article, Kliatchko (2008) reviewed the work on the domain from 1990 to 2006. Author extracts nine major categories of study and positions them chronologically (see Table 1).

**Table 1. IMC Research Topics during 1990-2006**

| <b>Researched Topic/ Period</b>              | <b>1990-1994</b> | <b>1995-1999</b> | <b>2000- 2006</b> |
|----------------------------------------------|------------------|------------------|-------------------|
| Concept Definition                           |                  |                  |                   |
| Practice of IMC                              |                  |                  |                   |
| IMC, PR and other controversies              |                  |                  |                   |
| Global IMC                                   |                  |                  |                   |
| IMC and managerial/organisational issues     |                  |                  |                   |
| Measurement and performance auditing         |                  |                  |                   |
| IMC and brand related issues                 |                  |                  |                   |
| Planning and interactivity of IMC used media |                  |                  |                   |
| IMC and internal marketing                   |                  |                  |                   |

Source: Adaptation after table 1 from Kliatchko, J. (2008). Revisiting the IMC construct: A revised definition and four pillars. *International Journal of Advertising*, 27(1), 133-160, p.139.

In 2014, Schultz et al. come with an addition for the 2000-2009 period. The authors analyse a total of 44 scientific publications for the period in focus from 7 specialized journals. Results of the study are presented in Table 2.

**Table 2. Number of articles according to the research field during 2003-2009**

| <b>Research Field</b> | <b># Articles</b> | <b>Percentage</b> |
|-----------------------|-------------------|-------------------|
| IMC definition        | 12                | 27%               |
| IMC perception        | 9                 | 20%               |
| Brand related aspects | 7                 | 16%               |
| Measurement           | 4                 | 9%                |
| Interactiveness       | 3                 | 7%                |
| Media                 | 3                 | 7%                |
| Performance           | 2                 | 5%                |
| Education             | 2                 | 5%                |
| Organisation          | 1                 | 2%                |
| Legal considerations  | 1                 | 2%                |
| <b>Total:</b>         | <b>44</b>         | <b>100%</b>       |

Source: Adaptation after table 23.5 from Schultz D.E., Ilchul K., Kyoungsoo K. (2014), "Integrated Marketing Communication Research Its Limited Past and Huge Potential", *The Handbook of International Advertising Research*

In the same study, the author imparts the 30 years of IMC research practice up to 2009 into three phases:

- 1) *Conceptualization* (1993-1997) characterized by works in the direction of concept identification and definition (Schultz et al., 1993; Caywood et al., 1991; Duncan and Everett, 1993; Nowak and Phelps, 1994; MacArthur and Griffin, 1997; Gould et al., 1999;)
- 2) *Diversification* (1998-2002) concentrated on the extension of the basic concepts of IMC. The researched topics include elements related to organizational and implementation aspects as well as cross-countries and global studies (Pickton and Hartley, 1998; APQC, 1998; Kitchen and Schultz, 1999; Eagle et al., 1999; Stuart and Kerr, 1999; Kallmeyer and Abratt, 2001; Reid et al., 2001).
- 3) *Consolidation* (2003-2009) characterized by the efforts of putting together and aligning all of the developed approaches, methodologies, best practices and performance measurement (Peltier et al., 2003; Reid, 2003, 2005; Madhavaram et al, 2005; Peltier et al., 2006; Eagle et al., 2007; Lee and Park, 2007)

The last content analysis of IMC publications (Seric, 2015) is focused on empirical studies. While the content is essential, it doesn't give an overview of the overall trend and current IMC phase.

This paper tries to address this gap by investigating the published articles on IMC, extracting individual subjects' trends. The purpose of this study is to answer: 1) what are the *general trends* in IMC research and how do they compare with the previous period 2) what

*topics* were mostly in spotlight, and which one diminished. This will help understand the life cycle of the IMC theory and practice and identify the current development stage.

## 2. Methodology and data

All three studies (Kliatchko, 2008; Schultz et al., 2009; Seric, 2015) used a traditional systematization approach of the literature through content analysis. The manipulation and structuring of large collections of specialized papers on topics was done using coding sheets (Seric, 2015). However, human processing in the shape of coding practice may be substituted by computer processing for a series of reasons like reliability (King and Lowe, 2003), objectivity (Mo et al., 2015), time efficiency and possibility of applying it in the areas with little or no prior knowledge (Kevin et al., 2010). Also, one of the exciting things about text models is that they can distinguish effectively between competing meanings of the same term (DiMaggio et al., 2013).

### 2.1. Topic Modelling

Topic modelling has proven to be an effective tool for exploratory analysis of a large number of papers in a reliable, fast and reproducible way (Asmussen and Moller, 2019). From a technical perspective, topic modelling refers to a group of unsupervised machine learning algorithms that infer the latent structure behind a collection of documents. This means that there is no prior knowledge about topics included in an article and the method cannot leverage information about correct answers. The intuition behind topic models is that each article consists of a series of topics. A topic then refers to a collection of words or terms specific to it.

Some examples of modelling approaches are: Latent Semantic Analysis (LSA) (Deerwester et al., 1988), Probabilistic Latent Semantic Indexing (pLSI) (Hoffman, 1999), Latent Dirichlet Allocation (LDA) (Blei et al., 2003), Hierarchical Topic Modelling (hLDA) (Griffiths et al., 2003), Supervised Topic Modelling (sLDA) (Mcauliffe and Blei, 2007). For the current study the LDA modelling approach was selected, because it is by far the most popular, simple to understand and implement (Blei et al., 2003).

### 2.2. Notation and terminology

Before specifying the mathematical model associated with the topic approach, we define the following terms:

- A *word*  $w$  is the basic unit of text data. A word is an element of a vocabulary and is represented as a one-hot encoded vector of length of vocabulary. This means that the vector will have a value of 1 at word's position and 0 elsewhere. As an example, imagine having the vocabulary consisting of words {marketing, communication, efficiency, promotions}, the word "communication" is then codified as [0,1,0,0].
- A *document*  $d$  represents a sequence of  $N$  words noted by  $d = (w_1, w_2, w_3, \dots, w_N)$ .
- A *corpus* is a collection of  $M$  documents noted by  $D = \{d_1, d_2, d_3, \dots, d_M\}$ , where  $d_m$  is the  $m$ -th document in the collection.

### 2.3. Latent Dirichlet Allocation Method

The LDA model is a probabilistic generative method that extracts topics from a collection of papers. The LDA model assumes that a document contains a number of topics, so it is a probability distribution over topics. Each topic is defined as a probability distribution over words of a vocabulary. The method analyses the words in each paper and calculates the joint probability distribution between the observed elements (the words in the paper) and the unobserved ones (the hidden structure of the topics in the paper).

The *generative process* is described as follows (Blei, 2012):

- Primary *assumptions*:
  - There is a number of  $K$  topics in the documents collection
  - For each of the  $k \in K$  topic, there is a distribution over words,  $\beta_k \sim \text{Dir}(\eta)$
- *Document generation* process:
  - For each document  $d = 1, \dots, M$ , that is generated, is drawn a topic distribution that will be present in the document,  $\theta_m \sim \text{Dir}(\alpha)$ .
    - Based on this topic distribution, a topic is being randomly chosen  $z_{m,n} \sim \text{Multinomial}(\theta_m)$
    - Based on the word distribution related to the chosen topic, a word is chosen randomly from the corresponding distribution over the vocabulary  $w_{m,n} \sim \text{Multinomial}(\beta_k / k = z_{m,n})$
    - Previous two steps are iterated until the whole generation of the document is completed.

Thus, the main feature of LDA is the assumption that all documents in the collection have the same set of topics, but each document contains those topics in different proportions, from 0 to 1. In reality, we can only observe the words in a document, and we do not know the distributions that formed the basis of its generation ( $K$ ,  $\theta_m$ ,  $\beta_k$ ). Topics themselves, topics and words distributions are hidden variables. However, what is important to note is that the LDA process defines a joint probability distribution on both hidden variables (topics in a document) and observed variables (words in the document) as shown in figure 1. This joint distribution is used to deduce the hidden variables given the observed variables.

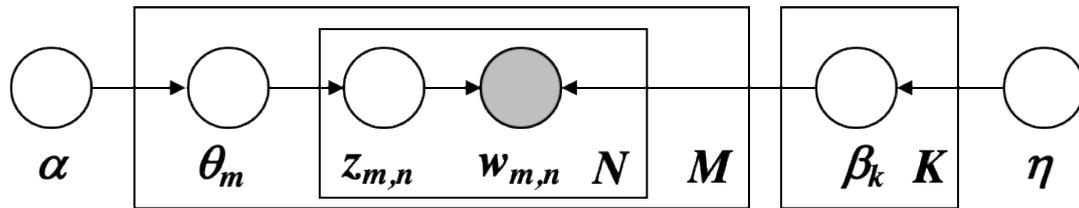


Figure 1. LDA Plate model notation

Source: Adaptation after figure 4 from Blei M. David. (2012), "Probabilistic Topic Models" Communications of the ACM, Vol. 55 Nr. 4, p. 81

Being a problem from the Bayesian paradigm, it is needed to compute the conditional distribution of the topic structure given the observed documents, or the so-called *posterior* distribution (Blei, 2012) by the help of the joint distribution of all the random variables (numerator) and evidence from data (denominator):

$$p(\beta, \theta, Z | w) = \frac{p(\beta, \theta, Z, w)}{p(w)} \quad (\text{formula 1})$$

As mentioned, in order to deduce the parameters of hidden variables, it is necessary to make use of the joint probability distribution of hidden and observed variables:

$$p(\beta, \theta, Z, w) = \prod_{k=1}^K p(\beta_k) \prod_{m=1}^M p(\theta_m) \prod_{n=1}^N p(Z_{m,n} | \theta_m) p(w_{m,n} | \beta_k = Z_{m,n}) \quad (\text{formula 2})$$

Same time, as it is computationally impossible to get the evidence (Blei, 2012), there is no way to directly calculate the posterior from *formula 1*. Modern probabilistic modelling research developed efficient methods to approximate it. Particularly for LDA, there are 1) sampling-based algorithms like Gibbs Sampling (Griffits, 2004), 2) deterministic variational methods (Blei, 2003; Hoffman and Blei, 2010) and 3) hybrid ones (Teh et al., 2007) to be used in the inference. For the present study, the Hoffman and Blei approach will be used through *gensim* package in python programming language.

## 2.4. Data used

For the present study, a database of articles published between 2010 and 2019 was created. It comprises a number of 33 articles from 10 journals. The list of articles can be found in *Annex 1*.

## 2.5. Study Design

The framework used follows next steps: 1) Database creation 2) Documents cleaning 3) Text standardization 4) Document-Term Matrix creation 5) TF-IDF Matrix transformation 6) LDA and number of topics validation 7) Topic interpretation and overview.

*Database creation:* In the first step of creating the database, the articles are extracted in electronic format and their abstracts and titles are parsed. By parsing, it is identified the structure of the input text and brought up into a suitable form for further processing.

*Documents cleaning:* Next, the text was cleaned by removing punctuation and turning it into lowercase letters. This is necessary in order to be able to extract unique terms in a later step, because the computer does not consider equivalent the words "marketing" and "Marketing". In this step the commonly used words like "on, in, of, at etc." are deleted as they are not carrying any informational value for our task.

*Text standardization:* In order to obtain uniqueness of terms, words must be brought to their original form (e.g. nominative for nouns and infinitive for verbs). This can be done by two methods: stemming and lemmatization. Stemming eliminates the suffixes that appear after the word inflection and bring words to the same stem (root) even if the root is not a valid word itself. On the other hand, the approach lemmatization is taking is to reduce the inflected words in a proper way by bringing them to their canonical or dictionary form. For these tasks are used programming packages with embedded language models.

*Document-Term Matrix creation:* After obtaining the unique roots, a common dictionary is created for all the documents. In our case, it was obtained a dictionary of 990 relevant terms. Using this dictionary, we compute the document-term matrix (DTM). DTM is a mathematical  $M \times N$  sized (M documents and N words in the dictionary) matrix that describes the frequency of terms in a collection of documents. Values of the matrix are just absolute, relative or logarithmic frequencies of the term within each document, denoted with  $tf$  and calculated with:

$$tf_{w_n, d_m} = \begin{cases} \log(1 + f_{w_n, d_m}), & \text{if } f_{w_n, d_m} > 0 \\ 0, & \text{else} \end{cases}, \quad (\text{formula 3})$$

where  $f_{w_n, d_m}$  is the number of occurrences of the term  $w_n$  in document  $d_m$ , so that we have one  $tf$  value for each document-term pair.

In short, the  $tf$  frequency represents how popular a word is in a given document. In general, the higher the frequency, the higher probability the word is more representative for that specific document. The exception are the general terms that are used everywhere, in all documents. Some examples are language specific words (e.g. "and", "or" etc). These would always get a high rank (high  $tf$  values) in all the documents without providing much useful insights about content.

*TF-IDF Matrix transformation:* As a result, by itself, the  $tf$  metric does not capture the most relevant words for a specific document. In order to downrank the common terms a second concept is needed: the inverse document frequency  $idf$ . The inverse frequency measures how popular or unique a term is across documents. It's computed as the inverse fraction of the documents that contain the word:

$$idf_{w_n, D} = \log \frac{M}{df_{w_n}} \quad (\text{formula 4})$$

where  $D$  is the document corpus,  $M$  is the number of documents in  $D$  and  $df_{w_n}$  is the number of documents containing term  $w_n$ . The two components  $tf$  and  $idf$  are combined to create the  $tf-idf$  score:

$$tf.idf(w_n, d_m, D) = tf_{w_n, d_m} * idf_{w_n, D} \quad (\text{formula 5})$$

The  $tf$  value will rank higher the terms occurring often in a document, while  $idf$  will downrank the common terms. As a result,  $tf-idf$  will have higher values for terms that are very specific to a given document.

*LDA and number of topics validation:* In this step, *gensim* package for *python* is used to estimate LDA model parameters defined by the joint probability from *formula 2* using the  $tf-idf$  transformed DTM. The main question here is the number of topics,  $K$  that should be extracted from data. There are a couple of strategies on how to choose this number: 1) prior domain knowledge (Blei, 2003) 2) topic coherence measure (Newman et al., 2010; Mimno et al., 2011) and 3) manual evaluation by specialists.

Following the results of previous studies, Kliatchko (2008) and Schultz et al. (2014), it is chosen to run the model by setting  $K$  to  $\{9, 10\}$ , as well as values close to them and then evaluate topic coherence. This strategy is a hybrid between previous knowledge in the field and usage of specialized measures. In essence, a topic coherence measure is an indicator of how consistent and consolidated topics are inside. Ideally, words are connected to each other through a word chain (e.g.  $w_1, w_2, w_1, w_4$ ), so that the word distributions in a topic make sense. In this work, the Mimno et al. (2011) *UMass* intrinsic coherence measure is used:

$$C_{UMass}(k, V^{(k)}) = \sum_{n=2}^N \sum_{l=1}^{n-1} \log \frac{df(w_n^k, w_l^k) + 1}{df(w_l^k)}, \quad (\text{formula 6})$$

where  $V^{(k)}$  is the vocabulary given by LDA and related to  $k$ th topic,  $df(w_l^k)$  is the number of documents in which  $w_l$  is present and  $df(w_n^k, w_l^k)$  is the number of documents that have both terms  $w_l$  and  $w_n$ . An individual coherence is calculated for each topic and then an average is taken to represent the overall coherence for each of the  $K$  number of topics used. The overall coherence for each of the  $K$  values from 7 to 12 is shown in figure 2.

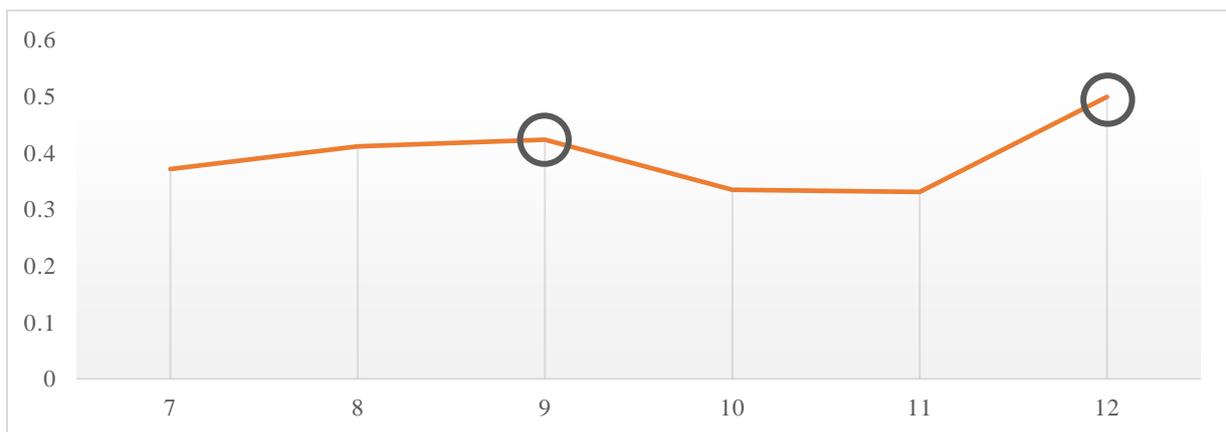


Figure 2. LDA output overall coherence by number of topics

Models with highest coherence ( $K = 9$ ,  $K = 12$ ) were manually checked in terms of topic assignment and topics' words distributions. It was concluded that the  $K=9$  model is more appropriate to be used because it doesn't show topic duplications as the  $K=12$  one. The output of the LDA ( $K = 9$ ) model was interpreted and topics were annotated.

Thus, we extracted the following topics and their keywords:

1. *Perception*: advertising, agency, perception, public relations.
2. *Media*: switching, television, online, consumer, campaign.

3. *Education*: university, journal, manager, program.
4. *Implementation*: implementation, model, implication, development, practitioner.
5. *Performance*: performance, capability, effectiveness, financial, measure.
6. *Organizational*: officer, chief, phase, economy.
7. *Measure*: measure, panel, integration, valuator, diagnosis.
8. *Definition*: brand, review, framework, value, context.
9. *Interactivity*: medium, agency, interactivity, collaboration.

These topics are similar to those found in Schultz et al. (2014) research with exception of legal aspects field.

### 3. Findings

*General trends.* According to Schultz et al. (2014) study, during 1993-1997 an average of one article is published per year, between 1998-2002 the number increased to 3 research articles and between 2003-2009 to more than 6 articles. By contrast, during the period 2010-2019 it is observed an average of 3 articles published annually, which represents a decline in the research efforts of the IMC field. The journal with the largest coverage is the Journal of Marketing Communications with 10 publications.

*Research topics* results were summarised (table 3) and compared with previous Schultz et al. research.

**Table 3. Number of papers according to topics and publication period**

| Research Topics                | 2003-2009        |             | 2010-2019        |              | Percentage Change (B/A) |
|--------------------------------|------------------|-------------|------------------|--------------|-------------------------|
|                                | Number of papers | % (A)       | Number of papers | % (B)        |                         |
| <i>Definition</i>              | 12               | 27%         | 3                | 9%           | 0.30                    |
| <i>Education</i>               | 2                | 5%          | 7                | 21%          | 4.56                    |
| <i>Implementation</i>          | 7                | 16%         | 6                | 18%          | 1.12                    |
| <i>Interactiveness</i>         | 3                | 7%          | 3                | 9%           | 1.30                    |
| <i>Measurement</i>             | 4                | 9%          | 5                | 15%          | 1.63                    |
| <i>Media</i>                   | 3                | 7%          | 3                | 9%           | 1.30                    |
| <i>Organization/Management</i> | 1                | 2%          | 1                | 3%           | 1.30                    |
| <i>Perception</i>              | 9                | 20%         | 2                | 6%           | 0.30                    |
| <i>Performance</i>             | 2                | 5%          | 3                | 9%           | 1.95                    |
| <i>Legal</i>                   | 1                | 2%          | 0                | 0            | -                       |
| <b>Total papers:</b>           | <b>44</b>        | <b>100%</b> | <b>33</b>        | <b>~100%</b> |                         |

Source: Adaptation after table 23.5 from Schultz D.E., Ilchul K., Kyoungsoo K. (2014), "Integrated Marketing Communication Research Its Limited Past and Huge Potential", The Handbook of International Advertising Research

By looking at the topic modelling results one can grasp a better understanding of the general trends in the IMC domain. Table 3 shows a time-based comparison of the article relative frequencies by research field. The first-time interval, 2003-3009, represents results from Schultz's study while the second one, 2010-2019 consists of more recent studies. The main research areas in recent years (2010-2019) are around IMC education (21%), IMC implementation (18%) and IMC result interpretation (15%). By comparing the values in the two columns, IMC education increased 3.5 times while IMC performance and result analysis increased 1.5 times.

On the other side, some areas are declining. ICM definition went from 27% to 9% while ICM perception dropped from 20% to 6%. One possible explanation is that IMC, as a concept, is maturing out of a "defining" phase towards a more "concept implementation and results" one. Kliatchko (2009) mentions that up until 2009, IMC efforts were put in building a strong foundation theory, to define the fundamentals of the concept.

Currently, a strong core foundation theory of IMC exists, and the focus is on the practical applications of the concept, on efficient implementation, monitoring, extraction of results and insights. IMC is clearly in its maturity phase with an emphasis on educating practitioners in using the concept.

### Conclusions

Extracted IMC trends show an overall pattern towards diminishing efforts in the area. Same time, research topics that experienced a growth like efficient implementation, measurement of the results and monitoring of the performance denote the fact that at this point, IMC is back to the tactical questions of integration. Although IMC is focusing now on the educational aspect that will ensure a significant concept usage, and the area shows signs of maturity, its decline is a question of agility of integrating new technologies. In order to make IMC paradigm feasible, it should be aligned to the AI trend that is taking over all areas.

Having this in mind, in this paper, a novel approach of extracting trends in a specific research domain was presented. The used study framework was based upon the application of the Latent Dirichlet Allocation topic modelling approach. Topic modelling and text mining is an exciting machine learning field which advantages can be leveraged in order to analyse research papers in an efficient, reliable and low-cost manner. The obtained results show high consistency with the previously human conducted content analysis.

### References

- ASMUSSEN, C. B., & MØLLER, C. (2019). Smart literature review: a practical topic modelling approach to exploratory literature review. *Journal of Big Data*, 6(1), 93.
- BLEI, D. M. (2012). Probabilistic topic models. *Communications of the ACM*, 55(4), 77-84.
- BLEI, D. M., NG, A. Y., & JORDAN, M. I. (2003). Latent dirichlet allocation. *Journal of machine Learning research*, 3(Jan), 993-1022.
- DEERWESTER, S., DUMAIS, S., LANDAUER, T., FURNAS, G., & BECK, L. (1988, January). Improving information-retrieval with latent semantic indexing. In *Proceedings of the ASIS annual meeting (Vol. 25, pp. 36-40)*. 143 OLD MARLTON PIKE, MEDFORD, NJ 08055-8750: INFORMATION TODAY INC.
- DIMAGGIO, P., NAG, M., & BLEI, D. (2013). Exploiting affinities between topic modeling and the sociological perspective on culture: Application to newspaper coverage of US government arts funding. *Poetics*, 41(6), 570-606.
- GRIFFITHS, T. L., & STEYVERS, M. (2004). Finding scientific topics. *Proceedings of the National academy of Sciences*, 101(suppl 1), 5228-5235.
- GRIFFITHS, T. L., JORDAN, M. I., TENENBAUM, J. B., & BLEI, D. M. (2004). Hierarchical topic models and the nested chinese restaurant process. In *Advances in neural information processing systems (pp. 17-24)*.
- HOFFMAN, M., BACH, F. R., & BLEI, D. M. (2010). Online learning for latent dirichlet allocation. In *advances in neural information processing systems (pp. 856-864)*.
- HOFMANN, T. (1999, August). Probabilistic latent semantic indexing. In *Proceedings of the 22nd annual international ACM SIGIR conference on Research and development in information retrieval (pp. 50-57)*.
- KING, G., & LOWE, W. (2003). An automated information extraction tool for international conflict data with performance as good as human coders: A rare events evaluation design. *International Organization*, 617-642.
- KLIATCHKO, J. (2008). Revisiting the IMC construct: A revised definition and four pillars. *International Journal of Advertising*, 27(1), 133-160.

- MAJA ŠERIC (2016): Content analysis of the empirical research on IMC from 2000 to 2015, *Journal of Marketing Communications*, DOI: 10.1080/13527266.2016.1184708
- MANNING, C., & SCHUTZE, H. (1999). *Foundations of statistical natural language processing*. MIT press.
- MCAULIFFE, J. D., & BLEI, D. M. (2008). Supervised topic models. In *Advances in neural information processing systems* (pp. 121-128).
- MIMNO, D., WALLACH, H., TALLEY, E., LEENDERS, M., & MCCALLUM, A. (2011, July). Optimizing semantic coherence in topic models. In *Proceedings of the 2011 Conference on Empirical Methods in Natural Language Processing* (pp. 262-272).
- MO, Y., KONTONATSIOS, G., & ANANIADOU, S. (2015). Supporting systematic reviews using LDA-based document representations. *Systematic reviews*, 4(1), 172.
- NEWMAN, D., LAU, J. H., GRIESER, K., & BALDWIN, T. (2010, June). Automatic evaluation of topic coherence. In *Human language technologies: The 2010 annual conference of the North American chapter of the association for computational linguistics* (pp. 100-108).
- QUINN, K. M., MONROE, B. L., COLARESI, M., CRESPIAN, M. H., & RADEV, D. R. (2010). How to analyze political attention with minimal assumptions and costs. *American Journal of Political Science*, 54(1), 209-228.
- SCHULTZ DON, E., TANNENBAUM STANLEY, I., & LAUTERBORN ROBERT, F. (1993). *Integrated Marketing Communications*. Lincolnwood, Ill: NTC Business Books.
- SCHULTZ, D. E., KIM, I., & KANG, K. (2014). Integrated marketing communication research. *The handbook of international advertising research*, 455-483.
- SCHULTZ, D. E., TANNENBAUM, S. I., & LAUTERBORN, R. F. (1993). *Marketing Integrated Communications: Putting It Together & Making It Work*.

**Annex 1:** *List of articles used in the study*

| <i>Title</i>                                                                                                                                     | <i>Year</i> | <i>Journal</i> | <i>First Author</i>   |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------|-----------------------|
| <i>Integrated Marketing Communications (IMC): Why Does It Fail?</i>                                                                              | 2015        | JAR            | Mart Ots              |
| <i>Is the Multi-Platform Whole More Powerful Than Its Separate Parts?, Measuring the Sales Effects of Cross-Media Advertising</i>                | 2013        | JAR            | Jennifer Taylor       |
| <i>From Silos to Synergy<br/>A Fifty-year Review of Cross-media Research Shows Synergy Has Yet to Achieve its Full Potential</i>                 | 2011        | JAR            | Henry Assael          |
| <i>Do adhocracy and market cultures facilitate firm-wide integrated marketing communication (IMC)?</i>                                           | 2015        | IJA            | Lucia Porcu           |
| <i>Discovering prominent themes in integrated marketing communication research from 1991 to 2012: a co-word analytic approach</i>                | 2014        | IJA            | Francisco Muñoz-Leiva |
| <i>Integrated Marketing Communication Capability and Brand Performance</i>                                                                       | 2014        | JA             | Sandra Luxton         |
| <i>Twenty years of IMC<br/>A study of CEO and CMO perspectives in the Asia-Pacific region</i>                                                    | 2015        | IJA            | Kliatchko J.          |
| <i>IMC – an integrative review</i>                                                                                                               | 2014        | IJA            | Wondwesen Tafesse     |
| <i>IMC in an emerging economy: the Chinese perspective</i>                                                                                       | 2016        | IJA            | Schultz D.E.          |
| <i>IMC in digitally-empowering contexts: the emerging role of negotiated brands</i>                                                              | 2018        | IJA            | Agostino Vollero      |
| <i>Integrated marketing communications: How can we measure its effectiveness?</i>                                                                | 2010        | JMC            | T. Reinold            |
| <i>Integrated marketing communications, brand equity, and business performance in micro-finance institutions: An emerging market perspective</i> | 2018        | JMC            | Peter Anabila         |
| <i>Improving integrated marketing communications practices: A comparison of objectives and results</i>                                           | 2014        | JMC            | C.H. Patti            |

|                                                                                                                                           |      |      |                         |
|-------------------------------------------------------------------------------------------------------------------------------------------|------|------|-------------------------|
| <i>Examining the link between integrated communication management and communication effectiveness in medium-sized enterprises</i>         | 2011 | JMC  | Sabine A. Einwiller     |
| <i>A study of the structural integration of the marketing and PR functions in the C-suite</i>                                             | 2014 | JMC  | Pravin Nath             |
| <i>Strategic antecedents and organisational consequences of IMC in different economy types</i>                                            | 2019 | JMC  | Vera Butkouskaya        |
| <i>Content analysis of the empirical research on IMC from 2000 to 2015</i>                                                                | 2016 | JMC  | Maja Šerić              |
| <i>Strategic IMC: From abstract concept to marketing management tool</i>                                                                  | 2012 | JMC  | Gayle Kerr              |
| <i>Partner or supplier: An examination of client/agency relationships in an IMC context</i>                                               | 2017 | JMC  | Kathleen Mortimer       |
| <i>The diversity of advertising formats and the need to revisit the empirical bases of IMC</i>                                            | 2017 | JMC  | Kitchen P.J.            |
| <i>'IMC is dead. Long live IMC': Academics' versus practitioners' views</i>                                                               | 2011 | JMM  | Sally Laurie            |
| <i>How to achieve true integration: the impact of integrated marketing communication on the client/agency relationship</i>                | 2018 | JMM  | Sally Laurie            |
| <i>Integrating social media within an integrated marketing communication decision-making framework</i>                                    | 2016 | JMM  | Michael J. Valos        |
| <i>Using Means-End Analysis to Test Integrated Marketing Communications Effects</i>                                                       | 2010 | JPM  | John M. McGrath         |
| <i>Drivers of Globally Integrated Marketing Communications: A Review of Literature and Research Propositions</i>                          | 2011 | JPM  | Mabel Zvobgo            |
| <i>An IMC Process Framework for a Communications-Based Services Marketing Model</i>                                                       | 2010 | JPM  | Jeffrey W. Von Freymann |
| <i>Same But Different—Perceptions of Integrated Marketing Communication Among Marketing Communication Partners in Australia</i>           | 2010 | JPM  | Gayle Kerr              |
| <i>The implementation of integrated marketing communication (IMC): evidence from professional football clubs in England</i>               | 2019 | JSM  | Argyro Elisavet         |
| <i>Developing an integrative model of internal and external marketing</i>                                                                 | 2013 | JSM  | Ahmed Shahriar Ferdous  |
| <i>The Next Integration: IMC and the Field of Communication</i>                                                                           | 2011 | RM   | S. Alyssa Groom         |
| <i>The impact of IMC consistency and interactivity on city reputation and consumer brand engagement: the moderating effects of gender</i> | 2018 | CIIT | Maja Šerić              |
| <i>Unlocking the Power of Integrated Marketing Communications: How Integrated Is Your IMC Program?</i>                                    | 2016 | JA   | Keller K.L.             |
| <i>Integrated Marketing Communications and Their Effects on Customer Switching Intention</i>                                              | 2016 | JRM  | Paramaporn Thaichon     |

**Note:** CIIT = Current Issues in Tourism, IJA = International Journal of Advertising, JA = Journal of Advertising, JAR = Journal of Advertising Research, JMC = Journal of Marketing Communications, JMM = Journal of Marketing Management, JPM = Journal of Promotion Management, JRM = Journal of Relationship Marketing, JSM = Journal of Strategic Marketing, RC = Review of Communication

## Young Consumers Demand Sustainable and Social Responsible Luxury

**Amadea Ruxandra AGAPIE**

West University of Timișoara, Faculty of Economics and Business Administration  
amadea.agapie@gmail.com

**Gabriela SÎRBU**

West University of Timișoara, Faculty of Economics and Business Administration  
gabriela.sirbu@profi.ro

### **Abstract**

The emerging new generations, such as generations Y and Z, are currently redefining the luxury industry. Consumer behaviours exhibited by these two are mostly influenced by the conditions they evolve in. Nowadays the online and offline mediums are coexisting in a symbiotic relationship that has a great impact on these young purchasers. Their access to information is fairly unlimited and their possibilities expand greater than the ones of any other previous generation. These aspects are making them more aware and responsive to issues such as environmental and social causes. As luxury brands are taking it upon themselves to meet the young consumers' demands, their acknowledged characteristics are also changing as the two cohorts swift in this direction. This paper is mainly concentrated on both academic and business literature review and aims to depict how the two cohorts transform corporate sustainability and responsibility policies into main traits of luxury brands. The topic is part of an ongoing study which, when completed, will be followed by empirical research that focuses on the consumer behaviour of Millennials and Digital Natives and their direct impact on luxury brands.

**Keywords:** consumer behaviour, luxury brand perception, digital age, generation Y, generation Z, sustainability, social responsibility.

**JEL classification:** M30, M31, M39, O33, Q01.

### **1. Introduction**

Nowadays society has changed and has oriented itself towards a much vaster medium, an infinite virtual space that offers consumers the possibility to inform, to be informed and further on evaluate the given information. The evolution of technology has provided several channels that facilitate the spread of messages to the mass of consumers affecting their beliefs that further on trigger their behaviour. Alongside consumers, industries and companies individually are now facing different times that are inclined towards changes that might make them drift away from their initial core values. This digital ecosystem brings several benefits that portray generations Y and Z in a much more favourable position as opposed to their predecessors. Consumers are becoming small entities that are now capable to substantially influence all industries alike, with luxury being no exception. The internet has given them a voice that past opinion leaders only dreamt of. They have the possibility and option to support their attitudes and fight for the causes they believe in, thus bringing to light events that until now may have been lurking in the shadows such as ethical and sustainability concerns.

The following represents a conceptual framework that aims to unravel and explore the request of ethics and sustainably as key features of luxury from the perspective of younger generations. Past literature has debated whether the ethics era was at a standstill, consisting mainly on consumer beliefs that do not transfer to consumer behaviour and therefore creating a behaviour gap (Carrigan and Attalla 2001). Using this as starting point, we aim to better understand through a multi-disciplinary approach, the inevitable fact that the mindset of the new generations is constantly evolving and may reshape the current luxury core values.

## **2. Latent Cornerstones of Luxury**

When comparing luxury and sustainability one may find that at some length the two concepts run counter to each other, but common ground can be still found.

In academia, no consensus has yet been reached to fully define the term luxury from a consumer perspective. Although the term's explanation can be easily found in a dictionary, it still underlays various facets that are shaped by individuals' perceptions. A common ideology emphasizes the fact that the interpretation of luxury is subject to the understanding of the consumer, somewhat similar to the concept that beauty is subjective and lies in the eyes of the beholder. Thus, consumers mould the definition according to their own vision and personal belief. Nueno and Quelch (1998) defined the luxury industry as a sector that offers high quality products. Kapferer and Bastien (2009) mention that the industry is renowned for selling dreams to consumers. Consequently, the goal of luxury companies is to sell products in limited quantities, in well-selected markets in order to maintain exclusivity (Dubois & Paternault, 1995).

Meanwhile, the Brundtland Commission (1987) defines the sustainable economic development as "development that meets the needs of current generations without compromising the ability of future generations to meet their own needs." Sustainability's main culprits are commodities because of their mass production and continuous consumer access. Nonetheless, restraining the meaning of sustainability solely to an environmental concern would not suffice, as this term also has a deeper meaning. Accordingly, it renders a relationship that causes no future harm, a relationship with ourselves, our communities and our institutions (Seidman, 2007). Hence, sustainability relates with a more altruistic perspective, while luxury is usually identified with personal pleasure.

However, luxury products are distant from commodities and this could open a window to the possibility of them being in fact sustainable within their inner lining. Kapferer (2015) states that due to craftsmanship, transmission from generation to generation and the timelessness of products, luxury can be indeed in agreement with the concept of sustainability. Higher prices, niche products and exclusive consumers bring about less consumption. Analysing the midst of luxury, we realise that its objective is parallel with that of sustainability as both rivet on rarity and beauty (Kapferer, 2015).

Based on these characteristics, the luxury industry presents a vantage point in comparison to the other industries that are currently present on the market. Moreover, its journey towards fully complying with the essence of sustainable development is still in progress as some of its key features are completely opposed to this concept.

## **3. Young, green and social responsible luxury consumers**

Luxury companies are on the verge of change, they need to adapt to new consumers in terms of communication, marketing campaigns, distribution channels and the range of products available. The possibilities of accessing information and the rapid financial maturity of the young generations, such as Y and Z, led to their inclusion in the target consumer segment of the luxury industry. In 2018, generations Y and Z accounted for 47% of luxury consumers, and 33% of all luxury purchases were registered by them. It is estimated that by 2025, young consumers will account for about 55% of the luxury market (d'Arpizio et al., 2019). The market study conducted by d'Arpizio et al. (2019) for Bain and Company, also estimates that these new generations will become the main consumers of luxury and will compensate for the older generations as well, contributing to a growth of 130% in the luxury market. Generation Z represented only 2% of all luxury consumers in 2018, but manifested different preferences as opposed to older cohorts. Consequently, they may require changes to the industry in the near future (d'Arpizio et al., 2019). Just one year later, digital natives recorded a 2% increase on the

total luxury market and were regarded as 7% of all personal luxury consumers (BCG Altgamma, 2019).

In view of the fact that baby boomers and generation X, which in 2016 accounted for 73% of the luxury market, displayed evidence of younger cohort influence it now becomes indisputable that luxury brands have to take into account the needs of millennials and digital natives (d'Arpizio & Levato, 2017). Millennials may easily impact the purchases of their peers and families (Lu et al., 2013) while many members of Generation Z still live at home and are able to influence the acquisitions of their parents and family members, who mainly fall into the aforementioned older generations. In addition, the purchasing power of Generation Z extends beyond their own income, as more than half of them pay for the majority of their purchases with money received from their parents or other family members (d'Arpizio et al., 2019). Considering this era of digitalization alongside with the development of younger communities, we notice that the profile of the traditional luxury consumer is under siege, being altered by the new demands of the market. Many of the changes demanded focus on other aspects that are not usually included in luxury's conventional definition and do not adhere to its traditional heritage. Driving the industry in this direction can be a risk, but nevertheless, luxury brands cannot ignore the changes that are taking place. The number of luxury consumers is growing at a steady pace, and their average age is constantly decreasing, reaching much lower rates. Moreover, the fact that these newer generations seem to slightly differ from those of the established luxury consumers becomes obvious. Generation Y for instance benefits from a higher purchasing power than past generations (Francis & Burgess, 2015). They are young people at the beginning of their careers, who represent the workforce of the future and succeed through their special characteristics that altogether reform the consumption DNA (Bolton et al., 2013).

External and economic contexts influence the behavioural aspects of all individuals. Existing literature and consumer data indicate that individuals are being formed by the events and values pertaining to the period in which they become of age and further on evolve as mature market players. Most likely individuals' general behaviours are transposed into their consumption actions. Thereupon, each period generates various motivations that underlie consumption. Millennials grew up through a global economic recession and witnessed technological advances, such as hybrid cars and energy-saving equipment; this enhancing economic pragmatism and environmental sustainability in their consumer mind (Rosenburg 2015) and making them a prime demographic group of environmental conscious consumers (Vermillion & Peart, 2010). Both generations Y and Z are governed by a fluid and continuously reshaping system that is concerned about individuals and the future, while having roots in connectivity and transparency. These roots further on provide young generations with knowledge, which is one of the most exhaustive of powers.

On the same topic regarding powers, regulations and constitutions are also elements that affect individuals and contour the outlook of consumer behaviour. Laws have boosted society and industries, forcing them to leave behind the "caveat emptor" position and stir towards sustainability and social responsiveness (Smith, 1995). Environmental protection is one of the main focuses of the 21<sup>st</sup> century, and generations Y and Z are increasingly aware of the importance of this issue. They are supporting the avoidance of depletion of natural resources in order to maintain an ecological balance. These beliefs are also transferred to their consumer behaviour profile. Thus, millennials and digital natives both show signs of having sustainability as a catalyst of their purchasing decisions. Statistics show that 64% of both generations consider the brand's involvement in conservation processes and their intent in protection of the environment before making a purchase (BCG Altgamma, 2019). In addition, digital natives also tend to choose luxury brands that focus on environmental and social issues. The removal

of animal cruelty and global warming are two of the sub-themes on which this generation focuses its attention. Gen Z members try to find brands that associate with causes they believe in, often opting for brands that advocate for such causes, as well as appreciate brands that display wider involvement in the matter (d'Arpizio & Levato, 2017). The manifested degree of interest in this subject is higher than previously noticed in past generations. Seven out of ten members of the Z cohort consider it is important to defend causes related to a person's perceived identity (Francis & Hoefe, 2018). Thus, they are more involved in defending human rights and distinctly minorities, including the ones with diverse sexual orientations (lesbians, homosexuals, bisexuals). Moreover, they support feminism and are very open about transsexuality. Millennials appreciate brands that align behind human rights activism and maintain strong values towards this area (Weyland, 2011).

Sustainability can be described as being the leitmotif of these two generations, with 46% of generation Z wanting to have a positive impact on humanity, while generation Y is situated only a percentage point away (Deloitte, 2019). Francis and Hoefe (2018) define Gen Z, the digital natives, as the “zeitgeist” of their societies, profoundly influencing both consumer behaviour and trends. Explaining the “zeitgeist” theory, it can be illustrated that digital natives are the defining spirit of the period and embody the ideas and perceptions of the moment wholesomely. Therefore, companies need to identify the issues and values that underpin digital natives and maintain their position across all departments, activities and processes.

From a moral perspective, ethical consumption is a sensitive subject for Gen Z and millennials. Companies must support causes that match with their delineated tradition and brand image while also making it easy for consumers to identify with the causes in question (Francis & Hoefe, 2018). Brands need to maintain these ethical standards fully, from production to distribution. Transparency is essential and direct communication with the consumer regarding brand sustainability and involvement must be constantly maintained. Additionally, members of both generations believe that companies have an implicit responsibility to address environmental or social issues. They want to reduce the negative impact that brands have on the environment and on humanity. Luxury brands are starting to follow along and are proving to be proactive and involved in this process.

The two generations also bring changes for luxury brands at the level of product manufacturing. Hence, luxury brands tend to no longer use materials of animal source or other scarce raw materials to produce their items (PETA, 2017). Traditionally, luxury expressed remarkable power and financial status (Carrigan and Attalla 2001), and articles made of natural leather or other corresponding materials were the epicentre of the industry. They were appreciated by the high society and reflected as an emblem of refinement and undoubtable quality (Kapferer, 2009). The new perception of luxury, according to the young generations, has led to the replacement of these essential pieces. Animal fur was once central for luxury. Its removal from the production process is a clear and visible evidence that the luxury industry is indeed changing in accordance with the profile of its new consumers. Among the brands that have completely eliminated animal fur, thus giving up a constant of the past, are Burberry, Gucci and Prada, but the list may go on. This signals a significant change in the luxury industry, one that sees these traditional values becoming just a memory of the past. The new perspective is a green one, in which saving the planet for future generations is the new fundamental basis.

#### **4. From Beliefs and Attitudes to Consumer Behaviour**

The following years will mark sustainability deadlines for most of the luxury brands, such as Prada that announced that by 2021, all nylon products will be obtained from recycled materials. As brands are slowly shifting towards an unconventional form of defining luxury, a

question arises whether young consumers' beliefs are truly translating into purchasing behaviour.

De Pelsmacker et al. (2005) find that ethical consumption is described as consumer concerns and attitudes in correlation with society and the environment that are converted into actual buying behaviour. Previous research illustrated the fact that ethical minded consumers do not consistently buy ethically sourced products (Carrigan & Attalla, 2001). This might suggest that ethical consumption is no more than a myth. This attitude-behaviour gap has been debated to be a result of barriers that occur alongside with the consumer purchase journey (Shaw et al. 2006).

Davies et al. (2012) argued that ethical luxury could succeed if more information was to be available regarding such practices or derelictions. As the years passed, the internet has become an infinite environment, in which technological progress and the human cognitive development is continuous. In this transparent environment, nothing goes unnoticed. Therefore, even brands that do not comply with the new norms of sustainability cannot remain in the shadows. Consumers can instantly expose the brands that do not maintain their involvement and do not keep their initial promises. Adding to the fact that data is now constantly available, generations Y and Z are also accustomed to informing themselves. (Francis & Hoefe, 2018). Past obstacles, including lack of access to information, are now demolished and a new digital ecosystem is born. The young generation is now capable of acquiring skills at faster pace than any other consumers, this leading to a rapid intellectual ripening. In laymen's terms, generations are growing up much faster than expected and are independent enough to express and inform themselves.

Furthermore, Carrigan's and Attalla's (2001) findings suggest that having access to more information could have a negative effect rather than enhance consumer choices. The additional information would create confusion and analysing its benefits would be too hard to deal with. Gen Z receives, analyses and absorbs unprecedented amounts of data. With access to vast amounts of information, young people are constantly interested in finding out what is going on around them (McKinsey, 2018). Their cognitive process is accustomed to the daily processing of information from both the virtual and real world, this facilitating their decision-making ability in the context of abundant data. Their interest towards always being informed might also cancel the results of Davies et al. (2012) who indicated that consumers are aware of unethical practices in the luxury industry but do not consider their impact worthy of further investigation. Even if some consumers may still remain uninterested in individual research of the ethics topic, consumers that do express interest towards it may now make ethical concerns much more visible to this initially non-interested public by creating content that goes viral via the social media platforms.

Technology has helped remove the barriers of international communication and fostered the ability to interact with individuals from all over the globe. Considering these possibilities, communities are created very quickly and do not form based on ethnicity, religion or age, but are centred on common interests and expectations. Online communities allow people from different circumstances to connect and mobilize together, in order to support certain common causes and interests. Davies et al., (2012) found that individuals may rely on constant reminders to behave ethically wherefore these means of communication may come as a response to this need. The strength of people united in the online environment is boundless, having the ability to create or destroy the image of a brand in just a few minutes.

Another limit towards converting young luxury consumers beliefs and motives into behaviours is the fact that fashion is not a term that consumers usually correlate with sustainability (Joy et al., 2012). Loureiro's (2017) study on luxury fashion brands portrays the contrary. The authors found that millennials care about improving this industry and society by

placing a strong emphasis on procedures, environmental issues and labour practices. Moreover, luxury is seen from a long-term perspective (Kapferer, 2015) and is much more likely to be preserved or recycled rather than any other product, this leading to the creation of a market for second-hand luxury. Waste of products is avoided, and their lifespan is extended by changing the owner. Second-hand luxury is becoming trivial among young people due to the sustainable factors and advantageous prices. The market for second-hand luxury goods is on the rise, showing strong growth on online channels. Platforms selling second-hand luxury products have been present in the online environment since 2009. Nine years later, they have reached a record in sales and are now on the luxury consumer preferences list. The pre-loved luxury goods market has grown by 9% per year since 2015 (d'Arpizio et al., 2019) and luxury consumers, such as millennials and digital natives, are most likely to purchase products from this type of platforms. The BCG and Altgamma study (2019) shows that Generation Z tends to be the cohort most interested in luxury products bought on online consignment shops, registering a proportion of 57% of the market share.

Furthermore, the concept of “Separation Fallacy” is another aspect considered to create inconsistencies in the behaviour of ethical and sustainable consumers. The concept suggests that buyers perceive ethics and business as two separate poles that cannot cooperate at all. Consequently, ethical businesses are expected to result in having a higher product cost (Harris & Freeman, 2008). The Nielsen Company (2015) global study depicts the fact that young consumers continue to be most willing to pay extra for sustainable offerings. Also, Smith and Brower (2012) state that millennials are positive green consumers and are willing to pay higher prices for sustainable services, products or brands. These findings embody the true meaning of “ethical mainstreaming”, the process in which consumers are willing to pay premium prices for green and ethical products (Thompson & Coskuner-Balli, 2007).

Not to mention, Steinhart et al. (2013) suggests that sustainability and luxury do not fit together, as the first represents a utilitarian standpoint and the latter a hedonic one. Naderi and Strutton (2015) argue the same idea, indicating that luxury depicts personal values while sustainability is linked to moderation and ethics. On the other hand, from a strategic point of view, the level of perceived contradiction between sustainability and luxury is not the same for all consumers. It changes based on age and personal definition of luxury (Kapferer, 2014). Gen Z members are in antithesis to generation Y, as they are inclined to get more involved in fighting for the causes they believe in, unlike millennials which proved to be much more individualistic (Francis & Hoefe, 2018). However, in this sustainability instance, individualism may not be a problem because when personal benefits outweigh the costs, millennials tend to “go green” as well (Naderi & Steenburg, 2018). Over time, millennials received the pseudonym “me” generation, based on the emphasis that they place on themselves. The generation identifies as a much more idealistic one. Members are willing to face certain situations directly and are sceptical about accepting other points of view besides their own (Mckinsey, 2018). This may translate into an ethical and sustainable type of consumer behaviour that focuses primarily on the individual and secondly on future generations. Also, Cervellon and Shammas (2013) point out that hedonism is actually a part of sustainable luxury and may even represent added value for sustainable products. The authors’ suggestion is backed up by Steinhart et al. (2013) who state that products that portray personal social benefits are in favour of those that focus on global benefits.

Based on past research and taking all the different authors’ perspectives into account, we derive that generations Y and Z are distinct in comparison with other generations and are susceptible to act on sustainable and ethical beliefs and attitudes, which are afterwards factored into purchase behaviour. As globalization is expanding and young generations lack

homogeneity, we hope that our results and premises based on literature review act as reference for further cross-cultural generational research.

### **5. Sustainability and Ethics – New Luxury Dimensions**

Luxury brands are doing their utmost to maintain their values in the vicissitudes of the past and present years. Accepting the internet as a communication and distribution channel was one of the first challenges the industry had to face. Because of the association and integration of luxury with concepts that are considered from a theoretical point of view to be diametrically opposed, the occurring changes can be classified as exponential for the luxury industry. In the case of adapting to the digital era, the internet was perceived as an extremely dynamic environment that could not be suitable for luxury, due to the fact that luxury embodies tradition and hasn't undergone many changes during its existence. For a long time, literature excluded the online environment as an option and considered that higher amounts of exposure could denigrate the luxury brand image. Kapferer (2015) even mentioned that the internet disrupts the barriers of time and space while luxury needs time to be produced, accessed, purchased and delivered. Although there were numerous concerns raised in the beginning, now you would be hard pressed to find a luxury brand that hasn't at least partially adapted to the digital era.

In the past, the involvement of luxury brands in social or environmental campaigns was not an essential aspect for consumers to consider. Now, sustainability and ethical inclusion are in the same position the internet was years ago. The main difference is that these concepts are somewhat present in the cornerstones of luxury and brands seem more open to amend in this direction. The impact of young consumers is making its presence felt not only by luxury brands, but also by the other cohorts of luxury consumers. Social and environmental protection initiatives are now being considered both before and after a purchase has been made, and as a result, these new features of luxury are gradually expanding to all luxury consumers. Out of the total number of real luxury consumers, 10% mentioned sustainability among the first 3 terms used to define luxury and 59% of them are influenced by this aspect before making the purchase decision (BCG Altagamma, 2019).

Luxury brands are perceived to have the highest quality and price ratio on the market (Wiedmann et al., 2007). Despite the fact that some consumers are willing to compromise quality for sustainability (Joy et al., 2012), luxury brands cannot renounce their consumers former expectations and cannot offer a less satisfying experience. They have to find a suitable way to redefine the notion of quality and the luxury dream (Kapferer, 2015). This idea is further consolidated by Gardetti and Torres (2014) who found that luxury is becoming efficient in dealing with waste and "more about helping people to express their deepest values". Therefore, brands are more transparent and engage in green and social practices. They develop plans and programs such as "Gucci Equilibrium" which is an online continuous collection of all the company's achievements and initiatives headed in this particular direction. However, other companies have pushed the boundaries even further by launching completely sustainable brands, like Richmond's Baume – an innovating and 100% sustainable alternative to the traditional Baume & Mercier watches. Many other market examples suggest that sustainability on its own can become an element of prestige and desirability and it can match the traditionally established luxury brand image (Kapferer & Michaut, 2014)

The new dimension of luxury limns an unconventional form of defining the industry, which is now portrayed as a sector that offers high quality products and services that transpose consumer personality in order to cultivate personal pleasure. The aim of luxury companies is now to adapt to new consumers through ubiquity on both real and virtual environments, exclusive experience offerings and involvement in social and environmental protection.

Embracing the new consumer behaviour does not represent a worthless hassle. Achabou and Dekhili (2013) mention that luxury brands that implement sustainable tactics will benefit by differentiating themselves and initiating lasting relationships with their consumers. The argument is also supported by Athwal et al (2019). In addition, Kapferer and Michaut (2014) endorse the fact that engaging in such tactics may create added value and a long-term competitive advantage.

Society requires more than luxury brands alone to incline towards encouraging ethical consumption, especially in the fashion industry. In order to further young consumers' wish to do less harm and more good, luxury brands can sway other sectors as a result of the trickle-down effect. The luxury sector has proven itself to have significant cross-industry influence (Amatulli et al. 2017) and can lead the way towards selling less selfish and individualistic dreams and focusing more on environmental concerns (Kapferer, 2015).

### Conclusions

Carrigan and Attalla (2001) assumed that most likely, as time passes, the new generations of consumers will act on their sustainable beliefs and attitudes and will therefore value price, quality and ethics to be of equal importance. Our academic and business review and synthesizing shows that their presumptions are now close to becoming reality as both generations Y and Z monopolize the luxury consumer segment. Their exerted influence shape luxury characteristics and slowly but beyond doubt determine ethical consumption to be a main feature of luxury brands. The adaptation burden is expected to convert into a competitive advantage in the long-run and luxury brands will set the bar higher for all the other sectors. As millennials and digital natives may soon trigger additional significant changes for luxury brands, continuous research is always required in order to further examine generational consumer behaviours and outline the most recent societal and economic developments.

### References

- ACHABOU, M.A. & DEKHILI, S. (2013). *Luxury and sustainable development: is there a match?* Journal of Business Research, 66, pp. 1896–1903.
- AMALDOSS, W. & JAIN, S. (2005). *Pricing of conspicuous goods: a competitive analysis of social effects.* J Mark Res 42:30–42.
- AMATULLI, C., DE ANGELIS, M., COSTABILE, M. & GUIDO, G. (2017). *Sustainable Luxury Brands.* London: Palgrave Macmillan.
- ATHWAL, N., WELLS, V., CARRIGAN, M. & HENNINGER, C. (2019). *Sustainable Luxury Marketing: A Synthesis and Research Agenda.* International Journal of Management Reviews. 10.1111/ijmr.12195.
- BCG, ALTAGAMMA (2019). *True-Luxury Global Consumer Insight.*
- BOLTON, R., PARASURAMAN, A., HOEFNAGELS, A., MIGCHELS, N., KABADAYI, S., GRUBER, T., KOMAROVA LOUREIRO, Y. AND SOLNET, D. (2013), *Understanding Generation Y and their use of social media: a review and research agenda.* Journal of Service Management, Vol. 24 No. 3, pp. 245-267. Available online at: <https://doi.org/10.1108/09564231311326987>
- BONINI, S. & OPPENHEIM, J. (2008). *Cultivating the Green Consumer.* Stanford Social Innovation Review Fall: 56–61.
- BRUNDTLAND, G. (1987). *Report of the World Commission on Environment and Development: Our Common Future.* United Nations General Assembly document A/42/427.

- CARRIGAN, M. AND ATTALLA, A. (2001). *The myth of the ethical consumer – do ethics matter in purchase behaviour?*. Journal of Consumer Marketing, Vol. 18 No. 7, pp. 560-578. Available online at: <https://doi.org/10.1108/07363760110410263>
- CERVELLON, M-C. & SHAMMAS, L. (2013). *The value of sustainable luxury in mature markets: a customer-based approach*. Journal of Corporate Communications, 55, pp. 90–101.
- D'ARPIZIO, C & LEVATO, F. (2017). *Luxury Goods Worldwide Market Study. Millennial state of mind: The tailwind behind consumer behaviours and winning strategies*. Bain & Company.
- D'ARPIZIO, C. ET. AL (2019). *LUXURY GOODS WORLDWIDE MARKET STUDY, FALL WINTER 2018: The future of luxury: A look into tomorrow to understand today*. Bain & Company.
- DARA, V. *Generazione Z: così i marketer scoprono un nuovo target “d’oro”*. Available online at: <https://www.insidemarketing.it/generazione-z-marketer-target-doro/> (accessed on February 17<sup>th</sup> 2020).
- DAVIES, I., LEE, Z. & AHONKHAI, I. (2012). *Do Consumers Care About Ethical-Luxury?*. Journal of Business Ethics. 106. 37-51. 10.1007/s10551-011-1071-y.
- DE PELSMACKER, P., DRIESEN, L., & RAYP, G. (2005). *Do consumers care about ethics? Willingness to pay for fair trade coffee*. Journal of Consumer Affairs, 39(2), 363–385.
- DEKHILI, S. & ACHABOU, M.A. (2016). *Is it beneficial for luxury brands to embrace CSR practices? In celebrating America’s pastimes: Baseball, Hot Dogs, Apple Pie and Marketing?*. Proceedings of the Academy of Marketing Science, Florida, 18–21 May.
- DELOITTE (2019). *The Deloitte Global Millennial Survey 2019 Societal discord and technological transformation create a “generation disrupted”*. Available online at: <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/deloitte-2019-millennial-survey.pdf>.
- DUBOIS, B. & PATERNAULT, C. (1995). *Observations: Understanding the World of International Luxury Brands: The “Dream Formula”*. Journal of Advertising Research, 35(4), pp.69–77.
- FRANCIS, J. E., & BURGESS, L. (2015). *Hip to be cool: A Gen Y view of counterfeit luxury products*. 22(October), 588-602. Available online at: <http://doi.org/10.1057/bm.2015.31> (accessed on February 15<sup>th</sup>, 2020).
- FRANCIS, T. & HOEFEL, F. (2018), *‘True Gen’: Generation Z and its implications for companies*. McKinsey & Company
- GARDETTI, M.A. AND TORRES, A.L. (2014). *Sustainable Luxury: Managing Social and Environmental Performance in Iconic Brands*. Routledge: Abingdon, Oxon.
- HARRIS, J. D., & FREEMAN, R. E. (2008). *The impossibility of the separation thesis*. Business Ethics Quarterly, 18(4), 541–548.
- HERTEL, G., AARTS, H., & ZEELLENBERG, M. (2002). *WHAT do you think is “Fair”?* Effects of in group norms and outcome control on fairness judgments. European Journal of Social Psychology, 32, 327–341.
- JAWAHIR, I.S., DILLON, O.W., ROUCH, K.E., JOSHI, K.J., VENKATACHALAM, A. & JAAFAR, I.H. (2006) *Total life-cycle considerations in product design for sustainability: A framework for comprehensive evaluation*. In Proceedings of the 10th International Research/Expert Conference “Trends in the Development of Machinery and Associated Technology”, TMT 2006, Lloret de Mar, Spain, 11–15 September 2006.
- JOY, A., SHERRY, J., VENKATESH, A., WANG, J. & CHAN R. (2012) *Fast Fashion, Sustainability, and the Ethical Appeal of Luxury Brands*. Fashion Theory, 16:3, 273- 295, DOI: 10.2752/175174112X13340749707123.

- KAPFERER, J-N & BASTIEN, V. (2009). *The Specificity of Luxury Management: Turning Marketing Upside Down*. *Journal of Brand Management*, 311– 322.
- KAPFERER, J-N. AND MICHAUT-DENIZEAU, A. (2014). *Is luxury compatible with sustainability? luxury consumers' viewpoint*. *Journal of Brand Management*, 21, pp. 1–22.
- KAPFERER J-N. (2015). *Kapferer on Luxury: How luxury brands can grow yet remain rare*. London: Kogan Page.
- KAPFERER, J-N. (2010). *All that glitters is not green: The challenge of sustainable luxury*. *European Business Review*. 40-45.
- KO, E. AND MEGEHEE, C.M. (2012). *Fashion marketing of luxury brands: recent research issues and contributions*. *Journal of Business Research*, 65, pp. 1395–1398.
- LOUREIRO, SANDRA. (2017). *Fashion Luxury Brands: Bridging the Gaps Between Cutting-Edge Fashion and Corporate Social Responsibility Concerns*. 10.1007/978-981-10-2976-9\_11.
- LU, L., BOCK, D. & JOSEPH, M. (2013), *Green marketing: what the Millennials buy*, *Journal of Business Strategy*, Vol. 34 No. 6, pp. 3-10. Available online at: <https://doi.org/10.1108/JBS-05-2013-0036>.
- LUNDBLAD, L. & DAVIES, I.A. (2015). *The values and motivations behind sustainable fashion consumption*. *Journal of Consumer Behaviour*, 44, pp. 309–323.
- NADERI, I. & STRUTTON, D. (2015). *I support sustainability but only when doing so reflects fabulously on me. Can green narcissists be cultivated?* *Journal of Macromarketing*, 35, pp. 70–83.
- NADERI, I. & VAN STEENBURG, E. (2018). *Me first, then the environment: young Millennials as green consumers*. *Young Consumers*. 10.1108/YC-08-2017-00722.
- NUENO, JL. AND QUELCH, J. (1998). *The mass marketing of luxury*. *Business Horizons*, 61–68.
- NWANKWO S., HAMELIN N, KHALED M. (2014) *Consumer values, motivation and purchase intention for luxury goods*. *J Retail Consum Sci* 21:735–744.
- OECD (2002). *Towards Sustainable Household Consumption? Trends and Policies in OECD Countries*. Paris: OECD.
- PETA (2017). *PETA Statement: Gucci Fur Ban Follows Decades Of PETA Protests, Appeals Available online at: <https://www.peta.org/media/news-releases/peta-statement-gucci-fur-ban-follows-decades-peta-protests-appeals/>* (accessed on January 22<sup>th</sup> 2020).
- ROSENBERG, J. (2015). *Millennials green up American consumerism*. Available online at: <https://www.mintel.com/blog/consumer-market-news/millennials-green-up-american-consumerism> (accessed on January 22<sup>th</sup> 2020).
- RYDING, D., HENNINGER, C.E. & BLAZQUEZ CANO, M. (2018). *Vintage Luxury Fashion: Exploring the Rise of Secondhand Clothing Trade*. Palgrave Advances in Luxury Series. London: Palgrave.
- SEIDMAN, D. (2007). *How We Do Anything Means Everything*. Hoboken, NJ: John Wiley & Sons.
- SHAW, D., HOGG, G., WILSON, E., SHIU, E., & HASSAN, L. (2006). *Fashion victim: The impact of fair trade concerns on clothing choice*. *Journal of Strategic Marketing*, 14(4), 427–440.
- SMITH, K.T. (2010). *An examination of marketing techniques that influence Millennials' perceptions of whether a product is environmentally friendly*. *Journal of Strategic Marketing*, Vol. 18 No. 6, pp. 437-450.
- SMITH, K.T. AND BROWER, T.R. (2012). *Longitudinal study of green marketing strategies that influence Millennials*. *Journal of Strategic Marketing*, Vol. 20 No. 6, pp. 535-551.

- STEINHART, Y., AYALON, O. & PUTERMAN, H. (2013). *The effect of an environmental claim on consumers' perceptions about luxury and utilitarian products*. Journal of Cleaner Production, 53, pp. 277–286.
- THE NIELSEN COMPANY (2015). *The Sustainability Imperative: New Insights on Consumer Expectations October 2015*.
- THOMPSON, C. (1996). *Caring Consumers: Gendered Consumption Meanings and the Juggling Lifestyle*. Journal of Consumer Research 22(March): 388–407.
- TURUNEN, L.L.M. AND LEIPAMAA-LESKINEN, H. (2015). *Pre-loved luxury: identifying the meanings of second-hand luxury possession*. Journal of Product and Brand Management, 24, pp. 57–65.
- UCHE, S. (2019) *Generation Z and Corporate Social Responsibility*. Syracuse University: Syracuse, NY, USA, 2018; p. 226. Available online: <https://surface.syr.edu/thesis/226> (accessed on March 18<sup>th</sup> 2019).
- VERMILLION, L.J. AND PEART, J. (2010), *Green marketing: making sense of the situation*, Allied Academies International Conference: Proceedings of the Academy of Marketing Studies, Vol. 15 No. 1, pp. 68-72.
- WEYLAND, A. (2011). *Engagement and talent management of Gen Y. Industrial and Commercial Training*, 43(7), 439-445. Available online at: <http://doi.org/10.1108/00197851111171863>
- WIEDMANN, K. P., HENNINGS, N., & SIEBELS, A. (2007). *Measuring consumers' luxury value perception: A cross-cultural framework*. Academy of Marketing Science Review, 7, 1–21.

## **Do You Still Love Facebook? Understanding Users' Perceptions Through a Novel Qualitative Method**

**Alexandra HUTANU**

Alexandru Ioan Cuza University of Iasi  
hutanu.alexandra25@gmail.com

**Patricea-Elena BERTEA**

Alexandru Ioan Cuza University of Iasi  
patricia.bertea@yahoo.com

### **Abstract**

Even though Facebook is the most popular and most used social media platform, it is struggling with increased competition from other platforms, such as Instagram and TikTok, and with a feeling of disconnection from users, coming from problems regarding personal data protection or the business model itself. Taking into consideration that Facebook was launched in 2004, we can say that the late Generation Z is Facebook native. What are the feelings of Facebook users after such a long “relationship”? This is what we aim to study through a novel qualitative research method called love-break up letter. This method was created in 2009 in the business sector by the consulting company Smart Design and consists of asking respondents to imagine that a certain product, service or brand is a real person and to write a love or break up letter addressed to it. Expressing feelings in writing does not involve any interference from the researcher, allowing respondents to be more honest about positive or negative emotions. In our study, we asked university students to write both types of letters for Facebook. Through content analysis, we identified an ambivalent attitude towards Facebook and the fact that the emotional connection is very strong. However, just like any other relationship, this one has its own ups and downs and frustrations accumulated over time. The present study can help academics understand the strong points of this new qualitative method, while revealing important insights about the attachment between users and Facebook. To our knowledge, there is no research that studies the emotional connection between users and Facebook using this method.

**Keywords:** social media, facebook, love break up letter.

**JEL classification:** M31.

### **1. Introduction**

Facebook is the biggest social network in the world, with more than 2,449 million active users every month (Hootsuite, 2020). It was created in 2004 by Mark Zuckerberg and other colleagues while they were attending Harvard University and it was initially designed as a portal dedicated to students. Starting with 2006 it was made available to the large public and, since then, Facebook has changed the way people communicate and interact with technology (Brügger, 2015). According to Hootsuite, in January 2020, Facebook ads could reach in Romania 9.8 million users, from which 50.5% were females and 49.5% were males. The same report shows that Facebook is the second most-used social media platform in Romania, 90% of all internet users being active on Facebook (ages from 16 to 64). The first place is occupied by YouTube (92%), while next positions are occupied by other Facebook-owned platforms: Facebook Messenger (74%), Whatsapp (72%), Instagram (57%).

But what determines users to still use Facebook after such a long time? What are their feelings towards Facebook now, when competitors such as Instagram and TikTok are becoming more popular? Several studies show that users have higher intensity of use and a more favorable attitude towards some other social network platforms, such as Snapchat (Alhabash & Ma, 2017) or both Snapchat and Instagram (Stanley, 2015). Also, a paper from 2018 shows us that 44% of younger American users, with ages between 18 and 29, say they deleted the Facebook app

from their phone in the last year. In comparison, only 12% of older users, with ages over 65, have done so (Perrin, 2018).

Could this be a sign that users are planning to “break up” with Facebook? Or are they not ready yet to end their relationship? What are the motivations that would determine them to stay or leave their “relationship”? This is what we aim to understand in this qualitative study, through a novel qualitative method called love - break up letter. To our knowledge, there is no qualitative study about Facebook that uses this research method, a method considered quite novel, especially in academic research.

## 2. Literature review

Facebook is more than a communication channel, it's a platform where users can actively participate through interacting with other users (by posting, commenting, reacting or sharing), or can passively participate, through monitoring other people's profiles and viewing the content (Calancie et al., 2017). One of the widely applied theories when studying the motivations for using social networking sites is the *Uses and gratification theory* (U&G) (Katz et al., 1974), an approach which explains why and how people seek out specific media. The U&G theory claims that individuals receive gratifications through specific types of media, gratifications that satisfy their informational, social and leisure needs.

Quan-Haase and Young (2010) identified six gratifications associated with Facebook use: to pass time, to show affection, to follow fashion, to share problems, to demonstrate sociability, to improve social knowledge. Hunt et al. (2012) identified that the main reasons for Facebook usage are: interpersonal communication, self-expression and entertainment. Krause et al. (2014) studied the motivations of using Facebook music listening applications and discovered three main ones: entertainment, communication and habitual diversion. Furthermore, some authors claim that Facebook is a source of social capital (Ellison et al., 2007; Karapanos et al., 2016; Phua et al., 2017). Christofides et al. (2009) concluded that users are disclosing information on Facebook due to the need for popularity. Nadkarni and Hofmann (2011) found in a study based on reviewing the literature that there are two main social needs that determine Facebook use: the need to belong and the need for self-presentation. Furthermore, they identified that previous studies show that individuals with high levels of extraversion, neuroticism and narcissism and low levels of self-esteem and self-worth have a higher rate of Facebook usage. Aladwani (2014) discovered eight reasons for using Facebook: to connect, to share content, to relax, for personal branding, to organize (events, tasks and meetings), to monitor (friends or celebrities), to express themselves, and to learn.

Facebook's primary role of networking has significantly changed over the years, integrating now many other non-networking functions (Hayes et al., 2015). An early study from 2008 done by Raacke and Bonds-Raacke showed that university students use Facebook and MySpace in order to establish and maintain social connections. This finding is supported by Giannakos et al. (2013), who identified social connection as the main reason for using Facebook, although others were identified as well. However, a more recent study done by Čičević et al. in 2016 shows that second-year and third-year university students rarely use Facebook to form new friendships, but they do use it to stay in touch with high school friends. Moreover, Alhabash et al. (2014) demonstrated that, if in the past the main reason for using this platform was maintaining social relationships, now the highest motivation is entertainment. Other motivations identified were information sharing, medium appeal, escapism, socialization, self-documentation and self-expression. Tosun (2012), in a study with 143 university students, found that the main reason for using Facebook is for strengthening social relationships and maintaining the ones formed offline.

The platform is even considered an educational tool, enabling interaction, peer feedback and learning in a social context (Čičević et al., 2016). It is common for colleagues to have dedicated Facebook groups for discussing study-related topics. Manca and Ranieri (2013) found five educational uses of Facebook: supporting class discussions and helping students engage in collaborative learning, sharing educational resources, developing content, delivering content that exposes students to extra-curricular resources, and supporting self-managed learning. Going further, Facebook can improve relationships between students and teachers, giving them the possibility to interact in other contexts, which could positively impact students' learning outcomes. However, teachers' academic credibility could be diminished (Roblyer et al., 2010).

While analyzing the motivations for using Facebook, Instagram, Snapchat and Twitter, Alhabash & Ma (2017) found that the reasons for Facebook usage are, in this order: convenience, entertainment, passing time, medium appeal, information sharing, self-documentation, self-expression and social interactions. In comparison, the first motivation for using Instagram, Snapchat and Twitter was entertainment, followed by convenience, medium appeal, passing time and self-expressions (the ranking of the other three motivations varied across the three social networks). Thus, the other three social networks were considered more entertaining than Facebook.

Beyond the previously mentioned usage motifs, Facebook has become such an integrated part of peoples' lives, that they simply use it out of habit or just for wasting time. This reason, called by different authors boredom, passing time or wasting time, has been confirmed by several studies (Quan-Haase & Young, 2010; Giannakos et al., 2013; Krause et al., 2014; Čičević et al., 2016; Alhabash & Ma, 2017). The fact that Facebook has become a routine could be caused by increased social and psychological stimulation derived from the medium, stimulation that rewards users and makes them spend even more time on Facebook (Hong & Chiu, 2014). Several studies (Brailovskaia, Margraf, & Köllner, 2019; Brailovskaia, Rohmann, Bierhoff, & Margraf, 2018; Marino et al., 2018) demonstrated that intensive Facebook use leads to the development of a pathological emotional bond. This bond is linked to an obsessive need to always stay online. In extreme cases, this could lead to Facebook addiction, a widely studied issue (Andreassen et al., 2012; Hong & Chiu, 2014; Gábor et al., 2015; Arora & Okunbor, 2016). Facebook is so deeply integrated in people's lives, that Gábor et al. (2015) found that the average compensation for completely losing Facebook was considered 5,284 USD in 2015. Lincoln and Robards (2016) have named Facebook "an archive of the reflexive project of self", mediating the contemporary narrative of life with its key moments. However, taking into consideration the fact that Facebook is on the market for a long time and that, eventually, its novelty is wearing off, some studies show that stimulation is one of the least fulfilled needs by Facebook (Karapanos et al., 2016).

Yazdanparast et al. (2015) studied the main reasons for liking and disliking Facebook. They found that the most liked features were being able to keep in touch with family and friends (83.4%), followed by interactivity and the possibility to see pictures and watch videos (10.6%). At the same time, the features considered the most interesting were the newsfeed and the chat (31.4%). The same study showed that main reasons for disliking Facebook were: lack of privacy (26.7%), too much 'drama' (18.1%), too many unnecessary ads and videos (15.2%) and the fact that Facebook is too time-consuming (13.3%). Meanwhile, the most annoying features were ads (35%), invitations for liking pages or joining games (24.9%) and continuous notifications and pokes (14.3%). On the other hand, 13% of the respondents have declared they do not find anything interesting on Facebook. Studying also the sources of dissatisfaction with Facebook, Karapanos et al. (2016) identified content fatigue and exposure to undesirable content. The same study showed that self-esteem is a predictor of Facebook usage and that the

satisfying experiences created by Facebook are: self-expression, social surveillance, reviving lost connections, social capital and interactions, and lifelogging.

When talking about attitudes towards different media, there are authors who propose differentiating them across different modalities of use (Ledbetter et al., 2011; Tartaglia, 2016). They explain that the attitude cannot be conceptualized positive or negative as a whole, because different modalities of use create different expectations (Ledbetter et al., 2011). Tartaglia (2016) analyzed different attitudes towards Facebook according to the modalities of use. He identified three modalities of use: social interaction (managing relationship and self-expression), the simulation of a different self-image and the search for relations, and that users' attitudes varied across them. While users have a positive attitude towards the first function, believing that Facebook is a useful tool in improving social connections, they expressed concerns regarding Facebook being dangerous and misleading. Other concerns, such as privacy and self-image, were related to the other two functions. Ambivalent attitudes towards Facebook have been identified by Arora and Okunbor (2016) as well, who found in a study that young users from both the USA and India believe that Facebook is both useful and a waste of time.

At the same time, the attitude toward Facebook could have been negatively affected by the Cambridge Analytica scandal. If the percentage of users believing that Facebook is protecting their data was 79% in 2017, the drop was up to 27% in the first week after the incident was divulged (Butow, 2018). In a Consumer Trust Index from 2018, Facebook was on the 89th position out of 100, with a score of 3.45, still slightly better than 2017, when it had the last position. The study was conducted in November 2018 on a sample of 1,000 respondents from the USA (Jebbit, 2018).

### 3. Methodology

This is a qualitative study which uses a novel research method, called *love – break up letter*. Created in 2009 by Smart Design, a consultancy company on innovation, love – break up letter is a research tool used particularly for understanding product, service or brand attachment, especially for technological products (Martin & Hanington, 2012). It is easier to express positive or negative feelings and thoughts in writing, without feeling any restraints or interventions from the researcher. Also, it is harder to articulate these emotions during interviews or surveys (Gerber, 2012). The respondents are asked to personify a certain product and write either a love or a break up letter addressed to that product in maximum 10 minutes, a short time frame avoiding the possibility of overthinking. These letters are helpful in understanding the connection between users and products, the reasons for staying with a product or the disappointments created by it (Martin & Hanington, 2012).

In our study, we asked 52 second-year students from a university of Economics from Iasi, with ages ranging from 20 to 23 years old (35 females and 17 males), to imagine that Facebook is a person. First, they would have to write a love letter for Facebook, and then a break up letter. We wanted to have both types of letters in order to understand both positive and negative emotions associated with Facebook. In the end, we asked participants to choose which one of the two letters they would send to Facebook. After collecting the letters, we digitally transcribed them. Through axial content analysis, we identified 7 themes and 552 codes.

### 4. Results

As proved by other authors (Tartaglia, 2016; Arora and Okunbor, 2016), we have identified that our users have an ambivalent attitude towards Facebook. The love letters revealed Facebook's most appreciated features, their roles in the respondents' lives and the emotional connection felt by the users. In total, there were 314 positive mentions and 238

negative ones. The frequencies for each theme identified in the love letters are displayed in Table 1.

*Table 1: Themes and sub-themes frequencies from love letters*

| Positive mentions                         | Frequency per respondent | Total Frequency (total number of mentions) |
|-------------------------------------------|--------------------------|--------------------------------------------|
| <b>Facebook's role</b>                    |                          |                                            |
| Maintains social relationships            | 21                       | 25                                         |
| Brings happiness                          | 20                       | 24                                         |
| Offers support                            | 18                       | 26                                         |
| A way of finding new friends              | 17                       | 17                                         |
| Informative role                          | 15                       | 17                                         |
| A way of killing time                     | 6                        | 7                                          |
| The user feels appreciated                | 5                        | 5                                          |
| Knows the user                            | 4                        | 6                                          |
| A way of expressing one's self            | 3                        | 3                                          |
| Relaxation role                           | 3                        | 3                                          |
| Following celebrities                     | 2                        | 2                                          |
|                                           | <b>Subtotal</b>          | <b>135</b>                                 |
| <b>Appreciated features</b>               |                          |                                            |
| Anniversaries                             | 12                       | 13                                         |
| Memories                                  | 9                        | 9                                          |
| Personalized content (messages, videos)   | 8                        | 9                                          |
| Notifications (about events, the weather) | 3                        | 4                                          |
|                                           | <b>Subtotal</b>          | <b>35</b>                                  |
| <b>Positive emotions</b>                  |                          |                                            |
| Love                                      | 43                       | 102                                        |
| Gratitude                                 | 19                       | 22                                         |
|                                           | <b>Subtotal</b>          | <b>124</b>                                 |
| <b>Attributed qualities</b>               |                          |                                            |
|                                           | 14                       | 20                                         |
|                                           | <b>Subtotal</b>          | <b>20</b>                                  |
|                                           | <b>TOTAL</b>             | <b>314</b>                                 |

In the love letters, the respondents emphasized the role Facebook is playing in their life, this theme having the highest number of positive mentions – 135. Consistent with some of the literature (Raacke & Bonds-Raacke, 2008; Giannakos et al., 2013), the most appreciated role was maintaining social relationships. Facebook is a very important tool for keeping in touch with friends and acquaintances or communicating with people that live far away. However, establishing new connections through Facebook was not considered as important. The second most popular role was contributing to users' happiness. The students mentioned that Facebook makes them not only truly happy, but it makes them laugh, being very "funny", and humor is an appreciated quality in a friend. Therefore, Facebook's role in entertaining was confirmed. Moreover, through all its funny and engaging content, the social platform is a good remedy against boredom. Facebook is also highly appreciated for the genuine support it is constantly offering. Answers such as "you've always been there for me", "you listen to me" and "you support me in everything" reveals the fact that social platform has become a real friend who offers support. Finding such a good friend and great listener in Facebook, it is not surprising that the users feel that Facebook knows all about them: "no one knows me the way you do". Therefore, the respondents feel special and appreciated, demonstrating the success of Facebook's user-centric approach: "you make me the center of your universe". The informative role was also appreciated. Facebook helps in discovering the latest news about the world and always keeps its users updated with the latest trends. Monitoring their friends and favorite celebrities was also mentioned, as well as self-expression and relaxation.

The love letters revealed also the most appreciated features of Facebook (35 mentions). The first one was anniversaries – respondents like receiving notifications about their friends' birthdays. But, more important, they love the fact that other people get notified when it's their anniversary. This is one of the features that contributes to the idea that Facebook is truly attentive and cares about its users. Once again, the social platform proves what a good friend it is through memories – the feature that shows users previous posts from the same day years ago. Lifelogging was previously identified as a satisfying experience created by Facebook (Karapanos et al., 2016) and our participants admitted to feeling nostalgic when seeing their past moments. They appreciate how much Facebook “cares about the moments spent together”. This way, the social network is more than a channel which reminds them about those memories, and is like an old friend who remembers the past experiences lived together. Facebook's concern and care for its users is highly appreciated. The students are grateful for the personalized messages and videos created especially for them (e.g. messages sent in situations such as natural disasters, the videos created when it's the anniversary of a friendship), enjoying the fact that Facebook has always cared about how they feel and what they think. Even the message displayed on top of the newsfeed, “What's on your mind?”, encouraging people to post, has been appreciated. Moreover, respondents appreciated the notifications regarding events or the weather being useful in planning and organizing their days.

Regarding the positive emotions associated with Facebook, we identified two, mentioned 124 times: love and gratitude. Respondents openly declared how much Facebook means to them and their wish to never lose their special connection. Snippets such as: “you are my true big love”, “I cannot imagine my life without you”, “I couldn't replace you with anyone”, “I can't live a day without you”, “you are a part of me” shows that Facebook has past being considered a technological tool and it is now an integrated, inseparable part of life. Together with love, the respondents expressed their gratitude, thanking Facebook for everything it has done for them. Over and above, the process of personification has made the attribution of certain positive qualities to Facebook (20 mentions) possible. The students complimented Facebook and described through adjectives such as attentive, good, fun, full of life, unique and friendly.

Even though the love letters shed light on the strong emotional connection between users and Facebook, the students did not hesitate to reveal their frustrations with it when asked to write the break up letters. Table 2 displays the frequencies for each theme identified in the break up letters.

*Table 2: Themes and sub-themes frequencies from break up letters*

| Positive mentions                                                | Frequency per respondents | Total Frequency (total number of mentions) |
|------------------------------------------------------------------|---------------------------|--------------------------------------------|
| <b>Facebook's flaws</b>                                          |                           |                                            |
| The content (low quality content, ads)                           | 25                        | 38                                         |
| User's lack of control over using Facebook (including addiction) | 24                        | 35                                         |
| Takes too much time                                              | 19                        | 25                                         |
| Features                                                         | 15                        | 19                                         |
| It's a negative influence                                        | 6                         | 7                                          |
| Leads to social isolation                                        | 6                         | 7                                          |
| It's boring                                                      | 2                         | 2                                          |
| <b>Subtotal</b>                                                  |                           | <b>133</b>                                 |
| <b>Negative emotions</b>                                         |                           |                                            |
| Regret of breaking up                                            | 27                        | 36                                         |
| Angry                                                            | 13                        | 18                                         |
| Sadness                                                          | 8                         | 8                                          |
| Disappointment                                                   | 6                         | 8                                          |

|                              |                 |            |
|------------------------------|-----------------|------------|
| Feeling out of love          | 6               | 5          |
| Hate                         | 2               | 3          |
|                              | <b>Subtotal</b> | <b>78</b>  |
| <b>Other social networks</b> |                 |            |
| Instagram                    | 12              | 25         |
| Tinder                       | 2               | 1          |
| Twitter                      | 1               | 1          |
|                              | <b>Subtotal</b> | <b>27</b>  |
|                              | <b>TOTAL</b>    | <b>238</b> |

We identified 133 mentions regarding reasons for disliking Facebook. The tipping point for terminating the relationship with the most famous social network could be the exposure to undesirable content, as Karapanos et al. (2016) found. The students worriedly mentioned that some of Facebook's content is not only useless and lacking of substance, but also dangerous and indecent. Despite Facebook's policy, hate speech and mean comments that could emotionally harm individuals are still visible on the platform. This dangerous content is created by mischievous people. However, some of the respondents mentioned they are happy to have the possibility of blocking these people. Confirming some of the literature (Yazdanparast et al., 2015), frequent and irrelevant ads were another source of dissatisfaction with Facebook, being considered annoying and useless. Frequent notifications were considered annoying as well: "I'm getting headaches from all your notifications".

Despite the low-quality content, annoying ads and continuous notifications, students unhappily admitted that they cannot stop using Facebook, some of them even being addicted to it: "you're making me addicted to you", "I'm counting on you too much and this is holding me back". If in the love letters the respondents declared their desire to never stop their relationship with Facebook, in the break up letters they revealed their frustrations caused by this addiction and the lack of self-control. In addition, Facebook was disliked for wasting too much of their time, being in line with some of the findings from Yazdanparast et al. (2015). Even though Facebook was previously mentioned as a good remedy against boredom, now it was accused of interfering with their studies: "I can't study because of you". This is why Facebook was characterized as "egoistic" and "jealous", keeping its users captive and wanting to control their lives: "I feel monopolized by you", "you're controlling every aspect of my life".

Confirming previous studies (Jebbit, 2018; Butow, 2018), this research shows that the Cambridge Analytica scandal has negatively impacted users' trust. The students mentioned how disappointed they were when they realized how Facebook acted in regards to their privacy: "you betrayed us and used our personal data in an abusive way", "you told our secrets to other companies just for money". Misusing users' personal data was considered an act of betraying a close friend. Another source of dissatisfaction with Facebook was the lack of control over some aspects such as the messages and friend requests received or the fact that other people can save and use their photos. At the same time, some of the students mentioned that they dislike being spied on by their family on Facebook. Nonetheless, some technical issues were mentioned – lagging and frequent freezing.

If the love letters revealed two types of positive emotions – love and gratitude, the types of negative emotions from the break up letters were more varied in nature. However, their frequency was lower: 78 mentions about negative feelings vs. 124 positive mentions about positive feelings. Some of the respondents were furious with Facebook, because it is annoying and stressful. Other users confessed their disappointment, even writing that Facebook has become unrecognizable. Some of them went so far and declared they are out of love with the social network or even hate it. However, the predominant negative emotion was sadness caused by the possible break up. Students admitted that writing the break up letter was not an easy

thing to do, showing that they are not ready to end the relationship. The thought of breaking up was hard even on those who admitted to “cheating” on Facebook with someone else: “I am seeing someone else”, “I cheated on you with your friend, Instagram”. The “mistresses” mentioned were Instagram, 25 times, and Tinder and Twitter (with only one mention each of them). There were respondents who even wanted to explain their unfaithfulness: Instagram is newer, has a better design, less ads and most of their friends are there. Moreover, the fact that Facebook has introduced the story feature has been frowned upon and considered a theft from Instagram. In the end, when asked which letter they would send to Facebook, 27 students chose the break up letter, while 25 students chose the other one.

### Conclusions

Through product personification, the letters revealed the complicated emotional relationships between users and Facebook and insights about potential improvements. Each letter opened with a salutation, usually “Dear Facebook”, suggesting the thesis of the relationship. The ending was typical for a letter as well, having salutations such as “love”, “sincerely” or “I’m sorry”, concluding the feelings. The tone of voice was friendly, very similar to writing a letter to a real friend. The two types of letters helped us in understanding both positive and negative attitudes and emotions towards Facebook. Just like relationships with people, relationships with products have their own ups and downs.

We discovered that Facebook is considered a good friend who has offered great emotional support overtime, being there for its users and listening to them. Facebook is like an old friend who knows everything about their best mate. Its personalized content and some of its features (anniversaries, memories, personalized videos and messages, notifications about events and weather) make users feel special and cared for. Moreover, it is funny and directly contributes to its users’ happiness. Consequently, our respondents openly declared their love and gratitude towards the social platform.

However, like in any other relationship, our participants mentioned some frustrations and motifs of unhappiness in the break up letters. Exposure to undesirable content, ads, and frequent notifications were some of the sources of dissatisfaction. In addition, the issues regarding the protection of personal data affected users’ trust, being considered a betrayal, and trust represents the foundation of a relationship. But despite Facebook’s shortcomings, staying away from it is hard and some of our students even admitted to being addicted to Facebook. This is why the social network was called “egoistic” and “jealous”, keeping its users in captivity. Negative emotions such as anger and disappointment were expressed, but not more than sadness. Although Facebook has its quirks and imperfections, like any person, the emotional connection developed over time is hard to destroy and the thought of breaking up causes emotional distress and sadness. Some of the respondents admitted to cheating on Facebook with other social networks due to several reasons. However, they have invested a great deal into the relationship with Facebook and do not seem ready to let it go, even if more than half of the respondents chose to send the break up letter. The relationship with Facebook, complicated as it is, is hard to break, especially for young people in their twenties, who have grown up with Facebook and have shared their happy and low moments with it.

Regarding the research method used, we consider that it brings valuable emotional insights. There are several reasons why we consider that the love - break up letter method is a useful qualitative research tool that should be embraced by academia. First of all, personification made the attribution of qualities and flaws to the chosen digital system easier. It was very easy for the respondents to imagine that Facebook was a person. Directly addressing it led to a more natural way of expressing oneself. Then, the short time limit imposed did not allow the subjects to overthink their responses. Also, the researcher has little to no involvement

and does not affect the participants' behavior. Last but not least, the participants seemed to enjoy writing the letters, because it was "fun". The process itself was short and writing letters (especially hand writing them) is extremely uncommon in today's world. For many respondents, it was the first time they have directly "talked" to Facebook. However, deeply understanding users' motivations and the reasons for loving or hating certain features could be difficult only by analyzing the letters. The follow up part is missing. Therefore, it is recommended that the love – break up letter is followed by interviews. Furthermore, it would be interesting to see in a longitudinal study how user's emotions and attitudes change over time, by applying this research method.

In conclusion, we consider that this paper contributes to the body of literature regarding both emotional connection between products/brands and users and qualitative research. Furthermore, there are several managerial implications that can be drawn from this study. Taking into consideration the fact that the use and importance of digital tools had skyrocketed in the last months due to the Covid-19 pandemic (including e-learning tools), it is more important than ever for business professionals to understand the emotional attachment between users and digital products/systems. Even though digital products are an integrated part in peoples' lives, the increased competition between tech companies makes it difficult to "win users' hearts". Moreover, the love – break up letter is an easy to implement and cost-effective research method that business professionals from the tech world can rapidly put in practice when needed. For example, Facebook has started to face serious competition from TikTok. The love – break up letter is a technique that allows Facebook professionals to not only understand the user's attitude towards Facebook, but to also compare the two platforms and find a way of bringing back users and engaging more with them.

However, this is an explorative study and has its limitations. The results cannot be generalized for the population. Finally, we believe that this research tool called love – break up letter can provide extremely valuable insights for understanding product attachment. People interact with technology and brands thousands of times every day and investigating the emotional connection between them helps professionals design better products.

## References

- ALADWANI, A.M. (2014). Gravitating towards Facebook (GoToFB): what it is? And how can it be measured? *Computers in Human Behavior*, 33, 27-278. doi: 10.1016/j.chb.2014.01.005.
- ALHABASH, S., & MA, M. (2017). A Tale of Four Platforms: Motivations and Uses of Facebook, Twitter, Instagram, and Snapchat Among College Students? *Social Media and Society*. doi:10.1177/2056305117691544.
- ALHABASH, S., CHIANG, Y., & HUANG, K. (2014). MAM & U&G in Taiwan: Differences in the uses and gratifications of Facebook as a function of motivational reactivity. *Computers in Human Behavior*, 35, 423–430. doi: 10.1016/j.chb.2014.03.033
- ANDREASSEN, C.S., TORSHEIM, T., BRUNBORG, G.S., & PALLESEN, S. (2012). Development of a Facebook Addiction Scale. *Psychological Reports*, 110(2), 501–517. doi: 10.2466/02.09.18.PR0.110.2.501-517.
- ARORA, S., & OKUNBOR, D. (2016). Facebook: Hate it or Love it, But Can You Ignore it? A Comparative Study of US and India. *Journal of Information Science Theory and Practice*, 4, 65-73. doi: 10.1633/JISTaP.2016.4.1.5.
- BRAILOVSKAIA, J., MARGRAF, J., & KÖLLNER, V. (2019). Addicted to Facebook? Relationship between Facebook Addiction Disorder, duration of Facebook use and narcissism in an inpatient sample. *Psychiatry Research*, 273, 52-57. doi: 10.1016/j.psychres.2019.01.016.

- BRAILOVSKAIA, J., ROHMANN, E., BIERHOFF, H.-W., & MARGRAF, J. (2018). The brave blue world: Facebook Flow and Facebook Addiction Disorder (FAD). *PLoS One*, 13(7), e0201484. doi: 10.1371/journal.pone.0201484.
- BRÜGGER, N. (2015). A brief history of Facebook as a media text: The development of an empty structure. *First Monday*, 20(5). doi: 10.5210/fm.v20i5.5423.
- BUTOW, D. (2018, April 18). Trust in Facebook has dropped by 66 percent since the Cambridge Analytica scandal. *NBC News*. Available at <https://www.nbcnews.com/business/consumer/trust-facebook-has-dropped-51-percent-cambridge-analytica-scandal-n867011>
- CALANCIE, O., EWING, L., NARDUCCI, L. D., HORGAN, S., & KHALID-KHAN, S. (2017). Exploring how social networking sites impact youth with anxiety: A qualitative study of Facebook stressors among adolescents with an anxiety disorder diagnosis. *Cyberpsychology: Journal of Psychosocial Research on Cyberspace*, 11(4). doi: 10.5817/CP2017-4-2.
- CHRISTOFIDES, E., MUISE, A., & DESMARAIS, S. (2009). Information control and disclosure on Facebook: Are they two sides of the same coin or two different processes? *Cyberpsychology and Behavior: the impact of the Internet, multimedia and virtual reality on behavior and society*, 12, 341-5. doi: 10.1089/cpb.2008.0226.
- ČIČEVIĆ, S., SAMČOVIĆ, A., & NESIC, M. (2016). Exploring college students' generational differences in Facebook usage. *Computers in Human Behavior*, 56, 83-92. doi: 10.1016/j.chb.2015.11.034.
- ELLISON, N., STEINFELD, C., & LAMPE, C. (2007). The Benefits of Facebook “Friends:” Social Capital and College Students’ Use of Online Social Network Sites. *Journal of Computer-Mediated Communication*, 12, 1143-1168. doi: 10.1111/j.1083-6101.2007.00367.x.
- GÁBOR, O., TÓTH-KIRÁLY, I., & BÖTHE, B. (2015). Four facets of Facebook Intensity - The development of the Multidimensional Facebook Intensity Scale. *Personality and Individual Differences*. doi: 10.1016/j.paid.2015.11.038.
- GERBER, E. (2012). Tech Break Ups: A Research Method for Understanding Technological Attachment. *Interactions*, 19(5), 26-30. doi: 10.1145/2334184.2334192.
- GIANNAKOS, M., CHORIANOPOULOS, K., GIOTOPOULOS, K., & VLAMOS, P. (2013). Using Facebook out of habit. *Behaviour & Information Technology*, 32, 594-602. doi: 10.1080/0144929X.2012.659218.
- HAYES, M., VAN STOLK-COOKE, K., & MUENCH, F. (2015). Understanding Facebook use and the psychological affects of use across generations. *Computers in Human Behavior*, 49, 507-511. doi: 10.1016/j.chb.2015.03.040.
- HONG, F.Y., & CHIU, S.L. (2014). Factors Influencing Facebook Usage and Facebook Addictive Tendency in University Students: The Role of Online Psychological Privacy and Facebook Usage Motivation. *Stress and health: journal of the International Society for the Investigation of Stress*, 32. doi: 10.1002/smi.2585.
- HOOTSUITE. (2020). Digital 2020: Romania. Available at <https://datareportal.com/reports/digital-2020-romania>.
- HUNT, D., ATKIN, D., & KRISHNAN, A. (2012). The influence of computer-mediated communication apprehension on motives for Facebook use. *Journal of Broadcasting & Electronic Media*, 56(2), 187-202. doi: 10.1080/08838151.2012.678717.
- JEBBIT. (2018). The Consumer Data Trust Index. Jebbit.
- KARAPANOS, E., TEIXEIRA, P. & GOUVEIA, R. (2016). Need fulfillment and experiences on social media: A case on Facebook and WhatsApp. *Computers in Human Behavior*, 55, 888-897. doi: 10.1016/j.chb.2015.10.015.

- KATZ, E., BLUMER, J.G., & GUREVITCH, M. (1974). Utilization of mass communication by the individual. In: Blumler JG, Katz E (eds.) *The Uses of Mass Communications: Current Perspectives on Gratifications Research*. London: SAGE, 19-34.
- KRAUSE, A.E., NORTH, A.C., & HERITAGE, B. (2014). The uses and gratifications of using Facebook music listening applications. *Computers in Human Behavior*, 39, 71-77. doi: 10.1016/j.chb.2014.07.001.
- LEDBETTER, A.M., MAZER, J.P., DEGROOT, J.M., MEYER, K.R., MAO, Y., & SWAFFORD, B. (2011). Attitudes toward online social connection and self-disclosure as predictors of Facebook communication and relational closeness. *Communication Research*, 38(1), 27-53. doi: 10.1177/0093650210365537.
- LINCOLN, S., & ROBARDS, B. (2016). Editing the project of the self: sustained Facebook use and growing up online. *Journal of Youth Studies*, 20, 1-14. doi: 10.1080/13676261.2016.1241869.
- MANCA, S., & RANIERI, M. (2013). Is it a tool suitable for learning? A critical review of the literature on Facebook as a technology enhanced learning environment. *Journal of Computer Assisted Learning*, 29(6), 487-504. doi: 10.1111/jcal.12007.
- MARINO, C., GINI, G., VIENO, A., & SPADA, M.M. (2018). A comprehensive meta-analysis on Problematic Facebook Use. *Computers in Human Behavior*, 83, 262-277. doi: 10.1016/j.chb.2018.02.009.
- MARTIN, B., & HANINGTON, B. (2012). Universal Methods of Design. In *Universal Methods of Design*, 114-115. Rockport Publishers.
- NADKARNI, A., & HOFMANN, S. (2012). Why Do People Use Facebook? *Personality and individual differences*, 52, 243-249. doi: 10.1016/j.paid.2011.11.007.
- PERRIN, A. (2018). Americans are changing their relationship with Facebook. *Pew Research Center*. Available at: <https://students.mathsnz.com/3.12/pdfs/Article15.pdf>.
- PHUA, J., JIN, S. & KIM, J. (2017). Uses and Gratifications of Social Networking Sites for Bridging and Bonding Social Capital: A Comparison of Facebook, Twitter, Instagram, and Snapchat. *Computers in Human Behavior*, 72. doi: 10.1016/j.chb.2017.02.041.
- QUAN-HAASE, A., & YOUNG, A.L. (2010). Uses and gratifications of social media: A comparison of Facebook and instant messaging. *Bulletin of Science, Technology & Society*, 30(5), 350-361. doi: 10.1177/0270467610380009.
- RAACKE, J., & BONDS-RAACKE, J. (2008). MySpace and Facebook: Applying the Uses and Gratifications Theory to Exploring Friend-Networking Sites. *Cyberpsychology & behavior: the impact of the Internet, multimedia and virtual reality on behavior and society*, 11, 169-74. doi: 10.1089/cpb.2007.0056.
- ROBLYER, M.D., MCDANIEL, M., WEBB, M., HERMAN, J., & WITTY, J. (2010). Findings on Facebook in higher education: A comparison of college faculty and student uses and perceptions of social networking sites. *The Internet and Higher Education*, 13, 134-140. doi: 10.1016/j.iheduc.2010.03.002.
- STANLEY, B. (2015). Uses and gratifications of temporary social media: A comparison of Snapchat and Facebook. Fullerton: California State University, Fullerton.
- TARTAGLIA, S. (2016). Different modalities of using facebook: The influence of actual social relations, wellbeing, and attitude towards the medium. *Studia psychologica*, 58, 3-17. doi: 10.21909/sp.2016.01.703.
- TOSUN, L. P. (2012). Motives for Facebook use and expressing “true self” on the Internet. *Computers in Human Behavior*, 28(4), 1510-1517. doi: 10.1016/j.chb.2012.03.018.
- YAZDANPARAST, A., JOSEPH, M., & QURESHI, A. (2015). An investigation of Facebook boredom phenomenon among college students. *Young Consumers*, 16(4), 468-480. doi: 10.1108/YC-02-2015-00506.

## The Intertwining between Corporate Governance and Knowledge Management in the Time of Covid-19 – A Framework

Delia DELIU

West University of Timisoara - Faculty of Economics & Business Administration  
delia.deliu@e-uvt.ro

### Abstract

It isn't "Love in the Time of Cholera," but companies will face momentous challenges and trials regarding corporate governance in the time of Coronavirus. Meanwhile, knowledge has been viewed as the most significant asset for organizations in the last decade, this also being reinforced by the knowledge-based view of the company which looks at intangible resources of a company (such as intellectual capital) as the source of high competitive advantage. This paper's objective is to develop an understanding of how responsiveness in an organizational structure may be approached from a combined corporate governance (CG) and knowledge management (KM) view in a context characterized by uncertainty, volatility, precariousness, panic and disorientation. Based on a synthetic review of earlier research and empirical data, this study suggests that managers nowadays have in general a limited understanding of the current developments in the CG – KM interfaces. This knowledge gap has important implications for as regards what should be researched in the area and how, as well as for the usefulness of knowledge, one wants to hold out to. The paper aims to explore how knowledge management governance (KMG) can conduct to positive delivery of KM strategic benefits and the critical issues relating to it. Through the proposed framework, the research argues whether KMG plays a critical role in providing a balance between human resource, processes, and use of technology in KM strategy, KMG being defined as an executive framework which comprises authority, strategy development, organizational culture, risk management, as well as assessment and measurement in regards to KM organization. Therefore, the purpose of this study is to critically evaluate the status of the interdependence relationship between CG and KM in the proposed framework. The paper also explores the CG and KMG perspectives relating to the new Coronavirus socio-economic crisis, identifying CoVid-19 as a systemic risk, providing a CG lens, to focus on Board leadership and effectiveness. The study reveals some recommendations in order for the Boards to optimise the level of appropriateness and adequacy of the governance mechanisms so as to sustain the realization of KM objectives.

**Keywords:** Coronavirus, CoVid-19 pandemic, corporate governance, knowledge management, knowledge management governance.

**JEL classification:** G34, O31, L22, M12.

### 1. Introduction and context

The current pandemic, generated by the *new Coronavirus* (commonly known as CoVid-19), emerged in December 2019 and has rapidly become a global crisis that threatens not only the health of individuals, but also the welfare of societies on a vast scale, including its impact on worldwide economic activity and growth. Regarding this extremely sensitive socio-economic environment, the International Corporate Governance Network (I.C.G.N.) predicts that global growth could drop to 1.5% by the end of 2020, half the rate projected before the virus outbreak.

Presenting health, wellbeing and financial issues to both people and business, as well as severe disruption of operations across functions, the CoVid-19 crisis spawned tremendous trials and very profound challenges, therefore it must be regarded as a top priority, especially by those charged with governance within a company.

In this context, the Board of Directors, whose main role is to watch over the health of the company, as well as business prospects, steering the new Coronavirus crisis necessitates vigilant concern regarding a range of issues under these unprecedented circumstances.

Obviously, this particular situation – this socio-economic crisis that captures the concerns of all societal actors – “calls for fundamental reconfigurations of economic philosophies and

of the dominant action logic”. Therefore, Boards need strategies – to break out of economic weakness, respectively tactics – to control the effects of entrainment, immobilization, and contribute to restoring of stimuli (Deliu, 2019a).

Recent progresses, emerging trends, changing behaviours, new complex rules of competition and multifaceted patterns of nowadays business environment ought to be taking into consideration to classic management systems, especially the knowledge management process, since new-fangled elements, such as innovation and knowledge, should be added (Deliu, 2019b).

In the last decade, *knowledge* is, undoubtedly, viewed as being the most important asset for any company. This is reinforced via the “*knowledge-based view of the economic entity*” that guises at the goodwill of a company, for example, as the “source of competitive advantage” (Spender, 1996, Zack, 1999). Nonaka & Takeuchi (1995) explain in what way knowledge is expected to remain the only resource inside an economic entity, which is hard to mimic by competitors and, therefore, they are arguing that creating inimitable knowledge, per se, will become “the key to a sustainable competitive advantage in the future”.

Thus, having grasped the *strategic role of knowledge*, corporations have endeavoured to leverage knowledge with the aim of augmenting their performance, “managing knowledge” becoming a recurring topic in companies from numerous industries. In this context, the specialty literature often designates *Knowledge Management (KM)* as “self-realizing the potential that an economic entity has over its knowledge asset towards effectiveness and accomplishment” (Ardianto, 2013).

Over time, KM has progressively been recognized as “a business approach which uses technology as an enabler”, notwithstanding that early research saw KM as a strong technology-driven initiative, as Wiig (1997) outlines. However, in order to successfully implement KM in organizations, thoughtful *KM strategy* must be developed, as Zyngier & Burstein (2004) observe, through “ascertaining areas in which knowledge is critical and setting up actions, tools, and methods that can best leverage knowledge”, as Ardianto (2013) summaries. This also regards the enlargement of KM strategy which foresees the aspect of human, material, as well as technical resources. (Tiwana, 2002).

Hence, this study regards KM strategy as comprising a framework to attain the strategic objective of enhancing knowledge on the way to reaching organizational goals. Whereas the significance of having enunciated KM strategy has got significant focus in the specialty literature, little is known about how the *governance of KM strategy* is actually acted upon.

The governance of KM (hereafter named Knowledge Management Governance – KMG) has one grand objective: and that is to warrant the transfer of KM strategic benefits, by generally dealing with the “framework of decision rights, organizational structure, policy guidelines, risk management, performance measurement, and feedback mechanisms in relation to KM deployment” (Smith & McKeen, 2003, Onions & de Langen, 2006, Zyngier, 2006, Ardianto, 2013).

This paper attempts to explore how KMG can conduct to effective delivery of KM strategic benefits, while highlighting the main concerns it involves. It also debates on how KMG can contribute to apprehending the interdependence amongst people, processes, and technology within KM strategy, especially in this sensitive socio-economic context generated by the CoVid-19 pandemic. In order to clarify the application of the KMG, a proposed framework is presented. From a more specific point of view, this paper is expected to contribute to the comprehension of the specific roles KMG can play in a successful KM initiative, in the current sensitive socio-economic environment. The research aims to depict how KM, in conjunction with an effective CG can play a life-saving role in the current Covid-19 epidemic.

## 2. Methods & Materials

This paper comprises a fundamental research, encompassing numerous debates about KM as a fundamental concept, respectively aspects related to models and framework regarding KM. The main focus lies in the strong interdependence relationship between KM and CG, the research starting from the following assumption: “*The Governance of Knowledge Management is based on an effective CG*”. The research is loomed through a positivist research leaning, with all-encompassing interpretative approaches (regarding current perception on KM best practices in organizations) and with a number of critical elements, personal views and debates, which intertwine harmoniously and give the paper novelty. In terms of generated knowledge, this research has a qualitative approach, most investigated items being of qualitative nature. The research follows a transverse direction through the used observation, comparison and conceptual analysis techniques. Thus, specialty literature was valued by processing it with various methods specific to socio-human sciences, such as non-participating observation and comparison. The non-participating approach is due to the research field and the current state of knowledge in the field of interest, although comparisons made and opinions and conclusions expressed show certain participating aspects of the research, respectively the relevance of transmitted information. The dynamics of scrutinising scientific literature is, in the author’s opinion, extremely relevant in the investigation of management trends, and consequently for increasing complexity of tasks and responsibilities attached to those charged with governance within a company, the more that we talk about periods of socio-economic crises, like the one we are experiencing right now, respectively the turbulences, insecurity, volatility, shakiness, unsteadiness, fluctuation, uncertainty, precariousness, imbalance, panic, disorientation – all generated by the new Coronavirus (CoVid-19) pandemic.

## 3. Conceptual & Theoretical Background

### 3.1. Corporate Governance in the Current Sensitive Socio-Economic Context Generated by Covid-19

The new *Coronavirus (CoVid-19) outbreak* raises corporate governance (CG) concerns and, consequently, may give rise to jeopardies and risks that should be taken into consideration by companies and their Boards. In this context, listed companies are expected to ensure a qualitative, effective CG, by rigorously coalescing transparency, accountability, responsibility and control. These four features should build the foundation for all actions taken by the Board in relation to the CoVid-19 pandemic.

CoVid-19 clearly meets the criteria of a *systemic risk*, as also put forward, in a presumptuous manner, in the International Corporate Governance Network (I.C.G.N.)’s 2018 Guidance on Investor Fiduciary Duties: “The nature of systemic risk is that it builds over time, it is interactive and synergistic and, once in play, is difficult to control. Systemic risk drivers tend to be cumulative and/or interdependent, resulting in far-reaching impacts, shocks or even system-wide failure”.

Among this, other past worldwide-spread CG failures of organizations have kept governance issues on the front burner of academics, economists, Boards and the policy makers in the last decades.

CG, according to O.E.C.D. is “a set of relations between a company’s management, its Board, its shareholders and other stakeholders, providing the structure through which the objectives of a company are set and the means of attaining those objectives and monitoring performance are determined”. The primordial scope of CG is to promote efficient and equitable use of resources, as well as “share accountability for the stewardship of resources in a manner that aligns the interests of individuals, the company and society at large”.

However, only virtuous management can make these happen, especially in this current crisis that poses high commercial risks which impact the companies' ability to deliver products and services on time. In order to mitigate these risks, those charged with governance (and especially directors) should judiciously, carefully and proactively consider their company's condition and check for alternatives. They should also consider developing a business continuity plan and a risk management strategy. The Board shall review and assess the main risks to which the company is exposed in pursuing its corporate purpose as well as the strategy implemented to control and manage these risks, furthermore, it shall inform shareholders of the conclusions of its review and assessment. Directors of listed companies should also check if the company's particular situation requires the disclosure of inside information since, in the sensitive socio-economic context we are experiencing, this kind of information is considered information of a precise nature which, if it were to be made public, would be likely to have a significant effect on the price of the issuer's financial instruments or related derivative financial instruments. It is up to the directors to evaluate whether the CoVid-19 crisis requires such disclosure.

Until now, a pandemic would have represented for most corporations and Boards a proverbial "unknown unknown". Nonetheless, numerous organisations "will have had in place disaster or crisis planning capabilities to deal with these sorts of unknowns or unanticipated shocks. In the first instance this often comes under a company's risk management function and then through risk oversight of management's response to such risks at the Board level", as I.C.G.N (2020) sketches.

In some CG structures there may have already existed *risk committees or crisis working groups* to aid define just-in-time decision-making and/or operational protocols. Usually, a crisis task force works diligently with the management, taking a lead in addressing unexpected crises, quandaries and emergencies, being a noteworthy contributor to CG effectiveness in general, and Board efficiency in particular.

Nevertheless, the earnestness of CoVid-19 designates that this is a matter for those charged with governance within a company as a whole, and that the Board is ultimately accountable for a company's responses, even though the company's management itself may be confronting these risks on a day-to-day basis.

Questions like the following may arise:

**Table 1. Interrogative Decalogue of Covid-19 in relation to CG Questions for those charged with governance**

|     |                                                                                                                                                                                                                                                                                     |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Q1  | "Does the Board recognise its role and accountability to provide oversight to the company's management of the CoVid-19 crisis?"                                                                                                                                                     |
| Q2  | "How is the Board structured to address the crisis? Is there a clarity of roles and responsibilities?"                                                                                                                                                                              |
| Q3  | "How does the Board get information about the crisis and demonstrate that it has an adequate and up-to-date understanding of the risk faced by the organisation? Does the Board have access to internal or external subject matter experts on CoVid-19 to support decision making?" |
| Q4  | "If a crisis management committee exists how does the Board allocate responsibilities to it and how does this committee interact with management and the Board as a whole?"                                                                                                         |
| Q5  | "Scoping the problem: what are the key financial risks and pressures and how resilient is the company to confront negative economic outcomes?"                                                                                                                                      |
| Q6  | "How is the Board addressing the crisis and its impact on employees, customers, supply chains and local communities?"                                                                                                                                                               |
| Q7  | "What key financial and strategic decisions have to be made and in what time frame?"                                                                                                                                                                                                |
| Q8  | "How will the company balance the interests of shareholders, stakeholders and the overall sustainability of the company itself?"                                                                                                                                                    |
| Q9  | "What are the plans for business continuity?"                                                                                                                                                                                                                                       |
| Q10 | "How are communications managed internally and externally? How will the company communicate the economic impacts and threats to the company's financial sustainability and business model?"                                                                                         |

Source: own projection, after I.C.G.N (2020)

The answer to all of these questions may find its correspondent in the KM and, consequently, in the KMG. Nevertheless, from this angle, the author believes the general principles for an *effective CG during this crisis* should include:

- keeping the Board engaged and informed with virtual Board meetings wherever possible,
- keeping critical functions going wherever possible,
- managing working capital (liquidity and working capital requirements, assessing short-term requirements of cash and sources available, securing liquidity requirements),
- continuing to meet statutory obligations (monitoring everything related to financial reporting, ensuring complete integrity and transparency in managing external reporting, sustaining continued performance of internal controls, ensuring data security, guaranteeing disclosure by communicating with regulators and providing public disclosure where it is needed or warranted as new information emerges),
- recalibrating risk assessments (identifying risks that may have been previously considered managed, but are now potentially high-risk, reviewing cyber risks in the short/medium term),
- communicating with internal and external stakeholders as regularly as possible,
- analysing the possibility and opportunity of interim moratoriums and restructuring.

### **3.2. Knowledge and Knowledge Management (KM)**

As Bill Gates emphasized, "knowledge management is a fancy term for a simple idea – you're managing data, documents, and people efforts".

Therefore, before debating on Knowledge Management (KM), the concept of *knowledge* must be clearly comprehended and defined. Part of the struggle of outlining knowledge arises from its correlation to *data* and *information*, these two concepts being often considered as lower denominations of knowledge. However, the exact liaison differs prominently from one circumstance to another.

In this context, Thierauf (1999) defines these concepts as follows: data is the basis, the foundation (comprising an amorphous assemblage of facts and figures), while information is the next level (being considered as structured data), whereas, finally, knowledge is defined as "information about information". Yet, other approaches start to increasingly regard knowledge as a more complex, multifaceted and (inter-)personal concept that incorporates more than just information. The Longman Dictionary depicts one delineation that has a similar approach to the way that knowledge is usually regarded within KM, stating: "the information, skills, and understanding that you have gained through learning or experience". While still closely corroborated with information, notions like skills, abilities, comprehension, competencies, and experience begin to surface.

Therefore, in order to ascertain and define the forms in which knowledge occurs, as well as the different means of accessing, sharing and combining knowledge, one must first endeavour to establish clear boundaries between data, information and knowledge, the figure below attempting to do that:

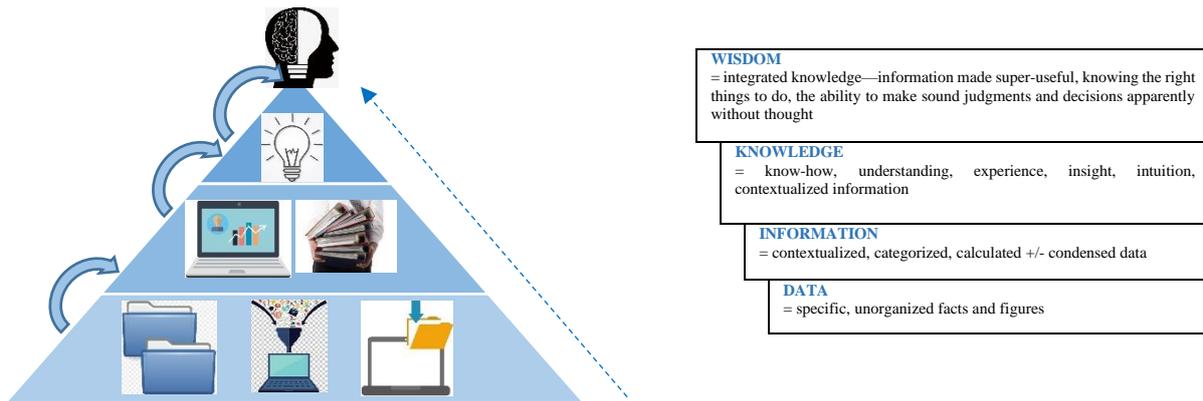


Figure 1. DIKW pyramid – defining data, information and knowledge

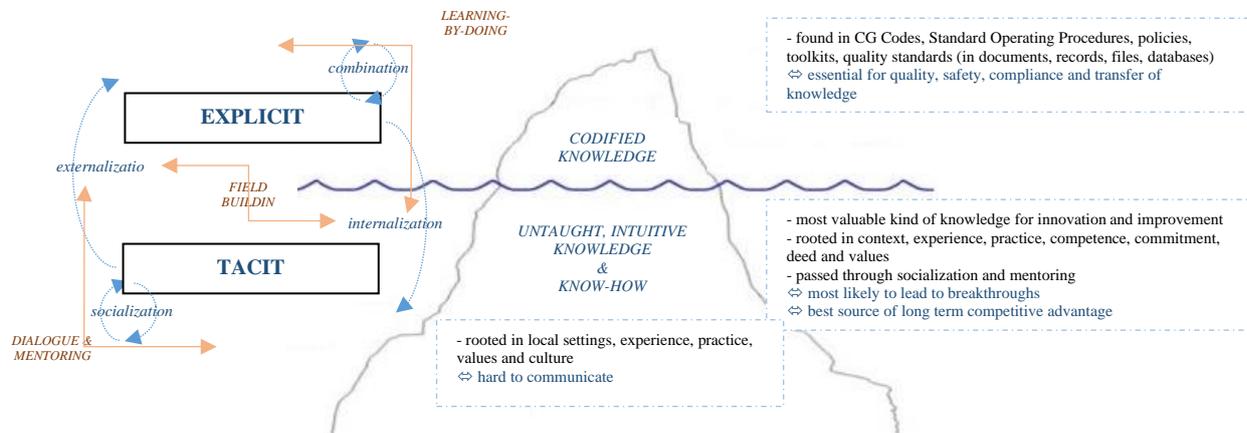
Source: own projection

Thus, in the author's opinion, *data* mostly designate something specific and do not deliver any further information regarding circumstances, patterns, configurations or context, having little impact on the typical manager. Meanwhile, *information* finds its correspondent in relevant, purposeful data (Bali et al., 2009), respectively “contextualized, categorized, calculated and condensed data” (Davenport & Prusak, 2000), answering to questions like: who, what, where, why, when, how (Ackoff, 1999). Hence, information **thrives in painting a bigger picture and can, henceforth, show a trend in the environment or signpost a pattern within a certain period of time. Although IT is usually invaluable in the capacity of turning data into information, the human brain is predominantly required to provide assistance in this contextualization.**

*Knowledge* is watchfully linked to undertaking and performing, and, accordingly, implies know-how and understanding. Each individual possesses a certain knowledge, which is “a personal product of his experience and encompasses the norms by which he evaluates new inputs from his surroundings and the context in which he carries out his activity”. Based on this delineation, Gamble & Blackwell (2001) added a few more insights, observing that knowledge is “a fluid mix of framed experience, values, contextual information, expert insight, and grounded intuition that provides an environment and framework for evaluating and incorporating new experiences and information”. Within this frame of reference, one perceives that knowledge “originates and is applied in the mind of the knowers”. As such, in companies, especially in corporations, it often becomes embedded not only in documents, forms or repositories, but also in organizational routines, norms, practices and culture.

Within any business, an essential step for KM lies in understanding and distinguishing between the two different forms that knowledge can exist in: *explicit knowledge* and *tacit knowledge*. The former refers to knowledge that is captured, codified and documented (such as the one set up in documents and databases, for which IT is essential in order to transfer it and store it), whereas the latter one refers to non-codified, but often personal/experience-based knowledge, which is hard to measure and document. As it can be seen in the figure below, tacit knowledge can be transferred through *socialization* (i.e. sharing experiences, observing, imitating, brainstorming without criticism, mentoring) or *externalization* (i.e. writing down, creating metaphors and analogies, modelling). On the other hand, explicit knowledge can be conveyed through *combination* (i.e. sorting, adding, categorizing, creating methodologies, outlining best practices) or *internalization* (i.e. accessing codified knowledge, goal-based training). Nonaka (1994) is the first to point out that “KM and organisational learning theory almost always take root in the interaction and relationship between these two types of knowledge, creating a theoretical cornerstone of the discipline”. Conversely, Botha et al.

(2008) later on observe that these two types of knowledge ought to be seen as a “spectrum” more willingly than as “definitive points”.



**Figure 2. Knowledge as an iceberg (explicit knowledge vs tacit knowledge)**

Source: own projection

Indeed, in practice, all knowledge is actually a blend of both tacit and explicit ingredients, however, within KM, understanding the distinction between these two is vital. Below the research aims to confer a synopsis of these categories, as well as a short discussion on the way Knowledge Management Systems (KMS) can manage them or not.

On one hand, being formalized and codified, *explicit knowledge* is occasionally being referred to as know-what (Brown & Duguid, 1998), being easy to detect, categorise, store, and retrieve (Wellman, 2009). It can be efficiently handled by KMS, which are very effective at facilitating the storage, retrieval, and modification of documents and texts, to put it briefly, it can be found in: notes, memos, documents or databases, etc. (Botha et al. 2008). From the managerial viewpoint, the highest challenge is that it is similar to information, therefore managers need to make sure that employees have access to what they need, that important knowledge is stored, reviewed, updated, and/or discarded, according to the case. Explicit knowledge is often regarded as being less important (Brown & Duguid, 1991, Cook & Brown, 1999, Bukowitz & Williams, 1999), since it does not encompass the rich experience-based know-how and empirical skills that can generate lasting competitive advantage. Although this is currently changing to some limited degree – due to the digital changes generated by the current CoVid-19 pandemic – KM initiatives driven by technology have often had the flaw of focusing almost exclusively on this type of knowledge. Hereafter, this has created many products labelled as KMS, although they were just information and plain KM software.

On the other hand, *tacit knowledge*, initially demarcated by Polanyi (1966) and sometimes being referred to as know-how (Brown & Duguid, 1998), is referring to “intuitive, innate, hard-to-define knowledge that is fundamentally experience-based”. For this reason, it is often context-dependent, insight-based and personal, deeply rooted in action, practice, values, commitment and involvement (Nonaka, 1994), being hard to communicate. Being regarded as the most valuable source of knowledge, it is “the most likely to lead to breakthroughs in the organization”, as Wellman (2009) outlines. Gamble & Blackwell (2001) link the lack of focus on tacit knowledge directly to the reduced capability for innovation and sustained competitiveness. It is obvious, therefore, why KMS have difficulties handling tacit

knowledge, because of the impossibility of codifying it. The exact extent to which IT systems can aid in the transfer and enhancement of this type of knowledge is a rather complicated discussion. It is important to emphasize the fact that tacit knowledge is “found in the minds of human stakeholders, including cultural beliefs, values, attitudes and mental models, as well as skills, capabilities and expertise” (Botha et al. 2008).

Trustworthy and easy-to-find information is critical during uncertain times. Although it appears that the CoVid-19 curve is starting to flatten, it is believed the process is going to be gradual, therefore economic entities will continue to conduct their business in an instable environment. KM will play a critical role in delivering goods and provision of services during this period.

The full scope of KM, generally speaking, lies in “making the right knowledge available to the right people” by making sure that the entity can learn and will be able to retrieve and use its knowledge in current activities (Hajric, 2018). It entails “the coordination and exploitation of organizational knowledge resources, in order to create benefit and competitive advantage”, as Drucker (1999) highlights. Oppositely, Wellman (2009) narrows the scope of KM to “lessons learned and techniques employed for the management of what is already known”, arguing that knowledge creation is often perceived as a separate discipline and generally falls under *innovation management*. However, Bukowitz & Williams (1999) link KM directly to tactical and strategic requirements, as “its focus is on the use and enhancement of knowledge-based assets to enable the company to respond to these issues”. A similarly broad definition is presented by Davenport & Prusak (2000), which state that KM is “managing the corporation's knowledge through a systematically and organizationally specified process for acquiring, organizing, sustaining, applying, sharing and renewing both the tacit and explicit knowledge of employees to enhance organizational performance and create value”.

In the framework the author will propose, the approach will be from the broader perspective, since the author considers KM incorporates not just the exploitation and controlling of already existing knowledge assets, but the also the initiatives involved in the creation and acquisition of new knowledge.

Hence, taking all these into consideration, the definition for KM delineated in this paper would be as follows: KM finds its correspondent in the methodical and systematic management of a company's knowledge assets with the resolution of not only meeting tactical and strategic requirements, but also of creating value. It resides, therefore, in all the “initiatives, processes, strategies and systems that sustain and enhance the storage, assessment, sharing, refinement and creation of knowledge” (Hajric, 2018).

Henceforth, *KM implies a strong tie to the effectiveness of CG*, to organizational goals and strategy, involving the management of knowledge that is useful for some purpose and which creates value for the economic entity. Expanding upon the previous KM definition in the specialty literature, KM involves the understanding of: “where and in what forms knowledge exists, what the organization needs to know, how to promote a culture conducive to learning, sharing, and knowledge creation, how to make the right knowledge available to the right people at the right time, how to best generate or acquire new relevant knowledge, how to manage all of these factors so as to enhance performance in light of the organization's strategic goals and short term opportunities and threats” (Hajric, 2018).

Unfortunately, KM is a zone in which companies are often unwilling to invest because of the implementation expenses, since it is particularly problematic to determine a specific Return On Investment. Moreover, due to the fact that its definition is not universally accepted, it is often seen as a shallow, information-oriented approach, this being why particularly in the early days, we witnessed some *KM failures*, which have tarnished the reputation of the topic as a whole.

Conceivably the major challenge companies have faced adjusting to the “new normal” has been the shift to remote working in an unprecedented scale, having to place more reliance on KM for consistent information and guidance.

In general, a relevant KM model can incorporate numerous features and should be able to highlight the interdependence relationships.

Before attempting to create a framework able to depict the intertwining between KM and an effective CG, it is mandatory to identify *KM's primordial components*. At the most basic level, as Hajric (2018) synthesizes, KM consists of the following steps: “identification of needs, identification of knowledge resources, acquisition, creation and/or or elimination of knowledge-related resources, processes and/or environments, retrieval, application and sharing of knowledge, and storage of knowledge”, none of these processes being independent and all of them being affected by very many aspects. This is why KM frameworks are typically very different and can be presented in a wide variety of ways. Hajric (2018) observes: “while some models are sequential and seek to provide a better overview at the expense of “realism”, other models display overlapping processes in an attempt to simulate what actually occurs inside an organization”.

This is why there is no such thing as an integrated and fully detailed KM framework, i.e. one that captures all relevant aspects with appropriate detail. However, there are basically three questions that a relevant KM framework may select to answer: what/how (the actual processes of KM), why (an indication of the reasons behind using one method or the other), and when (the timing for using one method or another). While the latter two questions are usually tackled in *strategy-oriented models* that take a larger perspective, the first one is usually dealt with in *process-oriented models* that emphasizes on a comprehension of what tools the manager has available.

There are three main KM models, which will be synthesized below:

**Table 2. Most well-known KM models**  
*Model presentation*

| <i>Model</i>                                                        | <i>Model presentation</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <i>Model focus</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |             |             |          |       |         |        |             |          |               |            |     |           |       |             |          |             |                    |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|----------|-------|---------|--------|-------------|----------|---------------|------------|-----|-----------|-------|-------------|----------|-------------|--------------------|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>KM Process Framework – Bukowitz &amp; Williams (1999)</b></p> | <p><b>Figure 3. KM Process Framework – Bukowitz &amp; Williams (1999)</b><br/>                     Source: Bukowitz &amp; Williams (1999)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>→ emphasizes the "why" and "when" aspects (the process that defines the strategy to build, dissociate and enhance knowledge assets,)</p> <p>→ <b>strengths:</b> strategic focus (putting KM action into context),<br/>                     → KM initiatives = the result of the response to tactical and strategic changes and needs,</p> <p>⇔ provides a great overview of the strategy behind KM, but does not include any deeper insight into what initiatives are suitable in a given instance.</p> |             |             |          |       |         |        |             |          |               |            |     |           |       |             |          |             |                    |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p><b>KM Matrix Model – Gamble &amp; Blackwell (2001)</b></p>       | <table border="1" data-bbox="459 757 938 1025"> <thead> <tr> <th data-bbox="459 757 582 817">Type<br/>Approach</th> <th data-bbox="587 757 699 817">Embodied</th> <th data-bbox="703 757 815 817">Represented</th> <th data-bbox="820 757 938 817">Embedded</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 824 582 884">Sense</td> <td data-bbox="587 824 699 884">Observe</td> <td data-bbox="703 824 815 884">Gather</td> <td data-bbox="820 824 938 884">Hypothesize</td> </tr> <tr> <td data-bbox="459 891 582 952">Organize</td> <td data-bbox="587 891 699 952">Contextualize</td> <td data-bbox="703 891 815 952">Categorize</td> <td data-bbox="820 891 938 952">Map</td> </tr> <tr> <td data-bbox="459 958 582 1019">Socialize</td> <td data-bbox="587 958 699 1019">Share</td> <td data-bbox="703 958 815 1019">Disseminate</td> <td data-bbox="820 958 938 1019">Simulate</td> </tr> <tr> <td data-bbox="459 1025 582 1086">Internalize</td> <td colspan="3" data-bbox="587 1025 938 1086">Apply, Decide, Act</td> </tr> </tbody> </table> <p><b>Figure 4. KM Matrix – Gamble &amp; Blackwell (2001)</b><br/>                     Source: Gamble &amp; Blackwell (2001)</p> | Type<br>Approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Embodied    | Represented | Embedded | Sense | Observe | Gather | Hypothesize | Organize | Contextualize | Categorize | Map | Socialize | Share | Disseminate | Simulate | Internalize | Apply, Decide, Act |  |  | <p>→ as all sequential models, the steps are not to be taken literally, but they do provide an outstanding gestalt of the role of the KM manager,</p> <p>→ <b>limitations:</b></p> <ul style="list-style-type: none"> <li>○ its focus – the overall strategic role outline is not included,</li> <li>○ KM's role – limited to <b>knowledge sharing</b>, omitting the processes of <b>knowledge acquisition</b> and creation,</li> </ul> <p>⇔ a legitimate approach to KM where the focus is on the sharing and retrieval of existing knowledge, but it does not fulfill the overall scope of the KM.</p> |
| Type<br>Approach                                                    | Embodied                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Represented                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Embedded    |             |          |       |         |        |             |          |               |            |     |           |       |             |          |             |                    |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Sense                                                               | Observe                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Gather                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Hypothesize |             |          |       |         |        |             |          |               |            |     |           |       |             |          |             |                    |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Organize                                                            | Contextualize                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Categorize                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Map         |             |          |       |         |        |             |          |               |            |     |           |       |             |          |             |                    |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Socialize                                                           | Share                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Disseminate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Simulate    |             |          |       |         |        |             |          |               |            |     |           |       |             |          |             |                    |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Internalize                                                         | Apply, Decide, Act                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |             |             |          |       |         |        |             |          |               |            |     |           |       |             |          |             |                    |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p><b>KM Process Model – Botha et al. (2008)</b></p>                | <p><b>Figure 5. KM Process Model – Botha et al. (2008)</b><br/>                     Source: Botha et al. (2008)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>→ attempts to offer a more realistic overview of the KM process,</p> <p>→ focus on managerial initiatives,</p> <p>→ the three broad categories overlap and interact with one another,</p> <p>→ <b>limitations:</b></p> <ul style="list-style-type: none"> <li>○ strategic focus (the "when" and the "why" as opposed to the "what") – omitted. It is noteworthy that this model does include the creation of new knowledge as a specific KM initiative.</li> </ul>                                      |             |             |          |       |         |        |             |          |               |            |     |           |       |             |          |             |                    |  |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

Source: own projection

What these three models do not take into consideration lies in the assessment of the effects that lets CG structures know whether the implemented initiatives are achieving the desired results or not. This is reliant on data and information management, but is paramount for forthcoming KM initiatives.

Moreover, nowadays, it is observed that, largely, companies incline to approach the knowledge sharing issue as a technological challenge rather than a socio-organizational one.

Therefore, the present research will present an integrated KM model, the framework proposed in this paper drawing upon elements presented by Nonaka & Takeuchi (1995), as well as on components depicted by Bukowitz & Williams (1999), Gamble & Blackwell (2001), Botha et al. (2000) in their own models. The integrated KM framework that was created focuses on the CG structure and, therefore, has a strategic perspective, attempting to link both processes and strategy.

### 3.2. Knowledge Management Governance (KMG)

In the literature, governance of KM is fairly discussed with reference to its conception and conceptualization. Zyngier et al. (2006) conceptualize KMG in a strategic context, delivering and describing the links between KM strategy and its implementation. In their study, KMG is regarded as being evolutionary, due to the readiness of “feedback mechanisms that enhance all governance processes: authority, risk management, evaluation and measurement”.

It can, therefore, be assumed that KMG is wielded to warrant the provision of KM strategic benefits through leadership, risk mitigation and feedback mechanisms.

Having more pragmatic understanding of governance, Schroeder & Pauleen (2007) outline KMG considering how structure and processes within a company can be enhanced in order to sustain coordination activities in KM deployment. KMG, in this delineation, largely deals with “incorporating appropriate coordination and control to enable effective KM”. “Leadership, organizational structure, and relational mechanisms among stakeholders are the common themes of governance under this conceptualization”, as Schroeder et al. (2010) later on conceptualize.

Leadership is defined as the portrayal of authority which “focuses on guiding and directing organizational strategy to support the value proposition of the organization” (Zyngier & Burstein, 2004). The governance aspect in authority means “rules and exercise of authority are subject to good practices”. However, as leadership and authority transpire in organizational practices, they cannot be liberated from the notion of organizational culture, Burstein et al. (2010) show.

It should not be overlooked, nonetheless, that organizational culture is a key factor which expresses the performance of KM system (Storey & Barnett, 2000). In the same time, Zyngier & Burstein (2004) debate that leaders “substantially influence the creation of organizational culture through their attitude, management style and organization structure”. It is considered, indeed (and rightly!), the culture itself can be in form of “corporate values, professional attitude, ethical conduct, or simply the positive climate to foster collaboration and task achievement”.

Onions & de Langen (2006) convey KMG as “an attempt to maintain performance management of KM in order to match or exceed the predefined standards and objectives. Thus, it emphasizes more on the quality of performance and the standards employed in the KM initiative”.

The implementation of KM, therefore, needs to be governed in a way that ensures the achievement of performance standards.

Drawing from the various definitions of KMG above, the main areas of KMG can be summarized to include *authority, strategy development, risk management, organizational culture, and evaluation and measurement*. These are the domains of KMG governance which, in the author’s opinion, influence the impacts that KM initiatives in an organization will engender.

In order to talk about an effective KMG, besides the triad “*People-Processes-Technologies*”, there is one extra component that must be taken into consideration, this adding more definition and purpose to the whole concept. In practice, there are situations when a

system is in place, but it is not used, procedures not being respected. Although the first thought would be that either culture or discipline is missing, it must be understood that these two are both outcomes of something else.

For example, in the context of the current CoVid-29 pandemic, there are three factors that make employees follow the – sometimes burdensome – safety and security procedures: *clarity of expectation* (they know they should follow the procedures), *tools* (they know how to do it), respectively *monitoring* (they know if they don't follow them, there will be consequences). These three factors are actually the “*pillars of corporate governance*”, and, consequently, can be applied to any management system or leadership style (Deliu, 2020). If these governance elements are taken into consideration, the employees will follow, and the culture will develop. In conclusion, similar *governance elements* are needed in order for KMG to make sure the KM tasks are accomplished:

- *KM policies*: an assemblage of clear corporate expectations, as well as accountability for the ownership of key knowledge areas, and the definition of KM corporate standards,
- *Training and support* in the use of the KM framework, including training in how to perform roles, how to follow KM processes, and how to use KM technology,
- *Monitoring, measuring or auditing* the application of KM: to validate whether employees are delivering on their responsibilities and tasks and smearing the system in the way that they are expected to, this will identify the need for new interventions to enhance the KM system, ensuring an incessant progress of the company in the ability to manage strategic knowledge.

Introducing KM is commonly acknowledged as a “culture change process”, and once the culture has been presented, along with the roles, processes and technologies, at that point it's tempting to assume objectives will be accomplished. However, governance is missing.

Governance denotes all of the management and organisational components that need to be in place so as to make sure knowledge is coped with accurately and rigorously, in a sustained (and sustainable!) way. These three pillars – *clarity of expectation, tools and monitoring* – ensure objectives will be accomplished. They form a governance system and are obligatory in structuring a governance framework for KM.

#### **4. Knowledge Management vs an Effective CG – A Framework**

Implementing KM, hence, has several dimensions, the framework outlined for KM, henceforth, containing six primordial elements:

**1. A set of clear policies and corporate expectations.** KM *strategy* is requisite to be reliant on corporate strategy, the main scope being to manage, share and generate relevant knowledge assets that will help accomplish tactical and strategic objectives. For this, a set of clear policies is obligatory in order to properly manage knowledge within a company, including the accountability and assumed roles for the ownership of key knowledge areas, as well as the designation of corporate standards for KM. When one tries to find an approach for organizing and managing content, one should take into consideration all tacit and explicit knowledge, as well as taxonomy, metadata, templates and tools. Therefore, all business rules (for how to categorize content for successful search and retrieval and how to store it) must be identified and implemented. Another method may find its correspondent in the endorsement of the content on initial capture and assurance that the content remains up-to-date, respectively in the archival of out-of-date content. These policies will provide long-term support in implementing and sustaining initiatives that involve virtually all organizational functions, although they may be costly to implement (both from the perspective of time and money), often not having a direct influence on Return On Investment.

2. **A *KM system***. It must provide the resources that can aid in managing knowledge, referring to a holistic management system, that will comprise:
  - 2.1. ***Roles***. *People* embrace the KM behaviours of pursuing and sharing knowledge and collaborating across functional or geographical areas and boundaries. Therefore, employees' engagement is directly related to company culture. In accordance with the size of the company, their roles (governance body, change agents, subject matter experts, trainers, mentors, etc.) may assigned to the same person, multiple persons, teams, being shared or outsourced. Moreover, KM calls for skilled and experienced *leadership* at all levels. There are a wide variety of KM-related roles that an organization may or may not need to implement (i.e. a CKO, knowledge managers, knowledge broker, etc.).
  - 2.2. ***Business processes***. The processes refer to all the adequate processes, environments and systems that enable KM to be implemented in the company. These processes – which are created for capturing, organizing, accessing and communicating knowledge – enable oversight of overall programs and support accomplishing its objectives at different stages of development and maturity (i.e. core KM processes, governance, measurement approach, change management, etc.). A comprehensive communication plan with targeted messaging during development, implementation and ongoing use of the program is mandatory.
  - 2.3. ***Technologies*** implemented for capturing, organizing, accessing and communicating knowledge. Technology finds its correspondent in all systems, tools and technologies that fit the company's requirements. If they are accurately designed and properly implemented, they should support programs, strategy and already selected approaches. By using data storage, document repositories, team sites, network software and search capabilities, technology can bridge geographies and people, by enabling real-time and rapid access and simplifying complex multiple sources of information. Technology must be fit-for-purpose and should fit within existing business processes.
3. **A *monitoring committee/structure***. Monitoring activities must be integrated in the KM framework in order to assess and measure the application of KM, as well as to ensure employees are delivering their assigned tasks and are applying the system just as they are expected to. Monitoring committees will eventually ascertain the prerequisite for new intercessions to improve the KM system and, therefore, will ensure a continuous improvement in the ability of the company to manage strategic knowledge.
4. ***Continuous improvement***. Initially, a program and strategy will be designed to accomplish company's needs and objectives. A flexible roadmap will provide guidance throughout its evolution, using knowledge-driven learning and development, in order to reach the goal of *continuous improvement*. Both the program and the strategy must progress to meet changing business in response to internal and external influences (i.e. the current pandemic).
5. ***Organizational culture***. An *organizational culture* of pursuing and sharing knowledge is mandatory for the success of any activity. Therefore, those charged with governance should enable behaviours such as: actively seeking and sharing knowledge, proactively using existing knowledge, open communication and collaboration across boundaries, focusing on the collective goal rather than on individual roles, tasks or functions, considering both positive and negative outcomes as sources of valuable knowledge, considering time spent seeking, haring and capturing knowledge as a value-added activity, encouraging incessant learning and continuous collaboration.
6. **An *effective CG***. An *effective CG* will ascertain the critical knowledge that is essential in order to comprehend where enhancement of knowledge flow may provide opportunity for

enriched execution of improving critical business outcomes. After defining and deploying mechanisms able to empower and expand knowledge access and sharing, it should assess performance against outcomes and adjust if necessary.

Finally, all these actions will contribute to assessing prospects for continuous improvement in order to sustain the KM framework over time.

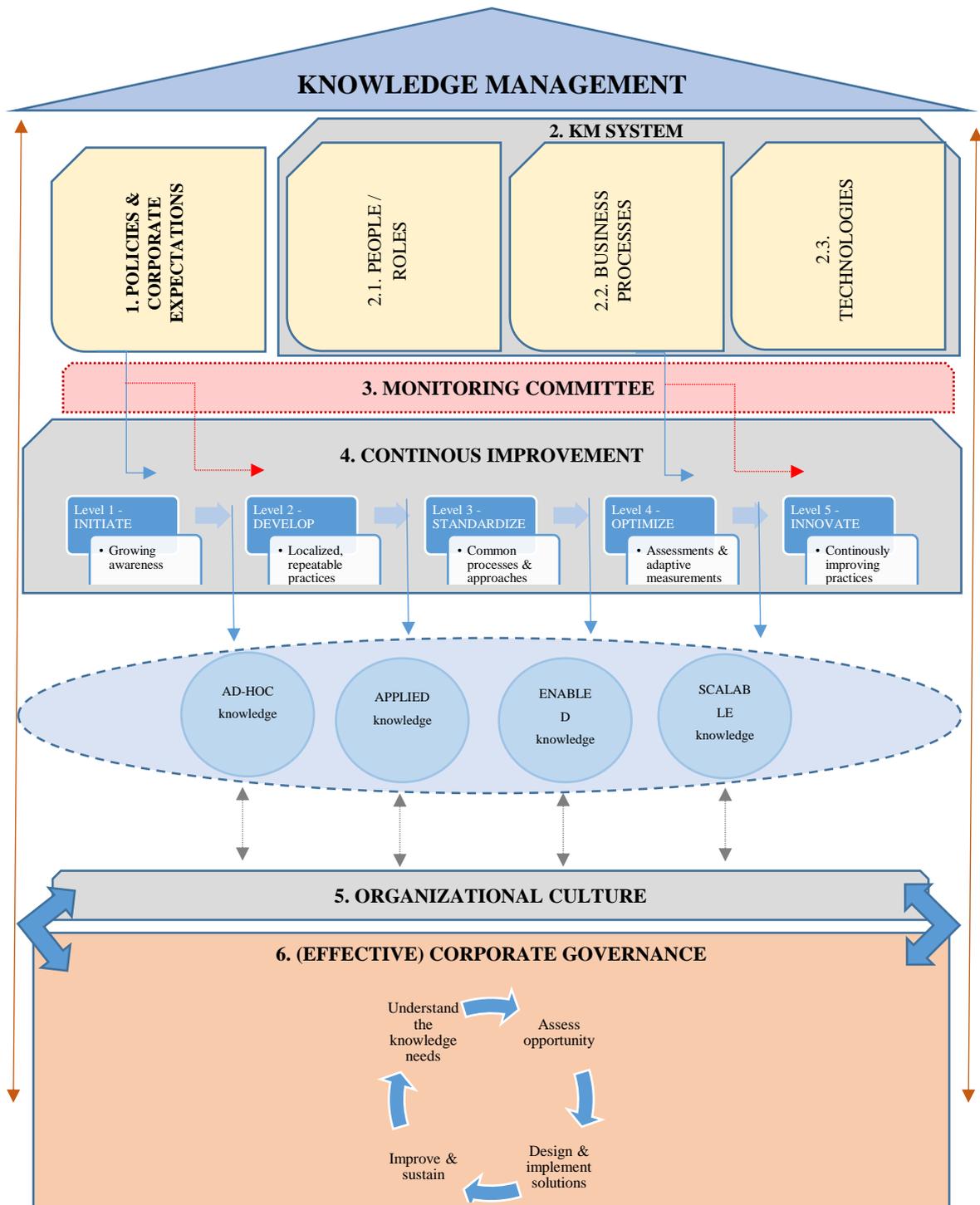


Figure 3. The interdependence between an effective Corporate Governance and Knowledge Management – a framework

Source: own projection

## 5. Findings and Discussion

KM is contingent on the administration of the company's knowledge creation and conversion mechanisms, as well as on company's "memory", retrieval facilities, organizational learning, and organizational culture. For that reason, *through the CG structures*, KM must:

- ✓ provide (or create) the adequate resources, tools, people, knowledge, organizational structures, culture, etc. so as to boost learning and knowledge creation,
- ✓ apprehend the worth and applications of the newly created knowledge,
- ✓ store this knowledge and make it freely available "for the right people at the right time",
- ✓ unceasingly measure, evaluate, apply, polish and/or remove organizational knowledge juxtaposed with tangible short-term and long-term objectives and factors.

Especially in the current sensitive and instable socio-economic environment, *KM is vital for all top- and middle-managers, as well as for the effectiveness of the CG*, because it is responsible for understanding:

- what the company "knows",
- how and where is the knowledge located (i.e. in the mind of an expert, a certain department, in old files, within a particular team, on paper, etc.),
- the transferability of the knowledge to relevant employees, so as to be able to take advantage of it and/or to safeguard that it is not lost (i.e. setting up a mentorship relationship between experienced experts and new employees, implementing a document management system to provide access to key explicit knowledge, etc.),
- the need to systematically evaluate the company's actual know-how vs the company's needs and to act accordingly (i.e. by promoting specific in-house knowledge creation, etc.),

KM is, for all these reasons, extremely beneficial nowadays – because it puts an emphasis on knowledge as an actual asset, rather than as something intangible, enabling the company to better shield and exploit what it knows, as well as to expand and highlight its knowledge progress efforts to match its prerequisites. In other words, KM:

- ✓ aids the company in acknowledging its "own memory" so as to learn from past mistakes,
- ✓ better exploits already-existing knowledge assets by re-deploying them in areas where the company stands to gain something,
- ✓ stimulates a longstanding focus on developing the right abilities, talents and skills by simultaneously eradicating obsolete knowledge,
- ✓ augments the company's capacity to innovate,
- ✓ heightens the company's capacity to safeguard its key knowledge and critical competencies from being copied or lost.

## Conclusions

At this time, the world seems to be commencing to face a challenging time, comparable to the global socio-economic crisis that began since late 2007. In this sense, it must be emphasized what A. Einstein pointed out: „*It is in crisis that invention, discovery and large strategies are born*”.

This paper comprises a fundamental research, encompassing numerous debates about KM as a fundamental concept, respectively aspects related to models and framework regarding KM.

The centre of the research comprised sketching and highlighting the strong interdependence relationship between KM and CG, commencing from the following assumption: "*The Governance of Knowledge Management is based on an effective CG*".

In this context, the paper has investigated and debated on how KMG takes place in companies, given the sensitive socio-economic context spawned by the new Coronavirus (CoVid-19) pandemic, and what principles are applied in each of the governance domains. With the areas defined to include policies and corporate expectations, people (with roles and authority), business processes (with strategy development), monitoring activities (evaluation, measurement and risk management), continuous improvement and an effective corporate governance, KMG can be considered beneficial in ensuring the delivery of KM strategic benefits.

In conclusion, all those charged with governance within an economic entity should first ascertain the most important information and relevant knowledge needed by the company. This will provide comprehension of the challenges, jeopardies and risks related to knowledge gaps and, consequently, an assessment of KM behaviours of the whole organization.

Secondly, top management should identify existing gaps in the availability of specific knowledge needed to support key business processes. All these opportunities should be prioritized based on business needs, and, afterwards, business cases and pilot projects should be proposed to relevant governance body for approval.

Thirdly, relevant KM approaches should be selected and adequate tools should be designed, in order to, afterwards, develop the training implementation plans and training materials that will be delivered to trainees. Measures for assessing use and effectiveness will also be defined.

Finally, CG structures will institute constant oversight and adequate business processes for program maintenance and improvement. Taking into consideration the ever-changing business needs, an effective CG will continuously update and enlarge both the strategy and the program. Business-related actions for performance assessment will be defined and, afterwards, implemented, while approaches for reinforcement and recognition of success will be developed.

A knowledge-seeking and sharing culture together with supporting business processes and people, as well as a qualitative CG, are primordial for the efficacious integration of KMG – in general and KM approaches into routine work – in particular.

In closing, the added value that an effective CG brings within KM finds its correspondent in:

- ✓ Connecting employees with information and experts more rapidly (or even just-in-time),
- ✓ Reducing needless or redundant activities athwart employees/teams/functions,
- ✓ Retaining and facilitating sharing of critical knowledge,
- ✓ Enabling searching, finding and applying information faster,
- ✓ Enhancing decision-making.

This is why the author considers that, when KM is in practice, employees within a company will not only know what knowledge already exists, where to find it, how to speedily access it, who the experts are or how to contact them for assistance, but also how to capture the knowledge in a consistent and searchable manner. Hence, the employees will benefit from an environment where they can share lessons learned, so new tasks and activities will always start using the current best practice. Henceforth, they will bond freely across boundaries of teams, groups, functions and/or geographies.

Further research of this topic will focus on the exploration and investigation of the interplay of KM, IT and business strategies. This is particularly due to the interdependency among them that affects the arrangements of KMG.

## References

ACKOFF, R.L. 1999. *Re-creating the Corporation: A Design of Organizations for the 21st*

- Century, Oxford University Press.
- ALAVI, M. & LEIDNER, D. 2001. Review: Knowledge Management and Knowledge Management Systems: Conceptual Foundations and Research Issues. *MIS Quarterly*, 25, 107-136.
- ARDIANTO, D. 2013. The Role of Knowledge Management Governance. *International Journal of Computer Theory and Engineering*, 5(1), 133-137.
- BALI, R., WICKRAMASINGHE, N., & LEHANEY B. 2009. *Knowledge Management Primer*, London: Routledge.
- BOTHA, A., KOURIE, D., & SNYMAN, R. 2008. *Coping with Continuous Change in the Business Environment, Knowledge Management and Knowledge Management Technology*, Chandice Publishing Ltd.
- BROWN, J.S. & DUGUID, P. 1998. Organizing Knowledge, *California Management Review*, 40(3).
- BURSTEIN, F., SOHAL, S., ZYNGIER, S. & SOHAL, A. S. 2010. Understanding of Knowledge Management Roles and Responsibilities: A Study in the Australian Context. *Knowledge Management Research & Practice*, 8, 76-88
- BURSTEIN, F. & LINGER, H. 2006. Introduction to the Special Issue: An Australian Perspective on Organizational Issues in Knowledge Management. *International Journal of Knowledge Management*, 2, 1-5.
- BUKOWITZ, W., & WILLIAMS, R. 1999. *The Knowledge Management Fieldbook*, Financial Times/Prentice Hall.
- COOK, S.D., & BROWN, J.S. 1999. Bridging Epistemologies: The Generative Dance between Organizational Knowledge and Organizational Knowing. *Organization Science*, 10(4).
- DAVENPORT, T. L. & PRUSAK, L. 2000. *Working Knowledge: How Organizations Manage What They Know*. Harvard Business Press.
- DELIU, D. 2019a. Corporate Governance Issues and Vulnerabilities in the Wake of a Global Financial Crisis. *SWS International Scientific Conference Proceedings on Social Sciences. Political Sciences, Law, Economics & Finance*, 6(1), 297-307.
- DELIU, D. 2019b. Empathetic Leadership - Key Element for Inspiring Strategic Management and a Visionary Effective Corporate Governance. *Journal of Emerging Trends in Marketing and Management*, 1(1), 280-292.
- DELIU, D. 2020. Key Corporate Governance Features within Romanian Banks Listed on Bucharest Stock Exchange: A Thorough Scrutiny and Assessment. *Journal of Eastern Europe Research in Business and Economics*, 271202.
- DRUCKER, P. 1999. Knowledge Worker Productivity: The Biggest Challenge. *California Management Review*, 41, 79-94.
- GALLUPE, B. 2001. Knowledge Management Systems: Surveying the Landscape. *International Journal of Management Reviews*, 3, 61-77.
- GAMBLE, P.R., & BLACKWELL, J. 2001. *Knowledge Management: A State of the Art Guide*, Kogan Page Ltd.
- HAJRIC, E. 2018. *Knowledge Management. System and Practices – A Theoretical and Practical Guide for Knowledge Management in Your Organization*. Accessed on 10.03.2020: [https://www.knowledge-management-tools.net/files/A\\_Synthesis\\_of\\_Knowledge\\_Management\\_Failure\\_Factors.pdf](https://www.knowledge-management-tools.net/files/A_Synthesis_of_Knowledge_Management_Failure_Factors.pdf)
- MCDERMOTT, R. 1999. Why Information Technology Inspired but Cannot Deliver Knowledge Management. *California Management Review*, 41, 103-117.
- NONAKA, I. 1994. Theory of Organizational Knowledge Creation. *Organizational Science*, 5(1), 14-37.
- NONAKA, I. & TAKEUNCHI, H. 1995. *The Knowledge-Creating Company: How Japanese*

- Companies Create the Dynamics of Innovation*, Oxford University Press.
- ONIONS, P. E. W. & DE LANGEN, R. 2006. Knowledge Management Governance. in Proceedings of 7th European Conference on Knowledge Management (ECKM 2006), Corvinus University, Budapest, Hungary, 365.
- POLANYI, M. 1966. *The Tacit Dimension*, London: Routledge & Kegan Paul.
- SCHROEDER, A. & PAULEEN, D. 2007. Knowledge Management Governance: Investigating the Case of a Knowledge Intensive Research Organization. *Management*, 20, 414-431.
- SCHROEDER, A., PAULEEN, D. & HUFF, S. 2010. Governance and Leadership of Knowledge Management. in “Leadership in the Digital Enterprise: Issues and Challenges”, 46-61, P. Yoong (Ed.), Hershey, NY: Business Science Reference.
- SMITH, H. A. & MCKEEN, J. D. 2003. Developments in Practice IX: The Evolution of Knowledge Management Function. *Communications of AIS*, 12, 69-79.
- SPENDER, J. C. 1996. Making Knowledge the Basis of a Dynamic Theory of the Firm. *Strategic Management Journal*, 17, 45-62.
- STOREY, J. & BARNETT, E. 2000. Knowledge Management Initiatives: Learning from Failure. *Journal of Knowledge Management*, 4, 45-56.
- THIERAUF, R. J. 1999. *Knowledge Management Systems for Business*, London: Quorum Books.
- TIWANA, A. 2002. *The Knowledge Management Toolkit: Orchestrating IT, Strategy, and Knowledge Platforms*, Upper Saddle River, N.J.: Prentice Hall.
- TUOMI, I. 2002. The Future of Knowledge Management. *Lifelong Learning in Europe (LLinE)*, 7, 69-79.
- WELLMAN, J. L. 2009. *Organizational Learning. How Companies and Institutions Manage and Apply Knowledge*, New York: Palgrave Macmillan.
- WIIG, K. 1997. Knowledge Management: An Introduction and Perspective. *Journal of Knowledge Management*, 1, 6-14
- ZACK, M. H. 1999. Developing a Knowledge Strategy. *California Management Review*, 41, 125-145.
- ZYNGIER, S. 2006. Knowledge Management Governance. in “Encyclopaedia of Knowledge Management”. D. G. Schwartz (Ed.), Hershey, PA: Idea Group Reference.
- ZYNGIER, S. & BURSTEIN, F. 2004. Knowledge Management Strategies: Leaders and Leadership. in “Constructing the Infrastructure for the Knowledge Economy, Methods and Tools, Theory and Structure' Proceedings” of the 12th International Conference on Information Systems and Development (ISD'03), Melbourne.
- ZYNGIER, S., BURSTEIN, F. & MCKAY, J. 2006. The Role of Knowledge Management Governance in the Implementation of Strategy. in “Proceedings of the 39th Hawaiian International Conference on System Sciences (HICSS'06) Track 7”, Kauai, Hawaii, 152.
- \*\*\* - International Corporate Governance Network (I.C.G.N.). 2020. Coronavirus as a New Systemic Risk: Implications for CG and Investor Stewardship. Accessed on 15.03.2020: <https://www.icgn.org/sites/default/files/ICGN%20Viewpoint%20Coronavirus-%20investor%20expectations%20of%20boards.pdf>
- \*\*\* - International Corporate Governance Network (I.C.G.N.). 2018. Guidance on Investor Fiduciary Duties. Accessed on 15.03.2020: [http://icgn.flpbks.com/icgn-fiduciary\\_duties/#p=1](http://icgn.flpbks.com/icgn-fiduciary_duties/#p=1)

## The Impact of Brand Nostalgia on Purchase Intention among Gen Y

**Stefanie JENSEN**

Hochschule für Technik und Wirtschaft des Saarlandes  
stefanie.jensen@htwsaar.de

**Martin OHLWEIN**

ISM International School of Management  
martin.ohlwein@ism.de

### Abstract

In many cases, a brand's past positively influences a consumer's attitudes, preferences and ultimately brand choice. Nevertheless, the psychographic profile of Gen Y, viz. people born between the early 1980s and the turn of the millennium, raises the question whether personal and historical memories related to a brand as well as perceived brand oldness are important for this market segment as well. More so than their predecessors, this generation is characterized by materialism and a desire for technology and innovation. Therefore, this paper examines the impact of brand nostalgia on brand trust, brand authenticity and finally purchase intention among Gen Y. Three product segments (fruit gums, lingerie, and skin cream) and a nostalgic/non-nostalgic brand pair for each acted as a stimulus in a study with 330 randomly-selected college students as representatives for Gen Y. Results suggest that brand nostalgia significantly influences brand trust, brand authenticity as well as purchase intention. Furthermore, personal rather than historical experience plays a key role in Gen Y. Therefore, brand arguments should put forward nostalgia in a personalised setting for this target group.

**Keywords:** Brand authenticity, brand nostalgia, brand trust, Generation Y, purchase intention.

**JEL classification:** M31, C12.

### 1. Introduction

In recent years, brand nostalgia has come to the fore as a significant driver of consumer behaviour (Li et al., 2019). Empirical studies provide evidence that consumers respond positively to brands with a history (Brown et al., 2003; Orth and Gal, 2012). Nostalgic feelings connected with a brand elicit positive associations – the seeking of happiness – relating to the so-called “good old days” (Balmer, 2013). Because a feeling of nostalgia can provide an individual with a sense of certainty and security (Balmer, 2013), nostalgia can be a key factor in influencing consumer buying behaviour. More precisely, brand nostalgia seems to positively influence core consumer behaviour constructs such as brand trust, brand authenticity and finally, the purchasing intention itself (Kessous and Roux, 2010; Wiedmann et al., 2011). However, the relevance of brand nostalgia seems to vary between generations.

Research indicates that the generations that are referred to as Gen X and Seniors are more inclined towards nostalgic products than are their successors in Gen Y, who show a greater preference for recent options (Havlena and Holak, 1991; Lambert-Pandraud and Laurent, 2010). Gen Y represents a unique and influential consumer group whose behaviour is often discussed but not yet fully understood (Valentine and Powers, 2013).

There is no precise age limit or definition of who belongs to Gen Y. The age range varies considerably among scholars: Howe and Strauss (2000), for example, consider persons born between 1982 and 2005 to be members of Gen Y; Trent et al. (2003) define Gen Y as the cohort born between 1977 and 1994. The intersection between the definitions reveals that those born between the early 1980s and the turn of the millennium belong to Gen Y. This group represented 24% of the adult population in the European Union in 2013, ranging from 19% in Italy to 28% in Poland (Stokes, 2015). Hence, Gen Y is of increasing interest for companies.

After graduation from college, they have entered the work force, and their earning potential makes them important as a powerful consumer group (Taylor and Cosenza, 2002). By 2025, Millennials will comprise three-quarters of the global workforce (Twaronite, 2015).

Marketers believe that Gen Y is different in many ways from the previous generation. Their values and behaviour are considered to be distinguishable and unique to the cohort (Hyllegard et al., 2011). Gen Y is heavily influenced by technology and the internet (Bosch et al., 2019). More so than previous generations, they are characterised by a materialistic and consumer culture that is considered to be primarily a result of technological innovation. As they show a desire for technology and innovation, the question arises whether Gen Y is interested in non-recent brands, and receptive to the message that a brand is related to the past.

In our paper, we present the relevant literature with a focus on brand nostalgia and attitudinal reactions (brand authenticity and brand trust) as well as behavioural intention (purchase intention), and we derive respective hypotheses. In the next step, we discuss the research methodology and present the empirical findings. The paper concludes with implications, limitations of the study and suggestions for future research.

## **2. Conceptual model and hypotheses development**

### **2.1. Brand nostalgia**

The term nostalgia originates from the Greek *nostos* (return) and *algos* (pain) and appears for the first time in the 17<sup>th</sup> century in medicine. It describes what we would today call homesickness, the painful longing to return home. Although nostalgia can evoke negative and ambivalent emotions, it is considered in most instances to express a positive orientation to the past (Holbrook and Schindler, 1991). That is, people tend to remember the past with fondness and a sense of yearning (Havlena and Holak, 1991). Holbrook and Schindler (1991, p.330) define nostalgia as a “preference (general liking, positive attitude, or favourable affect) towards objects (people, places or things) that were more common (popular, fashionable, or widely circulated) when one was younger (in early adulthood, in adolescence, in childhood, or even before birth)”.

Divard and Robert-Demontrond (1997) distinguish personal (or: bonded) nostalgia from historical (or: vicarious) nostalgia (see also Merchant and Rose, 2013; Shields and Johnson, 2016). Personal nostalgia expresses a longing for the lived past. Historical references evoke nostalgia for a period outside an individual's living memory that was never directly experienced by that individual (Baker and Kennedy, 1994; Merchant and Rose 2013).

Brands serve as a reference object to arouse nostalgic feelings (Kessous and Roux, 2010). Paralleling the two previously mentioned facets of individual nostalgia, brand nostalgia refers to a consumer's personal experience and/or the historical context of the brand (Kessous, 2015). Hence, brand nostalgia can be defined as “positively valenced past feelings produced by an individual when a perceived old brand has the ability of recalling him positive past memories, lived or learned.” (Bartier, 2013, p.1). Besides positive emotions, brand nostalgia also triggers cognitive consequences including trust, and purchase intention (Rose et al., 2016).

There is a consensus that brand nostalgia positively influences other brand-related attitudes as well as purchase intention. The latter relationship has been acknowledged by diverse researchers in different contexts and for different product categories. Sierra and McQuitty (2007) demonstrate for 15 product categories of daily use that nostalgia has a positive impact on the intention to purchase. Leigh et al. (2006) as well as Wiedmann et al. (2011) reach similar conclusions with regard to automotive brands. Nostalgic brands achieve superior results in comparison to non-nostalgic comparatives in terms of the intention to purchase and to give as gifts for the product categories of candies, breakfast, maintenance, games/toys, clothing/shoes, and vehicles (Kessous and Roux, 2010).

These findings seem to be disputable for Gen Y. Previous research indicates their preference is for more recent brands (e.g. Lambert-Pandraud and Laurent, 2010). Hence, the causality between a brand being perceived as nostalgic and the (higher) purchase intention might not be given or only to a lesser extent for Millennials. In order to test this relationship, we postulate the following hypothesis H<sub>I</sub>: Brand nostalgia positively affects the intention to purchase a brand among members of Gen Y.

## **2.2. Brand authenticity**

The concept of authenticity has gained attention in the marketing discipline in recent years as consumers demand increasing authenticity in the products that they buy and the services that they use (Brown et al., 2003; Grayson and Martinec, 2004). This is seen as a reaction to the growing number of serious crises such as the financial crisis as well as progressive globalisation (Bruhn et al., 2012; Portal et al., 2019). Faust and Householder (2009, p.47) describe an authentic brand as “a brand that’s clear about what it is and what it stands for. It’s a brand that is built from the inside out versus one that panders to the latest trend, fad, or customer segment.”

In order to attain an authentic brand image, communication-based, cultural and company-based requirements can be identified. The communication-based preconditions comprise nostalgia as well as clarity, brand commercialisation, and the similarity of the brand’s personality with the consumer’s self (Fritz et al., 2013).

Other authors confirm the link between brand nostalgia and the perception of a brand as authentic (Brown et al., 2003; Kessous and Roux, 2013) on one hand and the brand authenticity dimensions continuity and reliability (Peterson, 2005) on the other hand. Rose et al. (2016) reveal that brands obtain their authenticity from sticking to their tradition, and recommend the purposeful use of the past as a marker for legitimacy and authenticity. These findings lead to the hypothesis H<sub>II</sub>: Brand nostalgia positively affects the perceived authenticity of a brand among members of Gen Y.

## **2.3. Brand trust**

With the shift from a transactional- to a relationship-oriented marketing approach, the concept of trust has gained in importance. Today, trust is considered to be a decisive competitive advantage. Brand trust can be seen as the consumer’s confidence that the brand, product or company is reliable and competent (Herbst et al., 2012).

Previous research has uncovered the positive impact of brand nostalgia on brand trust. Nostalgia confers credibility, security and stability, and it thereby enhances the emotional bond of consumers towards a brand (Kessous and Roux, 2013). Leigh et al. (2006) researched brand nostalgia using the example of the automotive brand MG. The respondents perceived MG as a nostalgic brand that is characterised by longevity, continuity and authenticity, which in turn creates trust and credibility. Consumers are more likely to trust a brand with a genuine history, and they perceive lower purchase risk with regard to such brands (Wiedmann et al., 2011). Consequently, we postulate the hypothesis H<sub>III</sub>: Brand nostalgia positively affects trust in a brand among members of Gen Y.

## **3. Results and findings**

### **3.1. Research approach and sample characteristics**

The survey resulted in 330 responses from members of Gen Y. The sample was randomly drawn from a population of college students at several state as well as private universities. The main study was conducted through an online research. The questionnaire link was distributed digitally amongst different study years and programs with a focus on post graduate programs

in order to reach the target group in the best possible way. Although the use of a student sample is justified in past research (Mishra, 2018), it still limits to some extent the generalizability of the results. A total of 33% of the respondents belonged to the age group 20-25 years old, 64% were between 26 and 30 years and 3% were between 31 and 35 years old [The age distribution in the sample deviates from the age distribution of students at German universities. In the 2018/19 academic year, around 38% were between 20 and 25 and between 26 and 30 years of age respectively, and the proportion of 31 to 35-year-olds was just under 9% (Bundesministerium für Forschung und Bildung, n.y.). However, the aim of the study is not to mirror the age distribution of German students, but to depict Gen Y in a way that is representative of their age. A dominance of the age group of 25 to 30 year-olds is obvious, since it is this cohort that represents the age-related core of Gen Y (see section 1)]. Even though the latter age group is comparatively poorly represented, the sample thus represents Gen Y well overall. The female respondents (61%) outweigh the male respondents (39%). In their study, Bakewell and Mitchell (2003) observe a blurring of gender stereotypes among members of Gen Y with regard to buying behaviour. Therefore, the bias towards a more female sample appears acceptable. The answers were collected through an online questionnaire.

In preliminary in-depth discussions with 26 consumers, three product categories (fruit gums, lingerie, and skin cream) with two well-known brands each – one nostalgic (Haribo, Schiesser, Nivea) and one non-nostalgic (Katjes, Victoria's Secret, Bebe) brand – from a list of eight product categories (cars, coffeehouses, fruit gums, lemonade, lingerie, skin cream, sportswear, and washing powder) and a selection of nostalgic and non-nostalgic brands per product category were chosen as stimuli for the quantitative survey. The brands were selected on the basis of a working definition of brand nostalgia. To avoid bias through direct comparisons, the brands in the questionnaire alternated so that each respondent evaluated either the nostalgic or the non-nostalgic brand of a product category. Furthermore, the comprehensibility, clarity and specificity of the statements that are presented in the subsequent sections were discussed as antecedent of the main study. The statements were measured on a 7-point Likert scale from 1 (= strongly disagree) to 7 (= strongly agree).

### 3.2. Operationalisation of brand nostalgia

Statements to measure the three dimensions of brand nostalgia (personal memories, perceived brand oldness, and historical memories) were introduced by Bartier (2013) (see Table 1). Since a scale with 14 items was perceived as rather lengthy, consumers and experts were asked about its clarity and specificity. Especially the indicators reflecting personal memories were seen as redundant. In in-depth discussions the key words “positive feelings”, “happy times” and the idiomatic phrase “good old days” were identified as topics to be covered. Based on this finding, statements PM4, PM5, and PM 6 were excluded from the initial list. A similar level of redundancy was attributed to the items reflecting perceived brand oldness. Item BO1 and BO2 were judged to represent this aspect in the crispest way, and hence kept in the list. As doubts were raised regarding the comprehensibility of item HM3, historical memories was operationalised with statements HM1 and HM2.

**Table 1. Factor loadings of items reflecting brand nostalgia (exploratory factor analysis)**

| Component                    | Item | Indicators of brand nostalgia                                | Factor 1    | Factor 2    | Factor 3 |
|------------------------------|------|--------------------------------------------------------------|-------------|-------------|----------|
| Personal memories (PM)       | PM1  | The brand calls up positive feelings related to the past     | <b>.897</b> | .209        | .189     |
|                              | PM2  | This brand reminds me of warm and happy times with my family | <b>.876</b> | .216        | .194     |
|                              | PM3  | This brand reminds me of the good old days                   | <b>.816</b> | .297        | .271     |
|                              | PM4  | This brand reminds me of pleasant memories with my family    |             |             |          |
|                              | PM5  | This brand reminds me of the good times I had as a child     |             |             |          |
|                              | PM6  | This brand reminds me of happy times I have experienced      |             |             |          |
| Perceived brand oldness (BO) | BO1  | This brand is an old brand                                   | .195        | <b>.898</b> | .164     |
|                              | BO2  | This brand is a traditional brand                            | .301        | <b>.874</b> | .094     |
|                              | BO3  | This brand has been around for a long time                   |             |             |          |

|                                   |     |                                                                                            |       |       |             |
|-----------------------------------|-----|--------------------------------------------------------------------------------------------|-------|-------|-------------|
|                                   | BO4 | This brand has existed for a long time                                                     |       |       |             |
|                                   | BO5 | This brand has been around for years                                                       |       |       |             |
| Historical memories (HM)          | HM1 | This brand reminds me of positive memories that are not tied to my own past                | .113  | .197  | <b>.856</b> |
|                                   | HM2 | This brand makes me think of a time I would like to have experienced                       | .353  | .040  | <b>.750</b> |
|                                   | HM3 | This brand makes me think of a real-life or fictional character I would like to have known |       |       |             |
| Sum of squared loadings (rotated) |     |                                                                                            | 2.503 | 1.790 | 1.478       |

Note: The highest factor loading per item is highlighted. An empty cell indicates that the item was not included in the factor analysis.

The brand nostalgia index (BNI) was quantified in two steps. An exploratory factor analysis was run as a first step. Applying the principal component method, requesting to extract three factors and rotating the initial solution with Varimax rotation led to the results summarised in Table 1. All items loaded on the factor they were expected to load on. Taken together, the three factors explained 82.5% of the total variance. Appropriateness of this model was reconfirmed by the goodness-of-fit values of a confirmatory factor analysis: comparative fit index (CFI) = .98; Tucker-Lewis index (TLI) = .96; incremental fit index (IFI) = .98; standardised root mean square residual (SRMR) = .04; and root mean square error of approximation (RMSEA) = .08. In a second step, the BNI was calculated as the sum of the three factor scores weighted by the relative sums of squared loadings. That is, personal memories contributed 43.4%, perceived brand oldness 31.0% and historical memories 25.6% to the index value. BNI ranged from -.90 to 1.38 (M = .00, SD = .59), did not follow a normal distribution ( $p < .01$ ), was skewed to the right (skewness = .31) and its tail was lighter than the one of a normal distribution (kurtosis = -.98).

### 3.3. Establishing of contrasting groups

To investigate the impact of brand nostalgia on brand authenticity, brand trust, and the purchase intention the sample was broken down into contrasting groups. Distribution of BNI suggested selecting the index values of -.50 and .50 as cut points between groups characterised by a low, a medium, and a high BNI respectively. Table 2 illustrates how the brands considered in the study were allocated across the three groups. All in all, the quantitative findings support the categorisation in nostalgic and non-nostalgic brands from the preliminary study. The relation between the binary variable nostalgic vs. non-nostalgic brand and the BNI category was statistically significant ( $\chi^2(2, N = 241) = 36.58; p < .01$ ).

*Table 2. Distribution of brands considered across BNI categories*

| BNI category | Nostalgic brands | Non-nostalgic brands | Haribo   | Katjes   | Nivea    | Bebe     | Schiesser | Victoria's Secret |
|--------------|------------------|----------------------|----------|----------|----------|----------|-----------|-------------------|
| Low          | 11 (9%)          | 48 (41%)             | 1 (2%)   | 14 (35%) | 2 (4%)   | 12 (31%) | 8 (26%)   | 22 (55%)          |
| Medium       | 67 (54%)         | 52 (44%)             | 20 (46%) | 18 (45%) | 27 (56%) | 20 (53%) | 20 (64%)  | 14 (35%)          |
| High         | 45 (37%)         | 18 (15%)             | 23 (52%) | 8 (20%)  | 19 (40%) | 6 (16%)  | 3 (10%)   | 4 (10%)           |
| Sum          | 123              | 118                  | 44       | 40       | 48       | 38       | 31        | 40                |

On top, there is a connection between the BNI category and the variable brand ( $\chi^2(10, N = 241) = 62.88; p < .01$ ). For two product categories (skin cream and fruit gums) the picture fits perfectly to the expectation: brands pre-classified as nostalgic achieve an above-average share in the category “high BNI“, brands pre-classified as non-nostalgic are overrepresented in the cluster labelled “low BNI“. In contrast, lingerie does not fit into the picture. About two thirds of the respondents locate brand nostalgia of Schiesser on a medium level, and 2.7-times as many consumers associate this more than 140-years-old brand with a low level of brand nostalgia. Figure 1 illustrates the main reason for the relatively low BNI attributed to Schiesser. Respondents associate neither personal nor historical memories with this brand. The mean of the five statements reflecting the two mentioned components of brand nostalgia is lower than for the five remaining brands. In contrast, Schiesser is perceived as a relatively old brand.

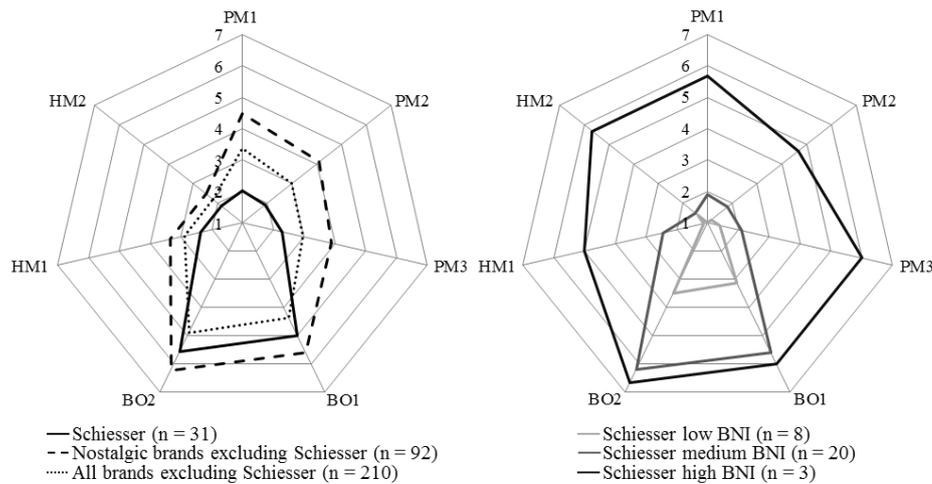


Figure 1. Evaluation of statements reflecting brand nostalgia for selected brands

### 3.4. The impact of socio-demographics on brand nostalgia

As Table 3 illustrates, the gender of a respondent does not have a statistically significant impact on the evaluation of brand nostalgia ( $\chi^2(2, N = 236) = 1.92; p = .38$ ). This conclusion is confirmed by a comparison of the mean for the BNI for males to the BNI for females. Although the mean for males ( $M = -.04; SD = .60$ ) is slightly lower than the one for females ( $M = .03; SD = .59$ ) this difference might be explained by a random influence ( $t(234) = -.78; p = .44$ ). Furthermore, neither age ( $\chi^2(2, N = 238) = 2.35; p = .31$ ) nor educational achievement ( $\chi^2(4, N = 239) = 7.43; p = .12$ ) does influence the perceived brand nostalgia statistically significantly.

Table 3. Distribution of respondents across the BNI categories depending on gender, age, and educational achievement (in no. of respondents)

| Variable                | Characteristic                   | Low BNI | Medium BNI | High BNI |
|-------------------------|----------------------------------|---------|------------|----------|
| Gender                  | Male                             | 23      | 38         | 18       |
|                         | Female                           | 34      | 78         | 45       |
| Age                     | 20 to 25                         | 17      | 45         | 26       |
|                         | 26 to 30                         | 42      | 71         | 37       |
| Educational achievement | Vocational baccalaureate diploma | 3       | 16         | 10       |
|                         | Baccalaureate                    | 12      | 36         | 16       |
|                         | University degree                | 44      | 65         | 37       |

### 3.5. The impact of brand nostalgia on brand authenticity, brand trust and purchase intention

To evaluate the impact of brand nostalgia on brand authenticity, a brand authenticity index (BAI) was established using an approach similar to the one applied for calculating the BNI. The principal component method summarised the four reflective indicators of brand authenticity (see Table 4) as introduced by Schallehn (2012) based on the Eigenvalue criterion in one factor explaining 71.9% of the total variance. BAI ranged from -2.84 to 1.35 ( $M = .00, SD = 1.00$ ), did not follow a normal distribution ( $p < .01$ ), was skewed to the left (skewness =  $-.80$ ) and more peaked than a Gaussian distribution (kurtosis =  $.12$ ). Cases characterised by a low BNI achieved a BAI-value of  $-.62 (SD = 1.09)$ . This index value is not only considerably lower than the BAI of  $.51 (SD = .69)$  for brands rated as highly nostalgic, it is also lower than the respective index value of  $-.16 (SD = 1.00)$  for the group with a medium BNI. As a one-way between subjects ANOVA discloses, the impact of the BNI category on the BAI is statistically significant ( $F(2, 204) = 19.76; p < .01; \eta^2 = .162$ ). Post hoc analyses using the Scheffé post hoc criterion indicate that all three groups differ from each other statistically significantly. Brands

with a high BNI are perceived as more authentic than brands with a low ( $p < .01$ ) as well as brands with a medium ( $p < .01$ ) BNI. In addition, a brand that evokes a low level of nostalgia is perceived as less authentic than a brand that evokes a medium level of nostalgia ( $p < .05$ ).

**Table 4. Evaluation of statements reflecting brand authenticity depending on brand nostalgia index**

| Item | Indicators of brand authenticity                                                                                 | Low BNI               | Medium BNI            | High BNI              |
|------|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| BA1  | This brand does not pretend something but is always itself                                                       | M = 4.15<br>SD = 1.76 | M = 4.81<br>SD = 1.71 | M = 5.75<br>SD = 1.22 |
| BA2  | This brand knows precisely what it stands for and does not promise anything not fitting to its brand personality | M = 4.50<br>SD = 1.85 | M = 4.93<br>SD = 1.58 | M = 5.75<br>SD = 1.16 |
| BA3  | This brand is characterised by a specific philosophy determining its brand promise                               | M = 3.55<br>SD = 1.87 | M = 4.73<br>SD = 1.70 | M = 6.03<br>SD = 1.17 |
| BA4  | The brand does not curry favour with its target group but demonstrates self-confidence                           | M = 4.09<br>SD = 2.18 | M = 4.72<br>SD = 1.84 | M = 5.63<br>SD = 1.46 |

The three BNI categories differ not only in terms of the BAI, but also in terms of all four reflective brand authenticity indicators (BA1:  $F(2, 218) = 14.35$ ;  $p < .01$ ;  $\eta^2 = .116$ ; BA2:  $F(2, 221) = 9.93$ ;  $p < .01$ ;  $\eta^2 = .082$ ; BA3:  $F(2, 218) = 32.81$ ;  $p < .01$ ;  $\eta^2 = .231$ ; BA4:  $F(2, 217) = 10.08$ ;  $p < .01$ ;  $\eta^2 = .085$ ). As a post hoc analyses (Scheffé methode) indicate, a majority of the differences are statistically significant. The categories low and medium brand nostalgia are exceptions, as in the case of three out of the four variables, the differences can be explained by chance alone (BA1:  $p = .06$ ; BA2:  $p = .27$ ; BA4:  $p = .14$ ). In summary, there is strong empirical evidence that brand nostalgia positively impacts brand authenticity ( $H_{II}$ ).

A similar result can be observed with regard to brand trust. The measuring of brand trust traces back to Chaudhuri and Holbrook (2001) and Schallehn (2012) (see Table 5). The brand trust index (BTI) represents the factor score (principal component method) summarising the three variables. Based on Eigenvalue, one factor explaining 89.6% of the variance was extracted. The factor scores ranged from -2.04 to 1.32 ( $M = .00$ ,  $SD = 1.00$ ), did not follow a normal distribution ( $p < .01$ ), were skewed to the left (skewness =  $-.63$ ), and the tail was lighter than the one of a normal distribution (kurtosis =  $-.55$ ). BTI took on a relatively low value of  $-.71$  ( $SD = .94$ ) in case brand nostalgia is perceived as low. In case BNI is rated as medium, BTI increases to a value of  $-.13$  ( $SD = 1.04$ ), and for brands evaluated as highly nostalgic to  $.50$  ( $SD = .74$ ). As a one-way between subjects ANOVA discloses, the impact of the BNI category on the BTI is statistically significant ( $F(2, 207) = 21.41$ ;  $p < .01$ ;  $\eta^2 = .171$ ). Post hoc analyses using the Scheffé post hoc criterion indicate that the three groups differ from each other statistically significantly. Respondents trust brands with a high BNI to a higher extent than brands with a low ( $p < .01$ ) or a medium ( $p < .01$ ) BNI. At the same time, brands with a medium BNI are perceived as more trustworthy than brands with a low BNI ( $p < .01$ ).

Moreover, the BNI category impacts all three indicators that reflect brand trust (BT1:  $F(2, 225) = 15.75$ ;  $p < .01$ ;  $\eta^2 = .123$ ; BT2:  $F(2, 224) = 21.08$ ;  $p < .01$ ;  $\eta^2 = .158$ ; BT3:  $F(2, 213) = 18.63$ ;  $p < .01$ ;  $\eta^2 = .149$ ). As post hoc analyses (Scheffé methode) indicate, all but one difference are statistically significant. For BT1, the difference between the categories low and medium brand nostalgia can be explained by a random influence ( $p = .05$ ). Consequently, there is a strong empirical evidence that brand nostalgia has a positive impact on brand trust ( $H_{III}$ ).

**Table 5. Evaluation of statements reflecting brand trust depending on brand nostalgia index**

| Item | Indicators of brand trust                                                    | Low BNI               | Medium BNI            | High BNI              |
|------|------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| BT1  | I rely thereupon that the brand fulfils its brand promise also in the future | M = 3.78<br>SD = 1.88 | M = 4.52<br>SD = 1.88 | M = 5.62<br>SD = 1.46 |
| BT2  | I trust in the brand                                                         | M = 3.60<br>SD = 1.91 | M = 4.60<br>SD = 1.94 | M = 5.76<br>SD = 1.29 |
| BT3  | I feel comfortable about relying comprehensively on the brand                | M = 3.02<br>SD = 1.80 | M = 4.17<br>SD = 1.93 | M = 5.16<br>SD = 1.63 |

Finally, the impact of brand nostalgia on purchase intention was assessed. In line with a common approach, purchase intention was measured by a direct question on a 7-point Likert scale (Rippé et al., 2016). In cases where brand nostalgia was evaluated as low, respondents rated the statement “I would purchase that brand” with on average 3.86 (SD = 2.19), whereas brands with a medium BNI achieved a value of 5.37 (SD = 1.85), those with a high BNI a value of 6.27 (SD = 1.53) on a 7-point Likert scale. According to a one-way between subjects ANOVA, the BNI category impacts the purchase likelihood statistically significantly ( $F(2, 233) = 25.84$ ;  $p < .01$ ;  $\eta^2 = .182$ ). Moreover, a post hoc analysis (Scheffé method) indicates that all three differences are statistically significant ( $ps < .01$ ). In conclusion, being perceived as nostalgic incorporates a competitive advantage in comparison to rivaling brands missing this perception (Ford et al., 2018); a brand capable of invoking nostalgic cues addresses a much bigger market than a brand missing out on this opportunity ( $H_1$ ).

#### 4. Implications and suggestions for future research

This study confirms the hypothesised impact of brand nostalgia on brand authenticity, brand trust and purchase intention for Gen Y. This is especially interesting for marketers who might question the suitability of nostalgic cues for targeting this customer group. Hence, it can be recommended to further exploit brand nostalgia as a valuable brand asset. This insight is even more interesting as Gen Y seem to be less brand-loyal as Gen X was at the same age (Wolfe, 2004). Even though members of Gen Y are known to follow fads – an attitude typical for younger people (Valentine and Powers, 2013) – brands providing orientation through their past seem to be relevant to their consumption decision.

The original brand nostalgia construct was developed by Bartier (2013) based on an age-representative ( $M = 38.78$  years) 889 non-student consumers panel. The Bartier (2013) study uncovered empirical evidence that all three triggers of brand nostalgia – lived autobiographical souvenirs (personal memories), learned cross-generational memories (historical memories) and perceived brand oldness – are relevant in evoking brand nostalgia, with historical memories exerting the second strongest influence. For Gen Y, the present study suggests that they perceive the three components of brand nostalgia differently than is the case in other generations. A factor analysis uncovered that personal memories clear most of the variance, followed by perceived oldness and lastly historical memories. The empirical findings raise the question of whether the longing for a period in which an individual did not live (historical memories) reflects nostalgia independent of personal memories within Gen Y. This result does not call into question the concept of brand nostalgia as such, but reinforces the assumption that this cohort is unique and that its perception and attitudes differ from its predecessors.

The brand Schiesser, being the oldest in our sample, received the lowest BNI of all nostalgic brands due to the fact that the respondents were unable to reconnect either personal or historical memories with this brand. In particular, the present analysis revealed that perceived brand oldness alone is not sufficient to raise nostalgic feelings among Millennials confirming the findings of previous studies which had a broader age scope (Shields and Johnson, 2016; Ford et al., 2018). Shields and Johnson (2016) highlight the importance of memorising one’s own experiences for brand nostalgia as an activation of positive autobiographic emotional memories. All this indicates the importance of marketing measures to infuse the brand image with positive signals reviving the past, e.g. through story telling in marketing communications about situations reminding the target group of their own lived past.

This in turn opens up an interesting field for research concerning what type of nostalgic cues can be raised with a brand and how respective communication measures should be designed to best address this target group. While different generations have always posed a challenge for marketers due to their unique characteristics, Gen Y has created a more difficult

marketing task because they are not as influenced by traditional media as previous generations (Valentine and Powers, 2013). Consequently, the challenge regarding how to trigger nostalgia among Millennials needs further consideration.

Although the present study examined three product segments and two brands per product category, supporting a certain degree of generalisability, further research that focuses on additional product segments and/or additional brands is desirable within the target group. Hence, future research could extend the scope of this study in three directions: (1) investigate other age groups, e.g., Gen Z, both alone and in comparison to Gen Y, (2) cover additional product segments and (3) include additional brands. Additionally, studying the impact of personality variables, e.g., the importance of values such as tradition orientation and innovation orientation, behaviour patterns such as variety seeking or the preferred life style among the younger consumer group, on the identified relationships would provide an interesting avenue for further research. Future research could also investigate the relationship between brand nostalgia and specific brand personality characteristics for the featured target group as well as brand strength. Furthermore, as the quantitative and especially the qualitative findings suggest, the possibility of there being a thin line between a nostalgic brand and a brand being perceived as old-fashioned could be investigated in more detail. As brand management occurs in a dynamic environment, brand re-positioning might be inevitable. The impact of such a re-positioning on the triad of brand nostalgia, brand trust and brand authenticity could be another fruitful research area.

## References

- BAKER, S.M., & KENNEDY, P.F. (1994). Death by nostalgia: a diagnosis of context-specific cases. *Advances in Consumer Research*, 21, 169-174.
- BAKEWELL, C., & MITCHELL, V.W. (2003). Generation Y female consumer decision-making styles. *International Journal of Retail and Distribution Management*, 31(2), 95-106.
- BALMER, J.M.T. (2013). Corporate heritage, corporate heritage marketing, and total corporate heritage communications: What are they? What of them? *Corporate Communications: An International Journal*, 18, 290–326.
- BARTIER, A.-L. (2013). *An initial step towards conceptualization and measurement of brand nostalgia*. Paper presented at the 42nd European Marketing Academy Conference (EMAC), 4-7 June, Istanbul, Turkey.
- BUNDESMINISTERIUM FÜR FORSCHUNG UND BILDUNG (n.y.). Tabelle 2.5.20: Deutsche Studierende und Studienanfänger/-innen im 1. Hochschulsesemester nach Alter, Hochschularten und Geschlecht. Retrieved from <https://www.datenportal.bmbf.de/portal/de/Tabelle-2.5.20.html> (Retrieval date 10 June 2020).
- BOSCH, O.J., REVILLA, M., & PAURA, E. (2019). Do millennials differ in terms of survey participation? *International Journal of Market Research*, 61, 359-365.
- BROWN, S., KOZINETS, R.V. & SHERRY, J.F. Jr. (2003). Teaching old brands new tricks: retro branding and the revival of brand meaning. *Journal of Marketing*, 67(3), 19-33.
- BRUHN, M., SCHOENMÜLLER, V., Schäfer, D., & Heinrich, D. (2012). Brand authenticity: towards a deeper understanding of its conceptualization and measurement. *Advances in Consumer Research*, 40, 567-576.
- CHAUDHURI, A., & HOLBROOK, M.B. (2001). The chain of effects from brand trust and brand affect to brand performance: The role of brand loyalty. *Journal of Marketing*, 65(2), 81-93.

- DIVARD, R. & ROBERT-DEMONTROND, P. (1997). La nostalgie: un thème récent dans la recherche marketing. *Recherche et Applications en Marketing (in English)*, 12(4), 41-62.
- FAUST, W., & HOUSEHOLDER, L. (2009). Get real and prosper: why social media demands authentic brands. *Design Management Review*, 20(1), 45-51.
- FORD, J.B., MERCHANT, A., BARTIER, A.-L., & FRIEDMAN, M. (2018). The cross-cultural scale development process: The case of brand-evoked nostalgia in Belgium and the United States. *Journal of Business Research*, 83, 19-29.
- FRITZ, K., SCHOENMÜLLER, V., SCHÄFER, D., & BRUHN, M. (2013). *What makes a brand authentic and why should we care*. Paper presented at the 42nd European Marketing Academy Conference (EMAC), 4-7 June, Istanbul, Turkey.
- GRAYSON, K., & MARTINEC, R. (2004). Consumer perceptions of iconicity and indexicality and their influence on assessments of authentic market offerings. *Journal of Consumer Research*, 31, 296-312.
- HAVLENA, W.J., & HOLAK, S.L. (1991). “The good old days”: observations on nostalgia and its role in consumer behaviour. *Advances in Consumer Research*, 18, 323-329.
- HERBST, K.C., FINKEL, E.L., ALLAN, D., & FITZSIMONS, G.M. (2012). On the danger of pulling a fast one: advertisements disclaimer speed, brand trust and purchase intention. *Journal of Consumer Research*, 38, 909-919.
- HOLBROOK, M.B., & SCHINDLER, R.M. (1991). Echoes of the dear departed past: some work in progress on nostalgia. *Advances in Consumer Research*, 18, 330-333.
- HOWE, N., & STRAUSS, W. (2000). *Millenials Rising*, Vintage Books.
- HYLLEGARD, K.H., YAN, R.-N., OGLE, J.P., & ATTMANN, J. (2011). The influence of gender, social cause, charitable support, and message appeal on Gen Y’s responses to cause-related marketing. *Journal of Marketing Management*, 27, 100-123.
- KESSOUS, A. (2015). Nostalgia and brands: a sweet rather than a bitter cultural evocation of the past. *Journal of Marketing Management*, 31, 1899-1923.
- KESSOUS, A., & ROUX, E. (2010). Brands considered as “nostalgic”: consequences on attitudes and consumer-brand relationships. *Recherche et Applications en Marketing*, 25(3), 29-56.
- KESSOUS, A., & ROUX, E. (2013). Nostalgia, autobiographical memories and brand communication: a semiotic analysis. *Marketing ZFP*, 35(1), 50-57.
- LAMBERT-PANDRAUD, R., & LAURENT, G. (2010). Why do older consumers buy older brands? The role of attachment and declining innovativeness. *Journal of Marketing*, 74(5), 104-121.
- LEIGH, T.W., PETERS, C., & SHELTON, J. (2006). The consumer quest for authenticity: the multiplicity of meanings within the MG subculture of consumption. *Journal of the Academy of Marketing Science*, 34, 481-493.
- LI, Y., LU, C., BOGICEVIC, V., & BUJISIC, M. (2019). The effect of nostalgia on hotel brand attachment. *International Journal of Contemporary Hospitality Management*, 31, 691-717.
- MERCHANT, A., & ROSE, G.M. (2013). Effects of advertising-evoked vicarious nostalgia on brand heritage. *Journal of Business Research*, 66, 2619-2625.
- MISHRA, A.A. (2018). Consumer responses to brand deletion. *Journal of Brand Management*, 25(2), 160-170.
- ORTH, U.R., & GAL, S. (2012). Nostalgic brands as mood boosters. *Journal of Brand Management*, 19, 666-679.
- PETERSON, R.A. (2005). In Search of Authenticity. *Journal of Management Studies*, 42, 1083-1098.

- PORTAL, S., ABRATT, R., & BENDIXEN, M. (2019). The role of brand authenticity in developing brand trust. *Journal of Strategic Marketing*, 27, 714-729.
- RIPPÉ, C.B., WEISFELD-SPOLTER, S., DUBINSKY, A.J., ARNDT, A.D., & THAKKAR, M. (2016). Selling in an asymmetric retail world: perspectives from India, Russia, and the US on buyer-seller information differential, perceived adaptive selling, and purchase intention. *Journal of Personal Selling & Sales Management*, 36, 344-362.
- ROSE, G.M., MERCHANT, A., ORTH, U.R., & HORSTMANN, F. (2016). Emphasizing brand heritage: does it work? And how? *Journal of Business Research*, 69, 936-943.
- SCHALLEHN, M. (2012). *Marken-Authentizität – Konstrukt, Determinanten und Wirkungen aus Sicht der identitätsbasierten Markenführung*, Springer Gabler Research.
- SHIELDS, A.B., & JOHNSON, J.W. (2016). Childhood brand nostalgia: a new conceptualization and scale development. *Journal of Consumer Behaviour*, 15, 359-369.
- SIERRA, J.J., & MCQUITTY, S. (2007). Attitudes and emotions as determinants of nostalgia purchases: an application of social identity theory. *Journal of Marketing Theory & Practice*, 15, 99-112.
- STOKES, B. (2015). *Who are Europe's Millennials?* Retrieved from <http://www.pewresearch.org/fact-tank/2015/02/09/who-are-europes-millennials/> (Retrieval date 26 February 2020).
- TAYLOR, S.L., & COSENZA, R.M. (2002). Profiling later aged female teens: mall shopping behavior and clothing choice. *Journal of Consumer Marketing*, 19, 393-408.
- TRENT, E.S., SULLIVAN, P.M., & MATIRU, G.N. (2003). Cause-related marketing: how generation Y responds. *International Journal of Retail & Distribution Management*, 31, 310- 320.
- TWARONITE, K. (2015). *Global generations: a global study on work-life challenges across generations*. Retrieved from [https://www.ey.com/Publication/vwLUAssets/Global\\_generations\\_study/\\$FILE/EY-global-generations-a-global-study-on-work-life-challenges-across-generations.pdf](https://www.ey.com/Publication/vwLUAssets/Global_generations_study/$FILE/EY-global-generations-a-global-study-on-work-life-challenges-across-generations.pdf) (Retrieval date 26 February 2020).
- VALENTINE, D.B., & POWERS, T.L. (2013). Generation Y values and lifestyle segments. *Journal of Consumer Marketing*, 30, 597-606.
- WIEDMANN, K.-P., HENNINGS, N., SCHMIDT, S., & WUESTEFELD, T. (2011). Drivers and outcomes of brand heritage: consumers' perceptions of heritage brands in the automotive industry. *Journal of Marketing Theory and Practice*, 19, 205-220.
- WOLFE, D. (2004). *It's a myth: boomers did not lead the charge for change in the 1960s*. Retrieved from [http://agelessmarketing.typepad.com/ageless\\_marketing/2004/09/historical\\_exam.html](http://agelessmarketing.typepad.com/ageless_marketing/2004/09/historical_exam.html) (Retrieval date 26 February 2020).

## **The Impact of COVID-19 Pandemic on Romanian Modern Grocery Retailers**

**Andreea Elena STRĂTILĂ (IRIMIA)**

The Bucharest University of Economic Studies  
irimia\_andreea\_elena@yahoo.com

**Mihai MEHEDINȚU**

The Bucharest University of Economic Studies  
mihai.mehedintu88@yahoo.com

### **Abstract**

The purpose of this paper is to see how Romanian modern grocery retailers have been impacted during COVID-19 outbreak and how should they respond to the new customer behavior changes. The literature review reveals previous findings regarding consumer behavior changes during SARS and MERS epidemic, poor recent findings about COVID-19 outbreak impact, the premises and disruptions that could predict a possible new crisis in the next future of retailing and the strategies adopted by grocery retailers during past crisis. The paper also presents a case study research made on 4 international retail chains that are operating in Romanian modern grocery retailing sector, based on their Facebook communication during Covid-19 outbreak. Finally, are presented the conclusions and recommendations. The research finds the new customer expectations during a stressful and anxious period caused by going out restrictions and reveals the main attributes that could influence people engagement on the selected retailers Facebook pages and where to shop decision. This study is an important tool for practitioners in order to be proactive and gain competitive advantage by enhancing the communication on Facebook, in a specific period that may precede a crisis but also because it is not known when it will end.

**Keywords:** Modern grocery retailers, COVID-19 pandemic, Facebook communication, Consumer behavior.

**JEL classification:** L81, M31.

### **1. Introduction**

The outbreak of COVID-19 (the disease caused by SARS-COV-2) has affected healthcare systems globally and has determined a ripple effect on every aspect of human life. In all the countries there have been taken actions as social distancing, self-isolation and travel restrictions which forced a decrease in the workforce across all economic sectors and caused many jobs to be lost. Schools have been closed, and the need of commodities and manufactured products has decreased. In contrast, the need for medical supplies has significantly increased and the food sector, especially retailing, has seen a great demand due to panic-buying and stockpiling of food products. All these effects sparked fears of an impending economic crisis and recession (Nicola et al., 2020). Since 11<sup>th</sup> of March 2020 when the pandemic was pronounced by WHO, economists both practitioners and academics have started to anticipate and find the direction for each industry splitting in those doing great: online entertainment (movies and games), online education or online job market, food industry and healthcare (Tashanova et al., 2020); doing bad (agriculture, manufacturing, education, finance, real estate, IT, media and research & development) and doing worst (petroleum & oil, hospitality, tourism, aviation and sports).

What about retailing?

With its two components food and nonfood, retailing can do great - food/grocery retailing but can do also bad – nonfood retailing. Analyzing about its operational mode, can- do great

(online and offline food stores) can do bad (nonfood online stores) and can-do worst (nonfood offline stores as widely are closed).

As the grocery retail is covering the main population needs and it's appreciated as doing great, we will focus on the shifts that COVID pandemic are causing on consumer behavior in Romanian modern grocery retail and the specific actions that should be taken by these retailers based on the literature review of past recessions strategies and challenges in grocery retail. The purpose of this paper is to deliver a comprehensive and indicative overview on the observed and the possible impacts that could emerge in the next period on grocery retail through a case study research on 4 Romanian grocery retailers Facebook communication during COVID-19 outbreak.

## **2. Literature review**

### **2.1. About epidemic crisis in grocery retail**

Research on epidemic outbreaks effects provides a solid component of economic impact all over the world, including retail and grocery retail (Jung and Sung, 2017; Pendell et al., 2007; Hanna and Huang, 2004; Siu and Wong, 2004; Brown and Smith, 2008; Jung et al., 2016); Baker et al., 2020; Fernandes, 2020; Barua, 2020). Even if pandemic of the new Corona virus is steel producing effects, and can be too soon to get conclusions, regarding exclusive retail impact, we consider this a research gap and an opportunity to start bringing contributions.

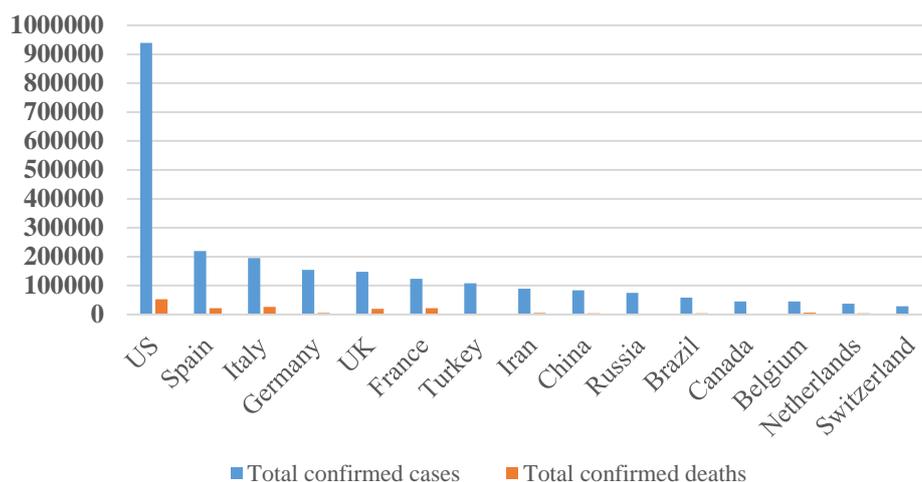
Previous research on SARS impact on economy (Hanna and Huang, 2004; Siu and Wong, 2004) didn't find significant negative effect on grocery retail sales. The decreasing was influenced mainly by seasonality behavior, some national holidays during the epidemic determined the going down of food consumption as the people have stayed at home. It was demonstrated that the economic impact of SARS was not as catastrophic as anticipated by contemporary estimates and models or envisaged by the media at the time of the outbreak (Brown and Smith, 2008, pp.118). Regarding MERS impact on retail, previous research findings brought important contributions to literature as following. According to Jung and Sung (2017) there is a differentiating relationships between online and offline markets by product type based on behavior theories: substitution in the case of electronic goods (consumer is moving online), delay in the case of semi-luxury goods (shopping delay for not daily necessary products), and no relationship in the case of grocery goods. Expenditure on grocery goods in the offline markets did not decrease during the MERS outbreak and a shift to online markets was not easy and became even slower in the case of groceries as compared to luxury and electronic goods because consumers want to inspect groceries before purchasing them (Jung et al., 2016).

Since 11th of March 2020 when the pandemic of COVID-10 was pronounced by WHO, people had been manifesting panic buying and stockpiling on food, which has been put under strain the food sector, including grocery retail online and offline by shifting millions of eating occasions into the home and driving growth of food through the retail channel (Nicola, 2020; Euromonitor, 2020). Excessive bookings determined late deliveries or not at all (Nicola et al., 2020). Coming from Wuhan – China, the COVID-19 outbreak immediately impacted Chinese exports and drastically reduced the supply availability in global SCs (Ivanov, 2020). Because of the very high globally dependency level of China for raw materials, COVID-19 highlights the need for supply chain diversification (Euromonitor International, 2020). According to Araz et al. (2020) COVID-19 outbreak represents one of the major disruptions of last decades in global SCs.

As the main industry sector are affected, the economy is threatened by recession and this determined both practitioners and researchers to act and deliver important contributions in order to diminish the effects by real time reactions where is possible. The recent and warm

literature related to COVID-19 outbreak economic impact, highlights some changes in grocery shopping consumer behavior regarding **format patronizing** [according to Jribi et al., (2020) findings - 64.3% of respondents buy foods from supermarkets, whereas 29.0% buy from small retailers, 2.1% from hard discount stores and only 2.5% from traditional local markets, as a consequence of *safety measures implemented by modern retailers* such as *social distancing*, *additional cleanliness* and *hygiene*; compared to results provided by Sassi et al., (2016), the recent findings indicate a rise of 66% for shopping in supermarkets]; **frequency of shopping** [the same report of Jribi et al., (2020) reveals that food shopping was performed once a week by 39.8% of respondents, two or three times a week by 31%, daily by 15%, once every 2 weeks by 7.5% and once a month by 3.5%, and 3.2% declared to rarely doing it; as consequence of stocking up (Jribi et al., 2020; Baker et al.,2020); in contrast, in the study of Sassi et al. (2016), 34.5% of respondents claimed to do shopping every day]; **expenditures reduction** [42% of respondents are using a *shopping list* (Jribi et al., 2020) despite 29,2% in Sassi et al.(2016) study; *shopping list (planning)* is considered as an efficient *food waste prevention* tool at the household level, by preventing the purchase of surplus foods (van Geffen et al., 2020); more than 50% declared to buy sometimes *discounted food products*, followed by 39% who always buy these products (Jribi et al., 2020)] and **type of household** [*households with children* tended to increase grocery spending in the earlier weeks of the outbreak by significantly more than users with no children; *younger users* tended to cut back on spending by a smaller amount than *older users* (Baker et al., 2020)]

Comparing with MERS (Middle East Respiratory Syndrome, occurred in May 2015 in Korea), Ebola (2013 -2016, Africa), or SARS (Severe Acute Respiratory Syndrome, spring 2003 debut in Asia), this time is different, COVID-19 has caused a pandemic. Neither the comparison with another global crisis like 2008 financial crisis is not possible, because the current crisis brings new disruptions and challenges as generating spillover effects throughout supply chains, having simultaneously destruction of demand and supply (Fernandes, 2020) or producing massive and far-reaching economic cost burdens for all nations especially the G7 countries (China, the US, Japan, Germany, Britain, France, and Italy) (Barua, 2020) which were confirmed the largest number of people infected and who died:



**Figure 1. Country - wise total number of infection and death caused by COVID – 19 (World’s top 15 countries by the number of infected cases, as of 26<sup>th</sup> of April 2020)**

Source: author(s), based on data from European Centre for Disease Prevention and Control as of 26<sup>th</sup> of April 2020

## 2.2. Strategies adopted by grocery retailers in past crisis

A crisis is a sudden and unexpected event that threatens to disrupt an organization's operations and poses both a financial and a reputational threat (Coombs, 2007). It can be said of a crisis when a community of people, an organization, a town, or a nation - perceives an urgent threat to core values or life-sustaining functions, which must be dealt with under conditions of uncertainty (Rosenthal, Boin, & Comfort, 2001). According to Weiner (2006) a crisis can take many forms, including natural or man-made disaster, environmental spills, product tampering or recalls, labor disruptions or criminal acts. There is no doubt that all the crisis before affected the food consumption, but the retailing literature reveals that the retailing was impacted by epidemic crisis (Hanna and Huang, 2004; Siu and Wong, 2004; Jung and Sung, 2017; Jung et al., 2016; Jribi et al., 2020, van Geffen et al., 2020; Baker et al., 2020) (as was showed above), economic crisis (Srinivasan and Sivakumar, 2011; Berezvai, 2014; Ting-Jui Chou and Fu-Tang Chen, 2003; Le, and Nhu, 2009) or reputational (Sontainte-Petkeviciene, 2014; Topfer, 2013).

Besides variations in indicators of economic health, recessions are times of rapid marketplace change and turbulence characterize by a reassessment of business relationship by all participants (Srinivasan and Sivakumar, 2011). Two powerful, highly effective strategic tools that retailers possess involve pricing and store format decisions (Gauri, Trivedi and Grewal, 2008). Pricing, one of the most powerful and effective strategic tools in retailing (Levy et al., 2004) is considered that is performing during recession too. According to Berezvai's (2014) research made on 11 Hungarian food retail chains in a time of recession, from the three distinct type of pricing strategies found (aggressive pricing, premium pricing, and HiLo pricing), the most successful was the aggressive pricing strategy. Previous research (Chou and Chen, 2003) had shown that aggressive pricing may not be the solution for success in recession economy and should be taken in consideration the possible side effects (e.g. the consumer perception of the quality of products or services). While retailers typically reduce the needs-offer gap through low pricing strategies such as discounts and coupons (Hess and Ring, 2014), Mann, Byun and Li, (2015) found that despite a recession retailers strive to protect their brand image from heavy or frequent price cuts by offering lower-entry level products or by launching a variety of creative or special promotions to lure hesitant consumers into their stores. An economic crisis requires some changes to be made in retailer's strategies and Le and Nhu, (2009) had shown that a retailer can survive in a recession economy by changing its competitive strategy; using Porter's generic strategies (Kotler and Armstrong, 2006) they found that retailers need to exercise a combination of competitive strategies including low cost focus and differentiation focus strategy. According to Mann, Byun and Li, (2015) strategies employed in recession differed from business as usual strategies in that retailers launched a greater number of initiatives aimed at boosting sales; for example, special events/campaigns, limited offer/time promotions, discounts, and coupons. To further counterpoise the drop in sales, retailers paid greater attention to short-term cost reduction measures such as stock-trimming strategies and reduced staffing. While these measures are a knee-jerk response of most businesses during a recession, existing literature warns against launching too many initiatives without a clear sense of opportunity (Favaro et al., 2009). Furthermore, Gulati et al. (2010) prescribe that cost reduction measures should be coupled with investment opportunities in order to thrive during and after recession. This finding suggests that companies are forced to become more agile and innovative in order to counterpoise opportunities and risks during difficult economic conditions (Rollins et al., 2014). Grewal et al., (2012) had proposed pricing strategies based on retail-value. In the face with a worldwide recession, consumers are changing not only their shopping behavior but also their value perception. Thus, Grewal et al., (2012) suggested for retailers to remain more in touch with consumer preferences, take advantage of the opportunity created by the new consumer preferences and enhance the value they offer to consumers. These can be

possible by providing the deals that offer the most value to consumer and by using the technology tools that influence all aspects of consumer's experience from how they search for goods, to how they pay and tell to others about, which means social media and mobile web enabled devices. According literature, another kind of crisis that had affected retail industry is related with reputation. The finding revealed that for not altering the company reputation a proactive-rather than reactive approach is recommended (Topfer, 2013) and an appropriate communication strategy (Sontainte-Petkeviciene, 2014).

### 3. Case study: Romanian modern grocery retailers

#### 3.1. Where it was before? Romanian modern grocery retailers

At the beginning of 2020, Romanian modern retailing was emerging to developed countries trends, which means two main orientations – to create customer experience and to offer convenience. Romanian modern retailers were focusing to operate multifaced, omnichannel, through technology, as it has the main role by connecting retailers with their customers, by providing targeted information, offering value and creating deep customer engagement (Grewal, Roggeveen and Nordfalt, 2017).

In 2018, the 10 largest food retail companies had a cumulative turnover of 57 billion lei, generating over 53% of the total turnover of the industry. The leader of the food retail market continues to be Kaufland with a turnover of 10.9 billion lei and a comfortable market share of over 10%. The German company is also the most profitable player in the market, registering a net profit of 788 million lei, 18% more than in 2017, and at the same time, represents the largest contributor to the state budget: 233 million lei in 2018. In the ranking of food retail companies by turnover, there was a turnaround in the top five, so that Lidl climbed to second place, ahead of Carrefour, which ranks third, and Auchan is going to 6<sup>th</sup> place replaced by 4<sup>th</sup> place Profi, and Mega Image on 5<sup>th</sup> place. (Olteanu, 2020).

*Table 1. Top 5 Romanian Modern Grocery Retailers*

| Rank | Retailer   | 2018 turnover<br>(billion lei) | 2017 turnover<br>(billion lei) | Dynamics<br>2018/2017 |
|------|------------|--------------------------------|--------------------------------|-----------------------|
| 1    | Kaufland   | 10.9                           | 10.1                           | 8%                    |
| 2    | Carrefour  | 10.6                           | 9.6                            | 10%                   |
| 3    | Lidl       | 7.8                            | 6.5                            | 20%                   |
| 4    | Profi      | 5.9                            | 4.7                            | 25%                   |
| 5    | Mega Image | 5.7                            | 4.9                            | 17%                   |

Source: Dragomir, 2019\*for Carrefour were cumulated the entire group results

#### 3.2. What happened after 11<sup>th</sup> of March?

In 11<sup>th</sup> of March 2020 when WHO announced the pandemic of COVID-19, The Romanian Government has declared a state of emergency. People were forced to stay in homes, work from home and supervise children as schools and kindergartens were closed. Access outside the home was allowed only for medical emergencies or for strictly necessary shopping, as grocery stores were the only ones left open. In the first days of restrictions, amid panic and fear of what would happen next, people rushed into stores and made stocks mainly of basic food with a long shelf life, but also of hygiene products, cleaning and disinfectants (Popa, 2020).

Consequently, the stores could no longer cope with the supply of goods on the shelf because the orders were based on the sales history and on a delivery order schedule pre-established with the supplier, so a reorganization was needed from retailers throughout the supply chain. Also, an important impact in the overcrowding of stores had the poor

implementation of the omnichannel. Operating with a limited assortment, without fresh products, or valid only in some cities and with a long delivery time, grocery ecommerce was not a solution for Romanians during the pandemic. Although retailers have tried to do things along the way by improving the assortment, creating predefined packages, national deliveries or even launching through partnerships with an existing platform (e.g. Profi and noriel.ro), Romanians have had to go offline for to ensure their daily needs. It seems that the convenience orientation is steel available for Romanians since according to Nielsen (2020) they rather had chosen convenience stores in the period 26<sup>th</sup> of February – 29<sup>th</sup> of March; because of restrictions and infection threats, Romanians are choosing the neighborhood stores for daily necessities.

### 3.3. How Romanian modern grocery retailers act after COVID-19 outbreak?

#### Case Study: Mega Image, Profi, Carrefour and Auchan

##### 3.3.1. Methodology

The method was selected taking in consideration the current circumstances of COVID-19 restrictions which have also limited the organizations communication instruments. Facebook is one of the most social media channels worldwide and represents an integral part of the marketing communication of the retailer's chains in Romania (Bălan, 2017). The retailers were selected as they operate multiformat, convenience and multichannel. Based on Facebook posts of retailers and visitors have been observed the top reactions of customers and the most popular topics used by retailers during COVID-19 outbreak. It has been also measured the level of engagement during 82 days of posts, 41 before 11<sup>th</sup> of March and 41 after, setting two periods: Period 1 (during COVID-19 outbreak, 11<sup>th</sup> of March - 20<sup>th</sup> of April 2020) and Period 2 (before COVID-19 outbreak, 30<sup>th</sup> of January – 10<sup>th</sup> of March 2020) and the average number of posts per day of posting during the both periods.

As Bălan (2017) study results (retailers were posting twice on average, during a posting day), we expected that during isolation period (Period 1) in their homes, people are moving online and the engagement level of retailers daily posts should considerable increase.

##### 3.3.2. Findings

The first objective of research was to find the intensity of these retailers posting behavior during Period 1 versus Period 2. The results are presented in the table 2:

*Table 2. Intensity of posting behavior of the selected retailers during the two settled periods*

| International retail chain | Total number of posts during Period 1 | Total number of days with posts during Period 1 | Average number of posts per day of posting during Period 1 | Total number of posts during Period 2 | Total number of days with posts during Period 2 | Average number of posts per day of posting during Period 2 | Dynamics |
|----------------------------|---------------------------------------|-------------------------------------------------|------------------------------------------------------------|---------------------------------------|-------------------------------------------------|------------------------------------------------------------|----------|
| Mega Image                 | 112                                   | 40                                              | 2.80                                                       | 93                                    | 41                                              | 2.27                                                       | 18.99%   |
| Profi                      | 36                                    | 26                                              | 1.38                                                       | 60                                    | 35                                              | 1.71                                                       | -23.81%  |
| Auchan                     | 134                                   | 37                                              | 3.62                                                       | 165                                   | 41                                              | 4.02                                                       | -11.12%  |
| Carrefour                  | 55                                    | 38                                              | 1.45                                                       | 50                                    | 38                                              | 1.32                                                       | 9.09%    |

Source: Own research

The results are showing a sustained posting behavior of all retailers during Period 2. Of those 41 days selected for analyze, Profi and then Auchan had considerably reduced the number of days with posting in the Period 1 and even if they increased the number of posts during Period 1, the dynamics was negative. For Mega Image and Carrefour the dynamics is positive as they increase considerable the number of posts for Period 1.

Secondly, we aimed to find the engagement generated among Facebook users for the two settled periods. The engagement is expressed as sum of the following variables: number of reactions (sum of like, love, ha-ha, wow, sad and angry), number of comments and number of shares as is shown in the table 3:

**Table 3. Engagement generated by the selected retailers during the two settled periods**

| International retail chain | Type of engagement  | Period 1 | Period 2 | Dynamics |
|----------------------------|---------------------|----------|----------|----------|
| Mega Image                 | Number of reactions | 202,291  | 153,270  | 24.23%   |
| Mega Image                 | Number of comments  | 16,910   | 5,759    | 65.94%   |
| Mega Image                 | Number of shares    | 11,290   | 4,733    | 58.08%   |
| Mega Image                 | Total engagement    | 230,491  | 163,762  | 28.95%   |
| Auchan                     | Number of reactions | 109,297  | 146,447  | -33.99%  |
| Auchan                     | Number of comments  | 6,766    | 4,637    | 31.47%   |
| Auchan                     | Number of shares    | 9,827    | 6,454    | 34.32%   |
| Auchan                     | Total engagement    | 125,890  | 157,538  | -25.14%  |
| Carrefour                  | Number of reactions | 39,271   | 22,824   | 41.88%   |
| Carrefour                  | Number of comments  | 4,802    | 4,002    | 16.66%   |
| Carrefour                  | Number of shares    | 5,210    | 4,485    | 13.92%   |
| Carrefour                  | Total engagement    | 49,283   | 31,311   | 36.47%   |
| Profi                      | Number of reactions | 27,980   | 39,551   | -41.35%  |
| Profi                      | Number of comments  | 3,179    | 1,657    | 47.88%   |
| Profi                      | Number of shares    | 4,507    | 829      | 81.61%   |
| Profi                      | Total engagement    | 35,666   | 42,037   | -17.86%  |

Source: Own research

The highest engagement is generated by Mega Image for the both periods settled. The rows of the table 3 are sorted by the Period 1 retailer rank in total engagement. As it can be seen, Profi switched the rank with Carrefour and got the last place in the Period 1, after reducing the number of days with posts.

Lastly, we aimed to find the top 3 posts with the highest engagement and the themes of these posts; the results are presented in table 4, for the selected retailers for both periods settled:

**Table 4. Top 3 posts with the highest engagement and the theme of these posts for each selected retailers during the two settled periods**

| International retail chain | Top engagement post during Period 1 |            |                 |                    |                  |                                                                                                        | Top engagement post during Period 2 |            |                 |                    |                  | Theme of the post                |
|----------------------------|-------------------------------------|------------|-----------------|--------------------|------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------|------------|-----------------|--------------------|------------------|----------------------------------|
|                            | Day                                 | Engagement | Number of likes | Number of comments | Number of shares | Theme of the post                                                                                      | Day                                 | Engagement | Number of likes | Number of comments | Number of shares |                                  |
| Mega Image                 | 5th of April 2020                   | 9,734      | 8,747           | 549                | 438              | Romanian local producers offers                                                                        | 30th of January 2020                | 5,528      | 5,299           | 132                | 97               | Recommendation for healthy plate |
| Mega Image                 | 15th of April 2020                  | 9,342      | 8,744           | 331                | 237              | Easter traditional offer                                                                               | 22th of February 2020               | 4,856      | 4,647           | 106                | 103              | Quiz healthy fruit snacks        |
| Mega Image                 | 14th of March 2020                  | 8,106      | 6,908           | 741                | 457              | Special thanks to first line employees                                                                 | 24th of February 2020               | 4,793      | 4,595           | 137                | 61               | 'Dragobete' Romanian lovers day  |
| Carrefour                  | 15th of March 2020                  | 5,804      | 4,524           | 443                | 837              | Safety and protection measured implemented in stores                                                   | 4th of February 2020                | 5,238      | 3,666           | 73                 | 1,499            | Pork meat spot                   |
| Carrefour                  | 25th of March 2020                  | 4,483      | 3,721           | 419                | 343              | Special thanks to first line employees                                                                 | 10th of February 2020               | 3,376      | 3,236           | 106                | 34               | Funny Survey                     |
| Carrefour                  | 30th of March 2020                  | 3,371      | 3,131           | 139                | 101              | Blocked prices for 500 edibles                                                                         | 1st of February 2020                | 3,298      | 1,957           | 70                 | 1,271            | Receipe                          |
| Profi                      | 16th of March 2020                  | 5,375      | 3,918           | 388                | 1,069            | Invitation to business community for COVID-19 donation after Profi initiative (1 million lei donation) | 4th of February 2020                | 2,081      | 2,055           | 11                 | 15               | Contest                          |
| Profi                      | 5th of April 2020                   | 3,067      | 2,650           | 232                | 185              | Appeciation for first line employees                                                                   | 5th of February 2020                | 2,068      | 2,018           | 14                 | 36               | Contest                          |
| Profi                      | 17th of March 2020                  | 2,805      | 2,200           | 181                | 424              | Social responsibility message from Profi Management to other managers in order to take act             | 9th of February 2020                | 1,903      | 1,833           | 25                 | 45               | Contest                          |
| Auchan                     | 28th of March 2020                  | 10,779     | 9,424           | 494                | 861              | Responsibility message for +65 years old people - dedicated hours for safety shopping                  | 2nd of March 2020                   | 14,793     | 13,362          | 364                | 439              | Invitation for tulips shopping   |
| Auchan                     | 11th of March 2020                  | 8,173      | 7,741           | 134                | 298              | Healthy dessert recommendation                                                                         | 29th of February 2020               | 7,591      | 7,274           | 169                | 148              | Child taking the first steps     |
| Auchan                     | 19th of March 2020                  | 7,761      | 6,726           | 91                 | 944              | Recommendation for people safety: washing hands wrightly                                               | 11th of February                    | 6,653      | 5,628           | 905                | 120              | Game                             |

Source: own research

As the results show, for each retailer except Auchan, the Period 1 has a bigger engagement in top 3 posts as consequence of isolation but also because of the emotional impact of the post theme. For the Period 1 people were more interested to find the measures that their favorite retailer is applying in a special crisis created by COVID-19 outbreak. The themes that correspond for the top 3 posts in Period 1 cannot be compared with the regular themes that correspond for Period 2 top 3 posts because of customer's expectations changing during COVID-19 pandemic.

Supplementary, the research reveals that the most comments and reviews (only for Mega Image and Profi can people make reviews and scores) were about people preoccupation for the measures that retailers had well implemented according retailer posts as official communication of social responsibility actions. These include healthy measures taken in stores like cleaning, keeping the wright distance between two people and with the cashiers (all retailers have installed transparent partition panels at the check outs in order to not enter in contact with the cashiers) and waring protection equipment by store employees (face masks and gloves). Other people remarks were about pricing increasing and product shelf presence. During Period 1, retailers communicate on Facebook all the own social responsibility actions and the opening for partnership in this kind of actions with other retailers.

### Conclusions and recommendations

During Covid-19 outbreak consumer behavior was changed. People become more sensible because of this anxious and stressful period as they cannot spend time with friends and socialize. Thus, they are spending more time online and this aspect should be considered an opportunity for grocery retailers to increase the engagement by posting every day more than they have done before. Even if people are still looking for entertainment posts, in this period, they need more specific COVID-19 info actions in order to get objective reasons to patronize a retailer. They are looking on retailer Facebook posts for these info as consequence of going out restrictions, for gaining time and doing shopping quickly, considering the convenience given by proximity, price reductions/promotions already known, no out of stock products and safety and cleaning stores. This paper represents an important contribution for evaluating the impact of COVID-19 outbreak on Romanian modern grocery retailers in terms of the main actions they should take and should communicate on Facebook according new customers' expectations, and a useful tool for practitioners to have a proactive attitude to pass successfully the crisis and to get competitive advantage.

### References

- AGHA, M. & AGHA, R. 2020. *The Socio-Economic Implications of the Coronavirus and COVID-19 Pandemic: A Review*. International Journal of Surgery, <https://doi.org/10.1016/j.ijssu.2020.04.018>.
- ALAN SIU, A. & WONG, Y.C. R. 2004. *Economic Impact of SARS: The Case of Hong Kong*. The Earth Institute at Columbia University and the Massachusetts Institute of Technology.
- ARAZ, O., M, CHOI, T. M, OLSON, D. L., & SALMAN, F., S. 2020. Data Analytics for Operational Risk Management. [online] Available at: <[https://www.researchgate.net/profile/OM\\_Araz/publication/339938737\\_Data\\_Analytics\\_for\\_Operational\\_Risk\\_Management/links/5e9379fa4585150839d958e3/Data-Analytics-for-Operational-Risk-Management.pdf](https://www.researchgate.net/profile/OM_Araz/publication/339938737_Data_Analytics_for_Operational_Risk_Management/links/5e9379fa4585150839d958e3/Data-Analytics-for-Operational-Risk-Management.pdf)> [Accessed 20 April 2020].
- BALAN, C. 2017. *Modern Retailers: How Intense, Engaging and Differentiating Is Their Communication on Facebook?* Journal of Emerging Trends in Marketing and Management, Vol I, No. 1
- BAKER, S., R., FARROKHANIA, R., A., MEYER, S., PAGEL, M., YANNELI, C. 2020. *How does household spending respond to an epidemic? Consumption during the 2020 covid-19*

- pandemic*. National Bureau of Economic Research 1050 Massachusetts Avenue Cambridge, MA 02138, Working Paper 26949 <http://www.nber.org/papers/w26949>.
- BARUA, S. 2020. *Understanding Coronanomics: The economic implications of the coronavirus (COVID-19) pandemic*. <https://mpra.ub.uni-muenchen.de/99693/>.
- BEREZVAI, Z. 2014. *The pricing strategies of Hungarian food retail chains during the last recession*. *Acta Oeconomica*, Vol. 65 (3), pp. 393–411 (2015) doi: 10.1556/032.65.2015.3.3.
- BROWN, M., R., K. & SMITH, R., D. 2008. *The economic impact of SARS: How does the reality match the predictions?* doi:10.1016/j.healthpo.2008.03.0031.
- CHOU, T., J. & CHE, F., T. 2003. *Retail pricing strategies in recession economies: the case of taiwan*. *Journal of International Marketing* Vol. 12, No. 1, 2004, pp. 82–102 ISSN 1069-031X.
- COOMBS, W., T. 2007. *Protecting Organization Reputations During a Crisis: The Development and Application of Situational Crisis Communication Theory*. *Corporate Reputation Review*, Vol. 10, No. 3, pp. 163–176.
- DRAGOMIR, A. 2019. *Cum s-a reconfigurat topul retailerilor internaționali în 2018?* *Magazinul Progresiv*. [online] Available at: < <https://revistaprogresiv.ro/articole/cum-s-reconfigurat-topul-retailerilor-internationali-2018-vezi-clasamentul> > [Accessed 26 April 2020].
- EUROMONITOR INTERNATIONAL. 2020. *PASSPORT. The impact of coronavirus on packaged and fresh food*. [Accessed 20 April 2020].
- European Centre for Disease Prevention and Control. 2020. [online] Available at: < <https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases>. > [Accessed 26 April 2020].
- FAVARO, K., ROMBERGER, T. & MEER, D. 2009. *Five rules for retailing in a recession*. *Harvard Business Review*, Vol. 87 No. 4, pp. 64-72.
- FERNANDES, N., *Economic effects of coronavirus outbreak (COVID-19) on the world economy*. <https://ssrn.com/abstract=3557504>.
- GAURI, D., K., TRIVEDI, M. & GREWAL, D. 2008. *Understanding the Determinants of Retail Strategy: An Empirical Analysis*. *Journal of Retailing*, 84, 3, pp. 256-267.
- GREWAL, D., NOBLE, S. M., ROGGEVEEN, A., L. & NORDFALT, J., 2020. *The future of in-store technology*. *Journal of the Academy of Marketing Science*, 48(1), pp. 96 -113.
- GREWAL, D., ROGGEVEEN, A., L., COMPEAU, L. D. & LEVY, M. 2012. *Retail value-based pricing strategies: new times, new technologies, new consumers*. *Journal of Retailing*, 88 (1) pp. 1-6.
- GREWAL, D., ROGGEVEEN, A., L. & NORDFALT, J., 2017. *The Future of Retailing*. *Journal of Retailing*, 93 (1) pp. 1-6.
- GULATI, R., NOHRIA, N. & WOHLGEZOGEN, F. 2010. *Roaring out of recession*, *Harvard Business Review*, pp. 1-10.
- HANNA, D. & HUANG, Y, 2004. *The Impact of SARS on Asian Economies*. The Earth Institute at Columbia University and the Massachusetts Institute of Technology.
- HESS, R.L. JR & RING, L. 2014. *Off-price versus price-off: use of discriminant analysis to identify competitive differences across retail formats*. *International Journal of Retail & Distribution Management*, Vol. 42 No. 10, pp. 902-928.
- IVANOV, D., 2020. *Predicting the impacts of epidemic outbreaks on global supply chains: A simulation-based analysis on the corona virus outbreak (COVID-19/SARS-CoV-2) case*. <https://doi.org/10.1016/j.tre.2020.101922>.
- JRIBI, S., ISMAIL, H., B., DOGGUI D. & DEBBAB, H. 2020. *COVID-19 virus outbreak lockdown: What impacts on household food wastage?* <https://doi.org/10.1007/s10668-020-00740-y>.
- JUNG, E. & SUN, H. 2017. *The Influence of the Middle East Respiratory Syndrome Outbreak on Online and Offline Markets for Retail Sales*. *Sustainability* 9, 411; <https://doi.org/10.3390/su9030411>.
- JUNG, H., PARK, M., HONG K., & HYU, E. 2016. *The Impact of an Epidemic Outbreak on*

- Consumer Expenditures: An Empirical Assessment for MERS Korea. Sustainability*, 8, 454; <https://doi.org/10.3390/su8050454>.
- KOTLER, P., ARMSTRONG, G. 2006. *Principles of Marketing*, 11th ed., Pearson-Prentice Hall, Englewood Cliffs, NJ.
- Le, N., H. & Nhu, D. 2009. *Food retail competitive strategy in recession economy: a case of successful foreign discount stores in finland*. *International Journal of Business and Management*, Vol. 4, No. 6.
- LEVI, M, GREAL, D., KOPALLE, P. & HESS, J. 2004. *Emerging Trends in Retail Pricing Practice: implication for research*. *Journal of Retailing*, 80, 3, xiii- xxi.
- MANN, M., BYUN, S. E. & LI, Y., 2015. *Realignment strategies in the US retail industry during a recessionary time*. *International Journal of Retail & Distribution Management* Vol. 43 No. 8, 2015 pp. 775-792.
- NICOLA, M., ALSAFI, Z, SOHRABI, C., KERWAN, A., AL-JABIR, A. & IOSIFIDIS, C. 2020. *The Socio-Economic Implications of the Coronavirus and COVID-19 Pandemic: A Review*. <https://doi.org/10.1016/j.ijisu.2020.04.018>.
- OLTEANU, A. 2020. *Maxim istoric pentru retailul alimentar*. [online] Available at: <<https://www.wall-street.ro/articol/Companii/253174/covid-19-2020-maxim-istoric-pentru-retailul-alimentar-cifra-de-afaceri-a-comaniilor-din-comertul-cu-alimente-ar-putea-ajunge.html#gref>> [Accessed 20 April 2020].
- PENDELL, D.L., LEATHERMAN, J., SCHROEDER, T.C., & GREGORY, S. A. 2007. *The economic impacts of a foot-and-mouth disease outbreak: a regional analysis*. Selected Paper prepared for presentation at the Western Agricultural Economics Association Annual Meeting, Portland, OR.
- ROLLINS, M., NICKELL, D. & ENNIS, J. 2014. *The impact of economic downturns on marketing*, *Journal of Business Research*, Vol. 67 No. 1, pp. 2727-2731.
- ROSENTHAL, U., BOIN, A. & COMFORT, L., K. 2001. *The Changing World of Crisis and Crisis Management*. Charles C. Thomas Publisher Ltd, Springfield, Illinois.
- SASSI, K., CAPONE, R., ABID, G., DEBS, P., EL BILALI, H., DAALOUL, B. O., et al. 2016. *Food wastage by Tunisian households*. *International Journal AgroFor*, 1(1), 172–181.
- SONTAINE - PETKEVICIENE, M. 2014. *Crisis management to avoid damage for corporate reputation: the case of retail chain crisis in the Baltic countries*. *Procedia - Social and Behavioral Sciences*, 156, pp. 452 – 457. doi: 10.1016/j.sbspro.2014.11.220.
- SRINIVASAN, S., R & SIVAKUMAR, S.N.V. 2011. *Strategies for retailers during recession*. *Journal of Business and Retail Management Research (JBRMR)*, Vol 5, Issue 2.
- TASHANOVA, D., SEKARBAY, A., CHEN, D., LUO, Y., ZHAO, S. & ZHANG, Q. 2020. *Investment Opportunities and Strategies in an Era of Coronavirus Pandemic*. <https://ssrn.com/abstract=3567445>.
- TOPFER, L.M, 2013. *The role of retail identity in corporate crisis management: The case of the 2013 horsemeat scandal*. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2475551](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2475551).
- van GEFFEN, L., van HERPEN, E., & van TRIJP, H. (2020). *Household Food waste—How to avoid it? An integrative review*. In E. Närvänen, N. Mesiranta, M. Mattila, & A. Heikkinen (Eds.), *Food Waste Management*. Basingstoke: Palgrave Macmillan.
- WEINER, D. (2006). *Crisis Communications: Managing Corporate Reputation in the Court of Public opinion*. *Ivey Business Journal*, 3-4, 1-6.

## **Advertising as a Motivator of Human Behavior – Theoretical Approach of Manipulation in Modern Society**

**Mihai-Ioan ROȘCA**

The Bucharest University of Economic Studies  
mihai.rosca@mk.ase.ro

**Angela MADAN**

The Bucharest University of Economic Studies  
angela.madan@mail.ru

### **Abstract**

Marketing is an art, used in everyday life, by producers, most of the time, to influence final consumer behavior. Advertising, as a marketing tool, is not linked, only to development of media, but currently is one of the main types of public communication and has effect, not only in economy, but also has higher effect on social relations. Advertising, in modern society, is one of the most influent factors in communication due to increasing role of media and its structure. At this moment, advertising represents a specific form of media communication, due to its wide action and is not just responsible for products and services selling and can no longer have, only, an economic role. It, also, has a motivation effect on people behavior, creates new value systems, as well as, changes the world perception values. Public unconscious mind can be influence, mainly, through symbols and through things. Mainly used in advertising, is symbolism, considered as the base of influencing people's unconscious mind. Russian researchers analyzed a lot of methods used in advertising which can influence consumer behavior. I set out to do an office job for analyze subliminal and other methods used in advertising which can influence public behavior, the sphere where it is used, for understanding of all techniques of influence and to compare emerging trends in manipulation analyzed by advertising researchers from different countries. I intend to do a research based on secondary data to realize that the manipulation of consumer or public behavior is it possible or not.

**Keywords:** subliminal stimuli, subliminal technique, advertising, marketing.

**JEL classification:** M37; M390.

### **Introduction**

Advertising is an integral part of marketing. Modern advertising process, as communication, has been explored in wide variety of aspects. "In the world of advertising, phenomena, objects and images exist in the form of random mosaics; the boundaries between the world of things become blurred; in an advertising message, the consumer is present as an accomplice in the conventionally created advertising reality" (Gerashenko, 2006, p.18).

Modern advertising should be a benchmark for the internal satisfaction of its consumers, but not should only be for the level of successful sales of the advertised product. Advertising should correspond to the cultural mentality of the buyer, his picture of the world.

In USA, James Vicary was the first to make an announcement about subliminal stimuli, in 1957. Yet a half century ago, Ukrainian advertisers mentioned about some unitary entities created, at that time, which acted as an intermediary between advertising messages and not even the consumer, but his unconscious. In Russian researches, mainly in advertising, the same message or force which is supposed to unconsciously influence people's behavior, is known as - "25 framework". By definition of "25 framework" comes from the idea that people's brain is capable to receive information, only 24 frameworks per second.

### **Advertising in modern society**

Marketing is a missing link, but it must be integrated into the larger context of the social system for understanding the importance of its links in the development process. (Nason and White, 1981)

A feature of modern reality is the actualization of mass culture, in general, and advertising in particular, as well as the intensification of processes that form mass consciousness. Advertising influences the approval of certain models of human behavior in culture, helps to rethink individual being on the basis of the same principles by which myth affects the mass consciousness. (Gerashenko, 2006)

Advertising is an integral part of marketing. Modern advertising process, as communication, has been explored in wide variety of aspects. “In the world of advertising, phenomena, objects and images exist in the form of random mosaics; the boundaries between the world of things become blurred; in an advertising message, the consumer is present as an accomplice in the conventionally created advertising reality” (Gerashenko, 2006, p.18).

Modern advertising can offering to the person a simulated world. Today, television advertising plays a huge role. (Gerashenko, 2006).

“Persuasive communication depends on several factors: the personal history of each individual, the differences in education, personality, behavior etc., all these determining a different acceptance of a message. If we can say that repetition creates a basic structure, the suggestion, on the other hand, is produced in varied areas, actions in time and subtly manipulates the conscience. Especially the artistic emotion has effects in the plan of defusing suggestion. Any piece of art firstly produces a basic message, but it also generates some series of subtle, imperceptible suggestions. The manipulation experiences through language are themselves based on the capacity of suggestion of words, accrediting the idea that some persons have visual memory, while others excel in audio-reception”. (Florea, 2016, p.264).

The theory of persuasion in advertising is a process of influence peoples. Persuasion typically uses information for influencing the receiver. “Persuasion is the act of attempting to change minds or get people to act. Persuasion is similar to subliminal projection in that it suggests something a bit distasteful, something more or less hidden, unfair; a subtle or not so subtle playing on manipulating people, perhaps by appealing to emotion”(Hornick, 2006, p.17).

Imposed information is like hypnosis, because it is perceived against the will. (Repie, n.d., p.1). As an example, is Kara-Murza, S., (2015) suggestion that, the consciousness manipulation campaign carried out in the USSR was extremely effective. There was manipulation of public consciousness, which he defined as it is “the colonization of their nation”.

### **Mass-media influence**

In modern society, where technologies have an increased importance and role, we must not forget about the human essence, namely the subconscious. The subconscious or unconscious is of a special finesse and cannot be perceived rationally, however “one aspect is however demonstrated: the subconscious zone is active, as proved by dreams, psychical diseases or art”. Because of small number of researches about subliminal persuasion, there is not enough information to draw a clear-cut conclusion, about “the way in which it influences the conscious”. Either the semiotic fields until now could not explain “the whole journey of information impregnated subliminally.” Semiotics can, only, sometimes, partially predict reaction of a person, but most of the time it only can approximately anticipate the reaction of the subconscious to the transmitted message. “One should not forget that repetition and the power of suggestion are two methods of immersing inside the conscious”. (Florea, 2016).

Manipulation through nonconscious primes, by definition, can be delivered „either subliminally, in which case the prime themselves are not accessible to the person’s awareness, or supraliminally, in which case the person is aware of the primes but not of their potential influence”. (Broyles, 2002).

The Russian marketer Gerashenco (2006) mentioned about two main ways of public consciousness manipulation: manipulation through the world of signs and the world of things, the main of which is the word of signs; the psychoanalytic foundations of the manipulation of consciousness in advertising are examined. Another one, including the theory of subliminal advertising, the essence of which is formulated by the James Vicary: the consumer picks up signals that exceed a certain threshold by the force of exposure, filtering out weaker or briefly temporary ones. “Semiotics utilizes a selection of graphical symbols (like icons), symbolic gestures (e.g., pointing movements), or verbal commands. The meaning of such interaction elements might be depending on everyday experience, is defined in style guides, or is given by the developer arbitrarily. This results in a distinct code a user has to learn in order to successfully operate the system. In case the symbols used in the interface are not widely spread and understood, a steep learning curve is the consequence. In contrast to this, subliminal communication requires the integration of spontaneous interaction mechanisms. These mechanisms are characterized by occasionally unexpected actions and results”. (Riener, et al., 2011).

Advertising visual audio media text (as a multiplicity of text and its contexts), is saturated with diverse archetypal images, mainly binary in their psychological nature, correlating feminine and masculine levels of subliminal perception (Kosheliuk, n.d.).

Garshenco, analyze the basic techniques of manipulation used in different types of advertising:

- radio advertising mentioning about accidents or disasters;
- threats to the health of consumers, for example, radio advertising, which begins with “do you feel pain ...”;
- sound solution of radio advertising of medicines (ex.: heart palpitation);
- television advertising which include violence;
- repressed needs, which are obstructed by society;
- discrediting the concepts of good and evil, faith in God or love of the motherland;
- invasion of a person’s self-esteem, his sense of confidence and stability;
- the promise of quick and affordable pleasures from eating, sports or prestigious things;
- using inscriptions “recommended by the association...”;
- using the 25<sup>th</sup> frame.

### **Theoretical and Practical Concepts**

Subliminal influence and advertising „attempts more generally have a controversial checkered past”(Broyles, 2002).

Over the year, taken literally, subliminal means stimulus “below threshold” (Broyles, 2006); below (“sub”) the threshold (“limen”) of human perception (Roggers, 1992-1993), the subject cannot identify the stimulus (Moore, 1982).

Vicary claimed that subliminal advertising is just a “soft form of advertising...a very weak persuasive effect” and the method itself slightly enhances traditional advertising (Repiev, n.d.).

Subliminal stimulation – are below the threshold of perception (Del Hawkins, 1970), the level of an individual’s conscious awareness (Broyles, 2006), and it cannot be perceived, felt, etc. “Threshold means simply that some stimuli affect the organism, while other do not. Some smell are too weak to be detected, some lights too faint to be seen. But, as the intensity of smell or light increases, a point is reached at which it is detected or heard. This is the threshold point

(or limen). Stimuli that do not reach the threshold are known as subliminal. A fairly obvious implication is that a stimulus is ‘subliminal’ or below the response threshold for one person may not be subliminal for another. Furthermore, a stimulus that is subliminal at one time for a certain person may not be subliminal at another time” (Klass, 1958).

Subliminal perception – refers to the registration of a stimulus (Hawkins, 1970) which the observer is not attending to it consciously (Theus, 1994) and have no evidence of the priming, before its effect is felt (Silverman, 1976).

“We are all protected by wise nature. She has developed a lot of safety mechanisms in us. One of them concerns information about the outside world. When this information proceeds in our brain through our senses, it initially comes with a “shallow processing” at the subconscious level. The information is lost; if in a very short time our consciousness does not demand it. Such information is called subliminal (sub – under, limen – threshold), it could not exceed the threshold of importance milking our reflexes and consciousness. In such a storm, we swim from morning till night in the subconscious ocean, without noticing it ourselves”. (Repiev, n.d., pg.4)

One widely followed approach to the study of subliminal presentation (Merikle, 1994) has expanded to the misuse of the word (Broyles, 2006) and the hidden pictures/words within some presented images or films. These subliminal embeds are visible only when are pointed out (Rosen, Singh, Surendra, 1992).

Russian marketing school defines subliminal stimulation as 25<sup>th</sup> frame. “The visual subliminal perceives 24 frames per second. In this sequence succession there can be inserted the 25<sup>th</sup> frame, in no relation with the visible message, yet perceived consciously by the human brain. The subliminal images are invisible at normal speed. The eye would not see them and the spectator would not question this image”. (Florea, 2016, pg.264)

Subliminal stimulus can influence behavior and enhance perception only when people were motivated to pursue the goal (Strahan, Spencer, Zanna 2002); are effective in real-life settings and are producing changes in behavior of a person which was unaware of the influence of the priming manipulation (Bargh, 2016); it is a growing area of the study (Elgendi, et al., 2018) and it is necessary to extend studies on a larger scale (Anitei and Curelea, 2014). Moore (1988) has concluded that subliminal priming “may be either partially available to consciousness at least some of the time, or they may be so far below an objective threshold of awareness that they are operatively nonexistent”.

Recent experiments and theoretical studies suggested that “preferences, attitudes and impression formation can be developed outside of an individual’s beliefs about object’s attributes” (Opre, Opris and Vonas, 2002), and is more likely „for products that are enjoyable but unhealthy” to impute subliminal manipulation to advertising. (Voloaca et al., 2011, p.450).

For better understanding of subliminal marketing, it is important to investigate and determine subliminal techniques, which are assumed to have some degree of covert manipulation.

Subliminal stimulus is below the consciousness awareness and to evoke a well-established fractional goal response involve:

(1) *backward messages* (various kinds of stimuli are presented tachistoscopically – meanly by quickly flashing it on a screen, without person consciously noticed (Rosen, Singh, Surendra, 1992));

(2) *potential advertising influences* as:

- using familiar images and words for arousal (Theus, 1994);
- hidden pictures in pictorial advertisement (Moore, 1982), an example of subliminal masking was used the embed “Rats” on the face of opponent in presidential election (Broyles, 2006));

(3) *“subaudible” stimuli* as:

- *incorporating* of lower volume speech signal, below the word is heard, masked by sounds or music (Rosen, Singh, Surendra, 1992);
- speeding up the presentation rate and masking by background speech or music, until message could no longer be consciously understood;
- using, backward messages which can be produced only at reverse playing;
- presenting different words which are at subliminal intensity levels;
- introducing of a very fine stimuli which even is difficult to determine as separated words is difficult (Moore, 1988);
- accelerating speech in low volume messages (Moore, 1982).

Demonstration of subliminal ('sub threshold') stimuli in visual media, without directly changing people behavior, can at least arouse emotions and influence assessments of completely different stimuli (Burkov and Matuzov, n.d.).

An implementation of subliminal communication in human-computer interaction "not only illustrates the potential of the application of subliminal techniques for improving human-computer interaction, but also highlights that there are still technical difficulties and unresolved problems limiting a broader deployment in the near future" (Riener et al., 2011).

"Due to the subtlety of the placement embedding and other promotional techniques, audience members are often completely unaware and, therefore, highly susceptible of the practice. The influence is sometimes so powerful that product placement's critics have sought federal regulation of the practice" (Hornick, 2006, p.7).

"In many states (USA, United Kingdom, Australia, etc.) there is a ban on the use of technology of subliminal messages, despite the skepticism about this phenomenon in the scientific community" (Pliusnin, 2014).

The main interest is that, according to some researchers (Broyles, 2006), it is confirmed that the general public opinion is that: subliminal messages are used in advertising, just as subliminal advertising is an important tool. Making a comparison to three earlier studies of perception and awareness of subliminal advertising, a result of our survey, of a sample of 127 persons, produced similar results to those of Broyles (2006). Broyles' study (2006) replicated an earlier study by Rogeres and Smith (1993), which replicated most of the earlier findings of research by Zanot, Pincus, and Lamp (1983) (see Table 1).

**Table 1. People's perceptions about subliminal stimuli**

|                                                                                                | Zanot, Pincus,<br>and Lamp<br>(1983) | Rogers and<br>Smith<br>(1993) | Broyles<br>(2006-<br>2004) | Present<br>sample<br>(2020) |
|------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------|----------------------------|-----------------------------|
| Familiar with concept of subliminal advertising                                                | 81%                                  | 74%                           | 84%                        | 92%                         |
| Of those who are familiar with subliminal advertising, those who believe advertisers use it    | 81%                                  | 68%                           | 85%                        | 91%                         |
| Of those who believe advertisers use subliminal advertising, those who believe it is effective | 68%                                  | 72%                           | 78%                        | 86%                         |
| Sample size                                                                                    | 209                                  | 400                           | 266                        | 127                         |

As a result of the study, with over a span of more than 35 years with different samples, the results indicate, about the same results. Mainly people are familiar with subliminal (74%-92%), from this (68% - 91%) believe advertising use embeds and (68% - 86%) consumers believe that used subliminal advertising is effective (see Table 1). People, most of the time, act in reality from their perception of reality. "The public likes to believe the worst about

advertising, and that makes it difficult to refute subliminal advertising charges” (Broyles, 2006, p.404).

### Conclusion

The boundaries of the manipulations of public consciousness admissible in modern advertising are investigated in the paper. Consumers prefer to believe that they are psychologically manipulated, in everyday life, through subliminal advertising, which is also relevant in this study.

For decades, subliminal advertising has been a concern for many researchers and marketers, in their scientific works. From the beginning of subliminal communication and persuasion appearance advertising schools and researchers, from USA, Canada, Romania, Russia and other countries had publish a lot of studies about priming, and the results were contradictory.

Marketing seeks to satisfy the needs of the consumer profitably, consumer research is the study of choices and behaviors which is important to the individual. Researching how powerful and typical nonconscious influences are in daily life, would provide suggestions for future research.

Despite, that scientists do not have enough information about the effect of unconscious consumption in consumer daily purchase habits, subliminal advertising is a recognized part of the culture, due to some studies.

It is important to conduct more research to investigate the effects of subliminal advertising and to establish patterns for identifying subliminal marketing.

### References

- ANITEI, M., CURELEA, M., (2014), “Study Regarding the Influence of Subliminal Messages on Product Choice”, University of Bucharest, Romania; *Romanian Journal of Experimental Applied Psychology*, pp.55 – 72
- BARGH, A.J (2002) “Losing Consciousness: Automatic Influences on Consumer Judgment, Behavior, and Motivation” *Journal of Consumer Research*, pp.280 - 285
- BARGH, A.J (2016) “Awareness of the prime versus awareness of its influence: implications for the real-world scope of unconscious higher mental processes”, *Current Opinion in Psychology*
- BROYLES SH. J. (2006) „Subliminal Advertising and the Perpetual Popularity of Playing to People’s Paranoia”, University of North Texas, Denton, *The Journal of Consumer Affairs*, pp.392 – 405
- BURKOV, S. A., MATUZOV, A. A. „Problems of Subliminal Effects in Modern Society”
- ELGENDI, M., ET AL., (2018) „Subliminal Future Perspectives”, *Behavioral Sciences*, pp.1-23
- FLOREA M., (2016) “History of the 25<sup>th</sup>. The Subliminal Message”, *International Journal of Communication Research*, pp.261 - 266
- GERASHENKO L. L., (2006) “Advertising as a myth”, pp.1-39
- HAWKINS, D., (1970) „The Effects of Subliminal Stimulation on Drive Level and Brand Preference” Southern Illinois University, *Journal of Marketing Research*, pp.322 – 326
- HORNICK, L. A., (2006) “The Evolution of Product Placement: Consumer Awareness and Ethical Considerations”, *thesis submitted to Master of Science in journalism* pp.1-61
- KLASS, B. (1958) „The Gost of Subliminal Advertising”, Marketing Planning Corporation, New York City, Mccann-Erikson Inc., *Journal of Marketing*, pp.146–150
- KARA-MURZA, S., (2015) “Manipulation of Consciousness in XX Century”, Alistorus, pp.1-36

- KOSHELIUK, E. V., (n.d.) “Binary archetypal images in the context of subliminal perception of advertising media text”
- MERIKLE P. M., (1988) „Subliminal Auditory Messages: An Evaluation” University of Waterloo, Canada, *Psychology & Marketing*, pp.355–372
- MOORE, T. E., (1982) „Subliminal Advertising: What You See Is What You Get”, Timothy E. Moore, American Marketing Association, *Journal of Marketing*, pp.38–46
- MOORE, T. E., (1988) „The Case Against Subliminal Manipulation”, Glendon College, York University, *Psychology & Marketing*, pp.297-316
- NASON W. R., WHITE D. P.,(1981) „The Vision of Charles C. Slater: Social Consequences of Marketing”, *Journal of Makromarketing*, pg.1-16
- OPRE, A., OPRIS, D., VONAS, G., (2002) „Changing Atitudes by Subliminal Stimulation”, *Cognitie, Creer si Comportament*
- PLIUSNIN, E. V., (2014 ) „Subliminal messages in visual communication”, *Filosofia. Filosofsiki peripetii*
- RIENER, A., KEMPTER, G., SAARI, T., AND REVETT, K., (2011) “Subliminal Communication in Human-Computer Interaction”, *Advances in Human-Computer Interaction*, pp.1-3
- ROSEN, D.L. AND SINGH S.N., (1992) „An Investigation of Subliminal Embed Effect on Multiple Measures of Adverising Effectiveness”, University of Kansas, *Psychology and Marketing*, pp.157–173
- ROGERS, S. (1993) „How a Publicity Blitz Created The Myth of Subliminal Advertising”, *Public Relations Quarterly*, pp.12–17
- RIPIEV, A., (n.d.) “The myth of the 25th frame Russian chapter”, Arepiev School of Advertising and Marketing, pp.1-7
- STRAHAN, E.J, SPENCER S. J., AND ZANNA M.P., (2002) „Subliminal priming and persuasion: Striking while the iron is hot”, University of Waterloo, Canada, *Journal of Experimental Social Psychology*, pp.556–568
- SILVERMAN, L. H., (1976) "Psychoanalytic Theory: The Reports of My Death are Greatly Exaggerated”, *American Psychologist*
- THEUS K. T., (1994) „Subliminal Adverising and the Psychology of Processing Unconscious Stimuli: A Review of Research” Rutgers University, New Jersy, SUA, *Psychology & Marketing*, pp.271–290
- VOLOACA, I.D, ED AL., (2011) „The Importance of Creativity in Advertising, Digital Technology, and Social Networking” Spiru Haret University, Bucharest, Romania; *Economics, Management, and Financial Markets*, pp.449-458.

## **Study on the Influence of CEO Duality on the Performance of Listed Entities**

**Oana BOGDAN**

UVT - Faculty of Economics and Business Administration  
oana.bogdan@e-uvv.ro

**Valentin BURCĂ**

UVT - Faculty of Economics and Business Administration  
burca\_valentin@yahoo.com

### **Abstract**

This paper analyzes the relationship between the duality of the positions held within the company by a single person in the same time, respectively Chairman of the Board of Directors and CEO, and financial performance of the entities listed on the Bucharest (BSE) and Athens Stock Exchange (ATHEX). The data source included in our study is represented by the information published in the Annual and Sustainability reports for 2018 by 62 entities listed on the BSE and 40 entities listed on the main market ATHEX. The results obtained from the econometric modeling reflect the existence of a positive relationship between CEO duality and performance. The theme and results of the research undertaken are important for understanding the influence that duality can have on the performance of entities, being useful to shareholders, potential investors but also to other people interested in corporate governance.

**Keywords:** CEO Duality, performance, listed entities, corporate governance.

**JEL classification:** G34, M21.

### **1. Introduction**

Corporate governance is a set of mechanisms by which a corporation is managed and controlled. Whether we talk about the management model in which all the company's stakeholders are considered equally important or about the shareholder model, in which the shareholder is given more importance compared to the other stakeholders, corporate governance policies are essential for the sustainable development of entities. Through an effective corporate governance, companies can maximize their long-term market value, which may lead to increased performance, sustainable development, protection of the stakeholders' interests, increased transparency and building a trust-based business environment.

The aim of our paper is to analyze the influence of CEO duality on the company's performance. If there is no separation of roles within the entity, the CEO also being Chairman of the Board of Directors, the situation is known as "CEO duality". Therefore, in this paper we will analyze the information published in the Annual and Sustainability reports by 102 companies listed on BSE and ATHEX Stock Exchange in order to identify if CEO duality influences the companies' performance measured by the Return on Assets (ROA) and the Return on Equity (ROE) indicators.

The study is structured into 4 sections. The first section provides the literature review. Section 2 presents the methodology, sample data and research hypotheses. Section 3 highlights the empirical results while last section concludes by providing research limitations and avenues for future analysis.

## 2. Literature review

In the specialized literature, the way a company is managed and controlled represent a topic of great interest, with numerous studies and debates regarding the corporate governance contribution to the entity's performance, sustainable development and stakeholders' protection (like the research conducted by Paniagua, J., et al., 2018, Shahid, M.S., et.al., 2019, Rose, C., 2016, Pillai, R., 2018, Al – ahdal, W., 2020, Naciti, V., 2019).

Considering the theories that represent the conceptual foundation of corporate governance (A. Ionescu, 2015), respectively the agency theory and stewardship theory, about the influence of duality on performance we can state that:

- Based on Agency theory, when "CEO and the Chairman of the Board are two different individuals, we talk about separation of functions and this separation increases the independence of the board from management and brings new knowledge". (Michelon,G., et al., 2012). The separation of function can enhance effectiveness in management responsibility and decrease agency costs (Naciti, V., 2019). CEO duality could diminish the board's effectiveness of its monitoring function, leading to further agency problems and, ultimately, poor firm performance (Lin Shao, 2018).
- Based on stewardship theory (Davis et al.,1997) states that duality can increase the performance of the entity due to the fact that there is only one person who will take efficient and timely decisions for the benefit of the company.

In the literature there are studies that demonstrate the significant and positive link between duality and performance measured by various indicators, such as those studies conducted by Tian and Lau (2001) and Weir et al., (2001). There are also studies (Lin Shao, 2018), that highlight the negative impact that duality can have on performance, being in line with the prediction of agency theory, which implies that the separation of board chairperson and CEO may improve firm performance. According to researchers such as Sharma, D.S., (2004), Grose, C., (2014), Nazar. M.C.A., (2016), the Chairman of the Board of Directors should not hold the CEO position because, in such a case, "the power is in the hands of a single person", thus generating conflicts that can harm the interests of the shareholders.

## 3. Methodology

Through this study we want to provide an answer to the following research question: Is there a correlation between CEO duality and financial performance measured through the ROA and ROE indicators?

- $H_0$ : There is a positive correlation between CEO duality and financial performance
- $H_1$ : There is a negative correlation between CEO duality and financial performance

The answer to the research question stated above depends on the validation of one of the two research hypotheses. Thus, the result of the econometric model indicates that hypothesis  $H_0$  cannot be rejected, which reflects in return the invalidation of hypothesis  $H_1$ , in the opposite situation, the validation of hypothesis  $H_1$  determines the invalidation of hypothesis  $H_0$ .

The research conducted to validate one of the two research hypotheses involves the following steps:

- Collecting the necessary information from the Annual Financial Statements for 2018, such as Total assets, Equity and Net profit to determine the value of ROA and ROE indicators, used to measure the performance of entities. Taking into account the fact that the entities listed on ATHEX present the financial results in euro, in order to ensure the comparability of the data between the entities listed on the two stock markets, for the entities listed on BSE, we transformed into euro, the amounts presented in the

national currency of Romania. The exchange rate was the one published by BNR on 31.12.2018.

- Transformation the qualitative data extracted from the information published by the entities included in the study into quantitative data, through the following scoring system (see table 1):

*Table 1. Conformity marks*

| Conformity mark | Significance                               |
|-----------------|--------------------------------------------|
| 1               | the CEO is also the President of the Board |
| 0               | Otherwise                                  |

- Testing the link between CEO duality and performance, using a regression model in which the dependent variables are, by turn, the two indicators that measure performance. As explanatory variables we will use, first of all, CEO duality – independent, dummy variable and other attributes of corporate governance included in the model as control variables.

The regression model:

$$\text{Performance}_i = \beta_0 + \beta_1 \text{CEO\_duality}_i + \sum \beta^* \text{Corporate governance attributes} + \varepsilon_i$$

Where:

- $\text{Performance}_i$  - measured through ROA and ROE indicators.
- $\beta_0$  – quantifies all factors that were not taken into account by using an explanatory variable in the analyzed model
- $\beta_1$  – specific parameter of the factor of influence
- $\text{CEO\_duality}_i$  - represents the CEO duality for the entities listed on each of the two analyzed stock exchanges;
- $\beta^* \text{Corporate governance attributes}$  – reflects the influence of corporate governance attributes such as: the board size, the number of non-executive directors on the Board, the CEO duality, the company's size, the type of audit opinion, the number of women on the Board, the existence of the Audit Committee. To reflect their influence we will present the average of the results obtained, by dividing the sum of the results at the number of attributes included in the study.
- $\varepsilon_i$  – reflects the residual term that quantifies the influence of random factors or any other that were not included in the analysis.

The correlation between duality and performance can be highlighted as follows (see figure 1):



*Figure 1. Conceptual framework*

#### 4. Results and discussions

In the first stage of our research we wanted to identify in how many entities out of the 102 under study, the CEO is also the Chairman of the Board.



Figure 2. CEO duality

The results (figure 2) reflect the fact that duality is found only in the case of 30 entities out of 102, which represents 29% of cases, while for the other 72 entities, respectively 71%, the cumulation of functions is not a practice within the administrative board.

From the financial market perspectives, the results are as follows:

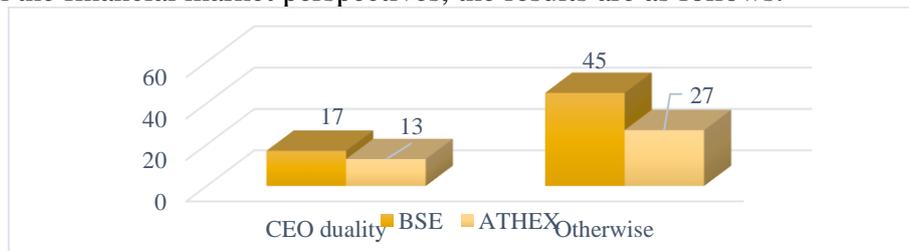


Figure 3. CEO duality BSE vs ATHEX

As can be seen from the graph above (figure 3), in the case of entities listed on BSE, 45 of the companies studied (which means a percentage of 73%) apply the principle of separation of the two functions within the administrative board, while only 17 entities (27%) choose the duality of functions.

In the case of the entities listed on the ATHEX main market, 27 companies (68%) apply the principle of separation and (13) 32% choose the duality of functions.

Using Data analysis we obtain the following descriptive statistics (Table 2,3,4) of the variables used to determine the impact of the duality of functions on the performance measured by the two indicators.

Table 2. Descriptive statistics - General

| Descriptive statistics | ROA   |       | ROE   |       | CEO duality |      |
|------------------------|-------|-------|-------|-------|-------------|------|
|                        | RO    | GR    | RO    | GR    | RO          | GR   |
| Mean                   | 6.37  | 5.52  | 10.48 | 8.68  | 0.27        | 0.33 |
| Median                 | 4.64  | 3.86  | 6.95  | 6.81  | 0           | 0    |
| Standard deviation     | 6.97  | 6.55  | 12.90 | 7.44  | 0.44        | 0.47 |
| Min                    | 0.05  | 0.02  | 0.06  | 0.12  | 0           | 0    |
| Max                    | 40.10 | 37.96 | 86.18 | 27.46 | 1           | 1    |
| Count                  | 62    | 40    | 62    | 40    | 62          | 40   |

**Table 3. Descriptive statistics – ROA**

| <b>ROA</b>   |                |           |               |           |
|--------------|----------------|-----------|---------------|-----------|
|              | <i>Romania</i> |           | <i>Greece</i> |           |
|              | Duality        | Otherwise | Duality       | Otherwise |
| <b>Mean</b>  | 8.50           | 5.56      | 6.16          | 5.22      |
| <b>Count</b> | 17             | 45        | 13            | 27        |

**Table 4. Descriptive statistics – ROE**

| <b>ROE</b>   |                |           |               |           |
|--------------|----------------|-----------|---------------|-----------|
|              | <i>Romania</i> |           | <i>Greece</i> |           |
|              | Duality        | Otherwise | Duality       | Otherwise |
| <b>Mean</b>  | 14.32          | 9.03      | 10.49         | 6.90      |
| <b>Count</b> | 17             | 45        | 13            | 27        |

- Entities listed on BSE

The above tables show that the average ROA is 6.37%. For entities where the two positions are not separate, the average ROA is 8.50% and for entities where these functions are separate, the average return is 5.56%. The average ROE is 10.48%, higher than the ROA for the entities listed on the BSE under analysis. For companies where the two functions are not separate, the average ROE is 14.32% and for entities with no duality, the average ROE is 9.03%.

- Entities listed on main market ATHEX

As it can be seen in the previous table, the average ROA is 5.52%. For companies where the functions are not the same, the ROA value is 5.22%, lower than the average ROA of 6.16% for the entities where the Chairman of the Board also holds the role of CEO.

The average ROE is higher than the average ROA, which means that the equity value of the studied companies is lower than the value of total assets. The average ROE is 8.68% and it is associated to the 40 Greek entities included in the study. For the companies with separate functions, the average ROE is 6.90%, lower than in the case of dual boards, where ROE reaches 10.49%.

The following output (table 5) presents the results of the regression models. The included explanatory variables are represented by the average of the results of the specific attributes of corporate governance included in the model. CEO duality is defined as an independently explanatory variable within the regression model in order to identify its influence on performance.

**Table 5. Regression Statistics**

|                                         | <b>Regression Statistics</b> |           |                        |           |
|-----------------------------------------|------------------------------|-----------|------------------------|-----------|
|                                         | <b>Model 1<br/>ROA</b>       |           | <b>Model 2<br/>ROE</b> |           |
|                                         | <b>RO</b>                    | <b>GR</b> | <b>RO</b>              | <b>GR</b> |
| t-stat CEO duality                      | 1.8499                       | -0.1921   | 1.7378                 | 1.0306    |
| P-value CEO duality                     | 0.0693*                      | 0.8487    | 0.0873*                | 0.3093    |
| t-stat corporate governance attributes  | 1.12                         | 0.75      | 1.23                   | 0.80      |
| P-value corporate governance attributes | 0.33                         | 0.46      | 0.39                   | 0.62      |
| R Square                                | 0.48                         | 0.47      | 0.43                   | 0.64      |
| Significance F                          | 0.0000                       | 0.000     | 0.0000                 | 0.000     |
| PEARSON                                 | 0.69                         | 0.69      | 0.65                   | 0.80      |

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Using ROA as a dependent variable in regression Model 1, our results reflects that the CEO duality variable has a significant and positive influence on performance for BSE-listed entities, while in the case of ATHEX main market-listed entities, the average of other corporate governance attributes influences performance. Thus, we will present the results for the entities listed on the BSE:

- The coefficient of the variable represented by *CEO duality* is significant and positive for a significance level of 10%, in accordance with the studies conducted by Weir et al., (2001).
- The coefficient of determination  $R^2$  is 0.48, which indicates that the variation of the dependent variable ROA is 48% explained by the cumulative variation of the significant explanatory variables of the regression model.

Using ROE as a dependent variable in regression Model 2, our results reflects that the CEO duality variable is insignificant for the entities listed on the ATHEX main market, so that the analysis concerns the results of the entities listed on BSE:

- The coefficient of the variable represented by *CEO duality* is significant and positive for a significance level of 10%, in accordance with the studies conducted by Weir et al., (2001).
- The coefficient of determination  $R^2$  is 0.43, which indicates that the variation of the dependent variable ROE is 43% explained by the cumulative variation of the significant explanatory variables of the regression model.

The probability of 0.00% of Fisher's test reflects that the regression Models (1 and 2) are valid. The values of the Pearson correlation coefficient, namely 0.60 and 0.65, reflects a high correlation between the analyzed variables.

The research undertaken, respectively the analysis of the impact of duality of management functions on performance measured by ROA and ROE indicators, identified the existence of a significant relationship between CEO duality and financial performance at a significance level of 10%.

The analysis undertaken considering the entities listed on the main market ATHEX reflects the fact that no statistically significant correlations are established between the studied variables.

## Conclusions

In this research we performed an analysis of the influence of the duality of management functions on the company's performance indicators. In our study we included 102 listed companies, of which 62 are listed on BSE and 40 on the main market ATHEX. To identify the link between duality and performance, we introduced dependent variables into the database of econometric models, represented by the financial indicators ROA and ROE and the independent explanatory variable CEO duality. Within the model we also included control variables, to measure their impact on selected indicators.

The research results showed that there are positive correlations between duality and performance, at a level of significance of 10% for entities listed on BSE. In the case of entities listed on the ATHEX main market, the econometric results could not demonstrate the existence of a statistically significant link.

The limitations of the model taken into account the relatively small sample of entities listed on the ATHEX main market as well as the heterogeneity of the data. Based on these limits, future research aims to complete the model by adding new explanatory variables both company-specific (market capitalization, total assets) and country-specific, such as: rule of law or investors protection score.

**References**

- AL-AHDAL, W., ALSAMHI, M., TABASH, M., FARHAN, N., (2020), The impact of corporate governance on financial performance of Indian and GCC listed firms: An empirical investigation, *Research in International Business and Finance*, Vol.51, <https://doi.org/10.1016/j.ribaf.2019.101083>
- CORPORATE GOVERNANCE CODE issued by the Bucharest Stock Exchange (2015) [www.bvb.ro](http://www.bvb.ro).
- DAVIS, J.H., SCHOORMAN, F.D. AND DONALDSON, L. (1997), Toward a stewardship theory of management, *Academy of Management Review*, Vol. 22 No. 1, pp. 20-47.
- IONESCU, A., (2015), Guvernanta corporativă în contextul globalizării economico-financiare, ed.Academiei de Studii Economice, București, ISBN 978-606-505-983-2.
- GROSE, C., KARGIDIS, T., CHOULIARAS, V., (2014), Corporate governance in practice. The Greek case, *Procedia Economics and Finance*, Vol. 9, pp. 369 – 379.
- HELLENIC CORPORATE GOVERNANCE CODE (2013), available on-line: [https://www.athexgroup.gr/documents/10180/2227279/HCGC\\_EN\\_20131003.pdf/c32f35ac-2f4b-459a-989f-4f41618cfdc5](https://www.athexgroup.gr/documents/10180/2227279/HCGC_EN_20131003.pdf/c32f35ac-2f4b-459a-989f-4f41618cfdc5)
- NACITI,V., (2019), Corporate Governance and board of directors. The effect of a board composition on firm sustainability performance, *Journal of cleaner production*, Vol. 237, <https://doi.org/10.1016/j.jclepro.2019.117727>
- NAZAR, M.C.A., (2016), Does CEO duality affect firms performance? Evidence from Sri Lanka, *International Journal of Advances in Management and Economics*, Vol 5, issue 2, pp. 56-60.
- MICHELON,G., PARBONETTI, A., (2012), The effect of corporate governance on sustainability disclosures, *Journal of Management and Governance*, Vol. 16, pp. 477-509.
- LIN SHAO, (2018), Dynamic study of corporate governance structure and firm performance in China: Evidence from 2001-2015, *Chinese Management Studies*, <https://doi.org/10.1108/CMS-08-2017-0217>.
- PANIAGUA, J., RIVELLES, R., SAPENA, H., (2018), Corporate governance and financial performance: The role of ownership and board structure, *Journal of Business Research*, Vol. 89, pp.229-234.
- PILLAI, R., AL-MALKAWI, H., (2018), On the relationship between corporate governance and firm performance: Evidence from GCC countries, *Research in International Business and Finance*, volume 44, pp.394-410.
- ROSE, C., (2007), Does female board representation influence firm performance? The Danish evidence, *Corporate governance: An International review*, Vol. 15, issue 2, pp.404-413.
- SHAHID, S., ABBAS, M., (2019), Does corporate governance play any role in investor confidence, corporate investment decisions relationships? Evidence from Pakistan and India, *Journal of Economics and Business*, volume 105.
- SHARMA, D.S. (2004), Board of director characteristics, institutional ownership and fraud: Evidence from Australia, *Auditing: A Journal of Practice and Theory*, Vol. 23, issue 2, pp.105-117.
- TIAN, J.J., LAU, C.M., (2001), Board composition, leadership structure and performance in Chinese listed companies, *Asia Pacific Journal of Management*, volume 18, pp. 245-263.
- WEIR, C., LAING, D., (2001), Governance structures, director independence and corporate performance in UK, *European Business Review*, Vol. 13, issue 2, pp. 86-95.

## **Contractor’s Statement of Case to the Dispute Adjudication Board**

**Bogdan GEORGESCU**

The Bucharest University of Economic Studies  
georgescubogdanmk@gmail.com

**Vasile Ionel POPESCU**

The Bucharest University of Economic Studies  
ionelpopescu@gmail.com

### **Abstract**

This paper is an overview of the contractor’s referral presented to the Dispute Adjudication Board with a focus on F.I.D.I.C. Contracts. It is presented the contractual and legal steps that an Entrepreneur need to go through it to present his statement of case to D.A.B. Also you can find how important is a Notice of Claim issued by the Contractor when he get to know about an event or circumstance of the Employer risk. Not issued in time the Notice of Claim, he can lose any rights for time and money fort that event. Also, a strong Statement of Case presented to the Dispute Adjudication Board can solve the problem for time that the contractor had lost and give him all the cost associated to that time.

**Keywords:** Claim, Dispute, Dissatisfaction, Adjudication, Decision.

**JEL classification:** K0, K1, K4.

### **1. Introduction**

This paper explains how to presents a referral to the dispute adjudication board (D.A.B.) for the Entrepreneur based on F.I.D.I.C. Conditions of the Contract for Construction for Building and Engineering Works designed by the Employer, known as F.I.D.I.C. “Red Book” First Edition 1999. The acronym F.I.D.I.C. (The International Federation of Consulting Engineers) came from its French name Fédération Internationale des Ingénieurs-Conseils.

The Particular Conditions of Contract and the Appendix to Tender are mainly those regulated by Order no. 146/2011 issued by the Ministry of Transport and Infrastructure, published in the Official Gazette no. 188 of 17 March 2011. Order no. 146/2011 approved the Particular Conditions of F.I.D.I.C. Contracts (Contracts for Equipment and Design-Build and Contracts for Construction for Building and Engineering Works designed by the Employer) to be used for publicly funded investment projects of road infrastructure of national interest.

The General Condition of the Contract that apply for disputes are from Sub-Clause 20 [Claims, Dispute and Arbitration] to Sub-Clause 20.8 [The Expiration for operation of the Dispute Adjudication Board].

A contract is signed between two parties: The Employer and the Contractor, but in F.I.D.I.C. rules there is a third part the is call The Engineer that is appointed by the Employer and it is impartial and we can find its definition in Clause 1.1 [Definition], Sub-Clause 1.1.2.4 “Engineer”.

In each contract there are both Employer’s and Contractor’s Risk Events, and in this paper we present how the contractor can recover its loss (time and money) provided by the Employer’s Risk Events.

### **2. Contractor’s Notice of Claim**

If the Contractor is entitled to an extension of time and/or money then, it will submit to the Engineer a Notice of Claim based by Employer’s Risk Events, but not later than 28 days

from the moment that the Entrepreneur knew or have known the respective events or the circumstances of the Employer risk.

The Notice of Claim should contain at least the following elements:

- In subject: Sub-clause 20.1 [*Contractor's Claim*],
- The Event or Circumstances,
- The Date that the Contractor knew or have known the respective event,
- The Sub-Clause in the contract that are eligible to penalties for the Employer.

If the Notice of Claim is not submitted in 28 Days from the moment the he knew or have known about the event or the circumstance, then the Contractor will lose any rights to receive time and/ or money for that event and the Employer will be relieved of any responsibility.

After 42 days from the moment that the Entrepreneur knew or have known the respective events or the circumstances of the Employer risk, the Contractor will submit to the Engineer a detailed claim that contain the reason of the claim, the extension of time and/or additional associated costs.

There is not write what happen if the Contractor does not send the detailed claim, but the Employer could ask to the Dispute Adjudication Board to lose all the rights to that claim, so we recommend to the Contractor to send all the details stipulated in the Sub-Clause 20.1[*Contractor's Claim*].

After 42 days from receiving the Notice of claim or the detailed claim, the Engineer shall respond by an approval or rejection, presenting detailed arguments.

With the special report made by the Engineer and submitted to the Employer, the Client have the possibility to made a response, presenting his arguments. In his response the Employer need to say what is legal and contractual to be approved.

With the response of the Client, the Engineer have the possibility to make a meeting with both Employer and the Contractor. The meeting will take place at the Employer office, or other place with the consent of all the Parties. The meeting will end with a Minute that will be signed by everyone.

After this meeting the Engineer will act in accordance with Sub-Clause 3.5[*Determination*]: *“Whenever these Conditions provide that the Engineer shall proceed in accordance with this Sub-Clause 3.5 to agree or determine any matter, the Engineer shall consult with each Party in an endeavor to reach agreement. If agreement is not achieved, the Engineer shall make a fair determination in accordance with the Contract, taking due regard of all relevant circumstances. The Engineer shall give notice to both Parties of each agreement or determination, with supporting particulars. Each Party shall give effect to each agreement or determination unless and until revised under Clause 20 [Claims, Disputes and Arbitration]”* (FIDIC, 1999).

Both the Employer and the Contractor have the possibility to approve or not the Engineer Determination. Any response from one part it considers that the Determination is approved.

If the Employer or the Contractor not agree with the Determination, they have to make a Notice of Dissatisfaction about Engineer Determination.

The Notice of Dissatisfaction should contain at least the following elements:

- In subject: Notice of Dissatisfaction for the Engineer Determination under Sub-Clause 3.5 [Determinations],
- The arguments of the Employer/ Contractor that it considers they are not agreeing with Determination,
- The possibility that they will act accordingly with Sub-Clause 20.4 [*Obtaining Dispute Adjudication Board's Decision*]

There are two possibilities for the Contractor to go to the Dispute Adjudication Board:

1. The Engineer does not issue the Engineer Determination under Sub-Clause 3.5

[*Determinations*],

2. The Employer issued Notice of Dissatisfactions for the Determination.

### 3. Dispute Adjudication Agreement

The only possibility for the Contractor to recover his damages (time and money) results from Employer's Risk Events and getting back his indirect costs (quantum) that was supported by him is to get the Decision of dispute by an Adjudication Board.

The first step in getting the decision of dispute Adjudication Board is to sign a Dispute Adjudication Agreement (D.A.A.) between the Parties (the Employer and the Contractor) and the Dispute Adjudication Board (D.A.B.). In this contract the Parties agree that the D.A.B. will decide upon all the disputes referred to the Contractor / to the Employer that will arise out of the Contract and its appointment should not expire until the written discharge, referred to Sub-Clause 20.8 [*The Expiration for operation of the Dispute Adjudication Board*], has become effective.

According to Appendix to Tender, The Dispute Adjudication Board is consisting of one or three persons. If the DAB is made by three persons then each Part will nominate an adjudicator that will be approved by the other Part. The third one will be nominated by both adjudicators and the both Parties and this one will be the President of the D.A.B.

In the Dispute Adjudication Agreement, the Employer, Contractor and DAB will agree on the following:

- a) The special conditions – if will be provided, in case of discrepancy, shall prevail over the General Conditions of Dispute Adjudication,
- b) "General Conditions of Dispute Adjudication Agreement", from F.I.D.I.C. "Red Book" First Edition 1999
- c) "Procedural Rules",
- d) "Contact dates of the contact people regarding the D.A.B. procedure".

Within the special provisions, comprising amendments and completions to the General Conditions of Dispute Adjudication Agreement and to the Procedural Rules, words and expressions written in uppercase of the contract shall be interpreted with the similar terms of the General Conditions of the Dispute Adjudication Agreement.

Also the Dispute Adjudication Board, that is made by a sole member or three members, will possess the professional, technical and legal competence to decide in connection to any dispute that may intervene between the Parties from the execution or in connection with the works Contract.

The clause 6 of the General Conditions of the Dispute Adjudication Agreement is about the payment of the Board for the Dispute Agreement (sole member or three members), in this case I recommend the modification of this Clause like this:

- DAB shall be paid for each calendar day spent reading submissions and studying the documentation, communicate with the Parties, formulate and issue decisions for each dispute that the Employer or Contractor would advance in order to be solved by the DAB, as well as for the time spent making visits to the Site, in meetings or hearings held with the Parties involved within the disputes advanced to the D.A.B. Payment to the DAB shall be made by a daily fee of \_\_\_\_ Euro (V.A.T. included), which shall be multiplied with the number of days spent by the D.A.B. on each submission. This fee also includes expenses incurred by the D.A.B. while performing its duties, as well as secretarial services, the cost of telephone calls, courier charges and faxes. For travels in order to attend meeting with the Employer and the Contractor there is a daily fee of \_\_\_\_ Euro (V.A.T. included), including expenses for travel, accommodation and meals. The fee does not include any possible cost incurred with the engagement of financial/technical/legal expertise. Where such engagement becomes necessary,

the agreement of the Parties shall be sought and required before such engagement is made.

- Potential costs that may arise in connection with the engagement by the D.A.B. of any third party expertise or hiring venue facilities shall be reimbursed to the D.A.B. based upon supporting documents (e.g. invoices, contracts for services etc.). Payment to the D.A.B. shall be made in LEI at the B.N.R. rate of the date following the issuing of the invoice.

- As soon as the documents corresponding to the first dispute is submitted, the D.A.B., before committing to any activities related to the Dispute Adjudication Agreement, will submit to the Contractor, with copy to the Employer, an invoice for an advance of twenty-five percent (25%) of the estimated total amount of daily fees to which he/she will be entitled to for the adjudication of one dispute.

- Thereafter the Member shall submit to the Contractor, with a copy to the Employer, invoices for the balance of his daily fees, less the amounts advanced. Invoices shall be accompanied by a brief report on the activities carried out during the period involved. The D.A.B. shall not be obliged to render its decision until invoices for all daily fees of the Member for making a decision shall have been paid in full.

The Parties may refer to the D.A.B. for resolution and/or decision any and all disputes in connection with or arising from the Contract. To this end, the last paragraph of Sub-Clause 20.2 of the General Conditions of Contract shall be amended as follows:

“The services of the D.A.B. can only be terminated with the mutual agreement of the Parties, and never by the Employer or the Contractor alone. Unless the Parties agree otherwise, the D.A.B. appointment shall expire when the Discharge, which is referred to in Sub-Clause 14.12 [Discharge] of the General Conditions of Contract becomes effective under the Contract.”

Also in the contract must be specified: the law that will govern the Dispute Adjudication Board, the language for the D.A.B., the place of dispute adjudication and the communication between the Parties.

The Dispute Adjudication Agreement will be signed in three copies, one for each Party of the Agreement.

#### **4. Proposed procedural calendar for Contractor referral**

The Contractor submit a statement of case to the Dispute Adjudication Board for one of the two reasons that I mentioned before: not-issued the Engineer Determination or the Employer issued Notice of Dissatisfaction for the Engineer Determination.

The source of disputes that the Contractor goes to the D.A.B. could be:

- Delay in giving the construction permit,
- Modification of the environmental agreement,
- Delay of the payments,
- Denial of extension of time by the Employer,
- The Employer not give the possession of site in time,
- Discrepancies in the Technical Design of the Client,
- Termination of the Contract by the Employer,
- The lack of the price adjustment in the contract,
- Changes in legislation during the implementation of the contract,
- Geotechnical study different form the site reality,
- Rejection of works by Engineer or Employer.
- Lack of instructions and clarifications regarding the Technical Design

The Dispute Adjudication Board after receiving the Statement of Case of the Contractor will make a procedural calendar, that will present, at least the following.

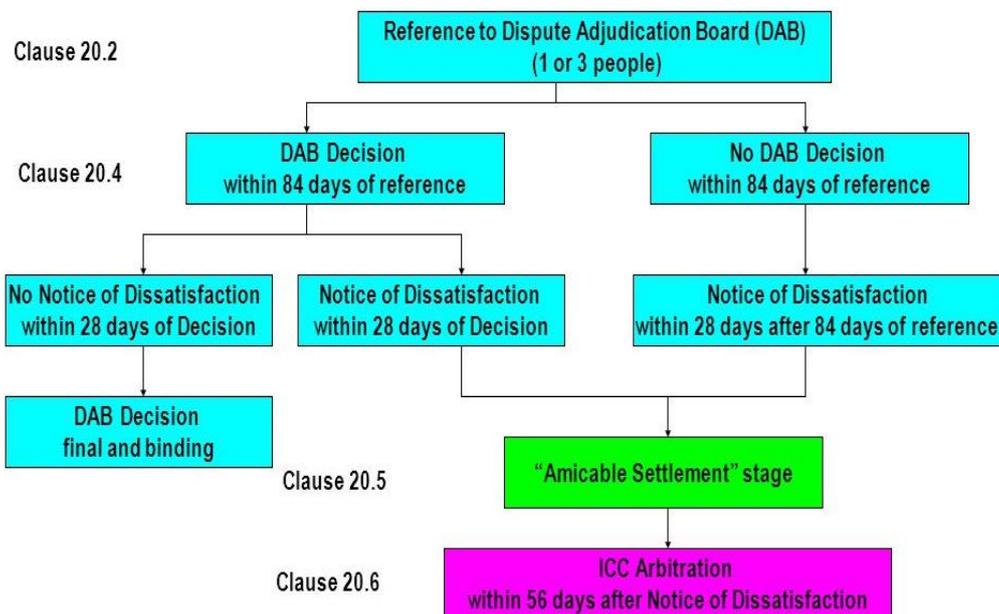
**Table 1. D.A.B. proposal of Procedural calendar for Contractor referral**

| Event        | Description                                          | Time       | Date      |
|--------------|------------------------------------------------------|------------|-----------|
| 1            | Submission of Statement of Case (S.o.C.)             | 0          | 11-Aug-20 |
| 2            | Receipt by Employer                                  | 0          | 11-Aug-20 |
| 3            | D.A.B. Receipt of advance on Costs                   | 0          | 17-Aug-20 |
| 4            | Submission of Statement of Defense (S.o.D.)          | 34         | 14-Sep-20 |
| 5            | Contractor Reply to S.o.D. (R.S.o.D.)                | 23         | 7-Oct-20  |
| 6            | Employer Response to Reply to S.o.D. (R.R.S.o.D.)    | 21         | 26-Oct-20 |
| 7            | Close of Submissions (D.A.B. questions)              | 7          | 4-Nov-20  |
| 8            | Oral Port of Hearing                                 | 6          | 10-Nov-20 |
| 9            | Post Oral presentation submissions on notice         | 14         | 24-Nov-20 |
| 10           | Decision on question of Notice                       | 19         | 13-Dec-20 |
| 11           | Delivery of translated decision to Parties if case   | 9          | 22-Dec-20 |
| 12           | Parties to consult on merit issues of time and money | 28         | 19-Jan-21 |
| 13           | Decision on question of Merit (if required)          | 21         | 9-Feb-21  |
| <b>TOTAL</b> |                                                      | <b>182</b> |           |

Source: F.I.D.I.C., 1999

Also, the Parties have to be agree with the proposal calendar, and if they want to change it, they need to come with strong arguments.

The contractor need to respect the next procedure for his Claims:



**Fig. 1. F.I.D.I.C. Procedures for Entrepreneur Claims**

Source: F.I.D.I.C., 1999

## 5. Contractor's referral pursuant to Sub-clause 20.4 [Getting the Decision of Dispute Adjudication Board] from the Contract

Following the signing of the Dispute Adjudication Agreement (D.A.A.) between the Parties and the Dispute Adjudication Board (D.A.B.), the Parties agreed that the DAB should decide upon all the disputes that the Contractor referred to it under or arising out of the Contract

and its appointment should not expire until the written discharge, referred to within Sub-Clause 14.12 [Discharge], has become effective.

The Contractor's statement of case that will be presented to the Dispute Adjudication Board need to have at least the next table of contents:

- I. Executive Summary,
- II. Introduction,
- III. Dispute one – Contractor's entitlement to Extension of Time in respect of the period that risk of the Employer happened,
  - (1) Background to the Dispute,
  - (2) Events that cause a delay to completion (critical events),
    - (a) Event 1,
    - (b) Event 2,
    - (c) Event 3,
  - (2) Delay Analysis,
    - (a) Window 1,
    - (b) Window 2,
    - (c) Window 3,
- IV. Dispute two – Contractor's Entitlement to the payment of additional costs – presentation of the quantum,
  - (1) Introduction,
  - (2) Legal merits,
  - (3) The costs related to the extension of time,
    - (a) Part 1 – Prolongation Costs/ Unrecovered Site Overheads ascertained during the period when the delay occurred,
    - (b) Part 2 – Cost for General Items,
    - (c) Part 3 – Unrecovered Head Office Overheads,
    - (d) Part 4 – Extended costs of insurances and guarantees,
    - (e) Part 5 – Any cost of the Bank loan when financing the Unrecovered Site Overheads/ Prolongation Costs,
    - (f) Part 6 - Claims received by the Contractor from Service Providers – if any,
    - (g) Part 7 – Profit in quantum of 5% applied to Part 1,3,4, 6 and 6,
- V. Conclusions,
- VI. Reservation of Rights,
- VII. Annexes.

In Section 1 - Executive summary, the contractor should say why he sent to Dispute Adjudication Board his Statement of Case, also here it will be said the days that he asked for Extension of the Time and the compensation that the contractor is entitled to receive it.

In Section 2 - Introduction will be presented: The Parties, contract details signed by the Parties and all the addendum that appear from the signing of the contract till the present, also it is presented the project and procedural history.

In accordance with the Contract Agreement presented in Red FIDIC book 1999 edition, the following documents deemed to form and be read and construed as part of the Contract (together forming "**the Contract Documents**") are prioritized as follows:

- i. The Contract Agreement;
- ii. J.V. Agreement;
- iii. Tender Submission Form and – Appendix to Tender Submission Form;
- iv. Particular Conditions of Contract;
- v. General Conditions of Contract;
- vi. Tender Book / Technical Specifications;

- vii. Design documentation (drawings, drawn parts);
- viii. Bill of Quantities, Breakdown of Prices and Description of Prices;
- ix. Technical Proposal;
- x. Contractor's key personnel;
- xi. Contracts concluded by Contractor with Subcontractors;
- xii. Performance Security;
- xiii. Advance Payment Guarantee; and
- xiv. Forms and other relevant documents.

In section III - Contractor's entitlement to Extension of Time in respect of the period that risk of the Employer happened, should be present the background to the dispute where is presented the main Employer's Risk Events relate where the Contractor's is entitlement to an extension of time. Also all the events will be detailed in this sections, but only the critical events that have significant impact upon the as-built critical path will be take in consideration. If the critical events caused the delay of the Completion Date, then the Contractor is entitled to an Extension of time.

As a general view of the legal merits which entitle the Contractor to be granted an Extension of Time for Completion and additional costs in relation to the events that were presented above, are represented through the provisions of the following articles of the Romanian Civil Code:

**Article 1170 (Good Faith) of the Romanian Civil Code:**

*"The Parties must act in good faith during the negotiation and closing of the contract and throughout its execution. They cannot remove or restrict this duty."*

**Article 1270 (Binding force) of the Romanian Civil Code:**

*"(1) The validly concluded contract has the power of the law between the contracting parties.*

*(2) The contract may be amended or ceased only by agreement of the parties or by causes authorized by law."*

**Article 1350 (Contractual liability) of the Romanian Civil Code:**

*"(1) Every person shall fulfil the obligations it contracted.*

*(2) Where, without justification, it fails to fulfil this duty, it is liable for the prejudice caused to the other party and it is required to repair this prejudice, according to the law.*

*(3) Unless otherwise provided by law, neither party may waive the application of the rules of contractual liability to opt for other rules that would be more favorable".*

**Article 1530 (The Right to Compensation) of the Romanian Civil Code:**

*"The creditor is entitled to compensation for the prejudice that was caused by the debtor and which is the direct and necessary consequence of the unjustified or faulty non-performance of the obligation as the case may be."*

**Article 1531 (Full Reparation) of the Romanian Civil Code:**

*"(1) The creditor is entitled to full reparation of the prejudice suffered due to non-performance.*

*(2) The prejudice comprises the actual loss suffered by the creditor and the benefit of which it is deprived. In determining the extent of the prejudice, account will also be tak-en of the expenses incurred by the creditor, to a reasonable amount, in the attempt to avoid or limit the prejudice [...]"*

**Article 1535 of the Civil Code of Romania:**

*1) If a sum of money is not paid when it falls due, the creditor is entitled to moratory damages, calculated from the moment when the payment is due to the time of actual payment, in the quantum agreed by parties or, in absence of such agreement, in that quantum provided*

by law, without the need to prove any prejudice. In this case the debtor is not entitled to prove that the prejudice incurred by the creditor due to the delay payment would be lesser. [Emphasis added].

(2) If, before the due date, the debtor owed interest which was higher than the legal interest, the moratory damages would be due at the level which was applicable before the due date.

(3) If the moratory damages that are owed are not higher than the legal interest, then, in addition to the legal interest, the creditor is entitled to obtain damages for the full reparation of the prejudice suffered.”

**Article 1536 of the Civil Code of Romania:**

“In the case of obligations other than those which comprise the payment of an amount of money, the delayed performance always gives the right to damages equal to the legal interest, calculated from the date the debtor would be in delay with regards to the monetary equivalent of the obligation, except in the case where a penalty clause was stipulated or the creditor can prove that a higher prejudice had been caused by the delayed fulfilment of the obligation.”

**Article 1875 (Accessory Obligations of the Employer) of the Romanian Civil Code:**

“(1) The employer is obliged to allow the contractor, insofar as it is necessary for the execution of the works, to use the access ways, its own water supply facilities and other utilities that the building benefits from.

(2) The employer is obliged to obtain all the authorizations required by law for the execution of works. In order to fulfil this obligation, the contractor must cooperate with the employer by providing him with the necessary information that it possesses or should possess in view of its specialization.”

**Art. 1877 of the Civil Code:**

“Should the contractor, during the performance of the contract, find mistakes or shortcomings on the designing works based on which the undertaking contract was concluded, it is bound to immediately notify the employer and designer about its findings, along with the remediation proposals, to the extent that the same fall within the area of its professional education. The contractor should ask the employer to take the required actions. ”

Also in many cases the Contractor receive commencement order for the project without a Construction Permit. The Employer is responsible for the Construction Permit under the Contract and at Law. Thus, Sub-Clause 4.26 of the Contract states that “the construction permit (...) must be provided by the Employer.”

Thus, Art. 7 (15) of Law no. 50/1991 regarding the authorization of construction works provides:

“In case where, during the execution of construction works and only during the validity period of the construction permit, modifications occur in respect of the authorized construction works, which require the modification of such works, the holder shall apply for the issuance of a new construction permit, in compliance with the present law.”

The Methodological Norms for the application of Law no. 50/1991 regarding the authorization of construction works provide under Art. 54 (6):

“According to provisions of art. 7 para. (15), (151) and (153) of the present law any modification brought to the technical documentation for the authorization of construction works before the commencement or during the execution of works shall be subject to a new authorization procedure if the modifications are consistent with the limits of approvals, agreements and administrative document of the competent authority for environment protection. (...)”

Furthermore, Sub-Clause 1.13 [Compliance with Laws] of the F.I.D.I.C. Red book Contract clearly provides:

*“(…) (a) the Employer shall have obtained (or shall obtain) the planning, zoning or similar permission for the Permanent Works, and any other permissions described in the specification as having been (or being) obtained by the Employer; and the Employer shall indemnify and hold the Contractor harmless against and from the consequences of any failure to do so; (…)”*

d. The causality regarding the causal relationship between the Employer’s events generating delays, their effect and compensation, thereby ensuring that the causal sequence and occurrence of any secondary events were carefully analyzed and established.

For Section 4 – Contractor’s Entitlement to the payment of additional costs – presentation of the quantum, presents the quantum requested by the Contractor in respect of the Extension of Time.

The Romanian doctrine and case law have identified three elements which should be considered and which should exist cumulatively in order to prove the compensation due for any breaches/violations of the provisions of the Contract:

(a) existence of an illegal act consisting of a failure or improper fulfillment of the obligations undertaken;

(b) the existence of damage; and

(c) causative relation between the act and damage, or “causation”.

The existence of condition (b) is established by the principles of the Romanian Civil Code concerning the compensatory damages, as provided by the following legal provisions: articles 1270, 1350, 1530, 1531, 1535 and 1536 of the Romanian Civil Code.

The aim of the Extension of Time (E.O.T.) is to include a demonstration of the cause and effect, or the causal link with the other disciplines contributing to the entire E.O.T. claim structure, given the fact that the financial evaluation should be equally considered a legal and a contractual matter, not only an evaluation tool in its technicality.

The Contractor need to demonstrate that a real damage, loss and/or additional expense has been directly caused by several matters recognized by the terms of the Contract and under the law, to justify its entitlement to reimbursement.

The principles of recovery where one party to a contract has defaulted are well established under the Contract, as well as under the Romanian law. Essentially, the aggrieved party is entitled, by an award of money, to be put back in the position in which it would have been had the contract been performed as originally envisaged. General-ly, this permits recovery of both the damages and/or losses incurred by the Claimant, and the gains prevented because of the breach.

The Contractor clarifies that, in evaluation of the E.O.T. quantum, the terms (i) loss and/or (ii) damage concern the situations where: (i) a Party which assumed certain risks under the contract causes a loss to the other Party, through its actions / inactions; and/or, (ii) a term of the contract has been breached, thus causing a damage.

Here I present an example a table of quantum requested by the Contractor, that shows a summary of the costs claimed by the extension of the Time for Completion.

*Table 2. Table Quantum*

| Section | Description                                                                                          | Amount claimed (lei) |
|---------|------------------------------------------------------------------------------------------------------|----------------------|
| 1       | Prolongation Costs/ Unrecovered Site Overheads ascertained during the period when the delay occurred | 4.500.000            |

|              |                                                                                                |                   |
|--------------|------------------------------------------------------------------------------------------------|-------------------|
| 2            | Cost for General Items                                                                         | 3.000.000         |
| 3            | Unrecovered Head Office Overheads                                                              | 4.000.000         |
| 4            | Extended costs of insurances and guarantees                                                    | 1.000.000         |
| 5            | Any cost of the Bank loan when financing the Unrecovered Site Overheads/<br>Prolongation Costs | 250.000           |
| 6            | Claims received by the Contractor from Service Providers                                       | 1.500.000         |
| 7            | Profit in quantum of 5% applied to Part 1,3,4, 6 and 7                                         | 550.000           |
| <b>TOTAL</b> |                                                                                                | <b>14.800.000</b> |

The Contractor's quantum calculations presented in D.A.B. Statement of Case are summarized at 14.800.000 Lei and correspond to added number of compensable days of Extension of Time requested in the statement.

The Contractor's quantum evaluations are compliant with the cost engineering industry standards, they are made to evaluate damages at the time when the Employer's Risk Events manifested and affected the Critical Path of the Works, that led to a significant increase of the Original Time for Completion and to an increase of the site & home office overheads.

### Conclusions

Always the law is above the contract, but if the Contractor wants to recover his damage produced by Employer's Risk Events, need to proceed accordingly with General Condition of the Contract for F.I.D.I.C. "Red Book" First Edition 1999, from Sub-Clause 20.1 [Contractor's Claim] to Sub-Clause 20.8 [The Expiration for operation of the Dispute Adjudication Board].

First step is to ask the Engineer to issue his Determination accordingly with Sub-Clause 3.5 [Determination], and if the Engineer fall in giving this determination, to act in accordance with Sub-Clause 20.4 [Getting the Decision of Dispute Adjudication Board].

Also if the Engineer issue his Determination but the Employer issue a Notice of Dissatisfaction, the Contractor need to activate the Sub-Clause 20.4 [Getting the Decision of Dispute Adjudication Board].

The D.A.B have to issue his decision in 84 days from the moment that the contractor submit- ted the Statement of Case to the Dispute Arbitration Board and a copy to the Employer, but the time can be extended if the Parties agree with this.

My point of view is that is a must that Dispute Arbitration Board to exist, because the Board can help also the Contractor or the Employer in solving contractual problems (disputes) arising during project implementation.

### References

- CHERN C., 2015. *Chern on Dispute Boards Practice and Procedure*, Third Edition, First Chapter, Taylor&Francis Ltd, London, United Kingdom.
- F.I.D.I.C. 1999. *Conditions of Contract for Construction. For Building and Engineering Works designed by the Employer*. Geneva, Switzerland,.
- F.I.D.I.C. CARTEA ROȘIE, 2006. *Condiții de Contract pentru Construcții, de clădiri și lucrări ingineresti proiectate de Beneficiar*, Bucharest, Romania.
- LAW NO. 287/2009. 2019. *The new Civil Code, republished, up to date and consolidated*, Bucharest, Romania.
- ORDER NO. 146/2011 issued by the Ministry of Transport and Infrastructure, published in the Official Gazette no. 188 of 17 March 2011.
- SEPPALA C., White and Chase. 1997. *The International Construction Law Review*, Volume 14, Part 4, Informa Subscriptions, London, United Kingdom.

## **An Investigation into the use of the Marketing Mix in the Food and Beverage Industry in Grahamstown, South Africa: An Exploratory Study**

**Mark MARITZ**

Rhodes University

m.maritz@ru.ac.za

**Jason-Leigh BYRNE**

Rhodes University

**Robertson SIMON**

Rhodes University

### **Abstract**

Investigative research was conducted in the Grahamstown-West district's food and beverage industry to investigate the use of the marketing mix by existing businesses in attracting customers. The motivation behind this study comes from our first-hand encounters and transactions of food and beverage outlets over our time in Grahamstown. From this, an interest in the day-to-day interactions and operations of local food and beverage outlets developed and we grew curious in finding out and exploring how this industry uses the extended marketing mix (more specifically the four P's) to maintain a firm customer base and potentially acquire the student market. A questionnaire was used to collect data from selected businesses to understand their use of the marketing mix elements in their operations. The food and beverage industry within Grahamstown is highly competitive, where existing business need to have good variety in their offerings, aligned their prices to their desired target market, incorporated advertising strategies to their operations, and looked to the location and the accessibility of their business as a potential competitive advantage.

**Keywords:** Marketing, Marketing Mix, Food and Beverage.

**JEL classification:** M3, M31.

### **1. Introduction**

Within the first three years of operation, over sixty percent of restaurants fail and collapse with independently owned restaurants failing in larger numbers than the food and beverage businesses (Umeze and Ohen, 2015, p.3). Management within the food and beverage industry fail to realize the need for a specialized set of marketing mix strategies (Umeze and Ohen, 2015, p.3; Weinreich, 2016, p.4). This study explores the food and beverage industry and investigates how these businesses use the marketing mix elements in their daily operations. For the purpose of this study, the food and beverage industry included all businesses primarily engaged the production of meals, snacks, and the sale beverages to customers for the immediate consumption either on or off the premises (Weinreich, 2016, p.4). The factors that customers take cognisance of in making their final consumption decisions is embedded in the marketing mix, which includes: *Product, Price, Place, and Promotion* and which can be extended to services by including: *People, Process, and Physical Evidence* (Jain and Han, 2012, p.1). This exploratory study contributes to the field of management as it provides market entrants, as well as existing enterprises, with a gauge on the elements of the marketing mix and how these are incorporated in the local food and beverage industry. The results of this study will add value by facilitating restaurants and any entities within the food and beverage industry in their exploration of customer needs using the marketing mix methodology. Furthermore, the study

seeks to inform business owners on the best practices for utilizing the four P's of the marketing mix to reach local consumers, such as students or local residents, effectively.

## 2. Literature Review

The concept of the term “marketing mix” was first used by Borden in 1953 (Van Waterschoot and van den Bulte, 1992, p.83), but wasn't commonly used until McCarthy (1964) proposed four strategies, all starting with the letter “P” that a company must incorporate to successfully market a product. These four P's as we know them today are product, price, place, and promotion (Jain, 2013, p.24). The “cost” elements of the mix are product, place, and promotion whereas the price element is the “revenue earner” for an enterprise (Jobber, 1995, p.326). This approach only allowed for the marketing of a product, and a necessity developed to include the marketing of services (Goi, 2005, p.6). This need came about because services are different from products in that they are intangible, inseparable, heterogeneous, and perishable (Goi, 2005, p.6). Booms and Bitner in the early 1980s answered this question and included an extended marketing mix for services that included people, the physical evidence, and business processes. These additional P's have been added as today's marketing is far more customer-centric and businesses in the service industry need to look at their customers as a potential source of competitive advantage (Jain, 2013, p.24). The extended marketing mix will be explored through various journal articles to investigate and highlight the strategies needed to effectively incorporate each element into the service industry. The extended marketing mix elements to be investigated in this literature review include: Product/Service, Price, Place, Promotion, People, Process, and Physical Evidence.

The research that was conducted sought to discover how businesses within the food and beverage industry, draw their customers through their product offerings. Product offerings within the food and beverage industry move quickly through their life cycle phases as there is always a tremendous shift towards more convenient and fresh quality foods bearing the need for businesses to manage the elements involved in their products (Palekar, 2009, p.3). The product elements that can be controlled by a food and beverage business include its brand name, variety of its offerings, features and its packaging, and presentation of offerings (Madiba, 2012, p.74; Issakova, 2014, p.13; Jain and Han, 2012, p.7).

Madiba (2012) describes a brand as a product or service made distinctive by its positioning relative to the competition, and by its personality in the target market context. Organisations use brands to differentiate their products from those of their competitors and encourages customers to purchase offerings because they provide them with the benefits with which they need (Madiba, 2012, p.75; Jain and Han, 2012, p.7). Businesses within the food and beverage industry have established brands, but need to look to developing a strong corporate brand or brand philosophy that tells customers what they are all about and build customer loyalty around this image (Issakova, 2014, p.13; Jain and Han, 2012, p.7). This will provide differentiation from competitors in the market which will enhance a business's perceived quality and lead to increase purchases (Issakova, 2014, p.13; Koske, 2012, p.24).

Grahamstown is highly competitive when it comes to the food and beverage industry and this competition, accompanied by demanding customers, contributes to an increase in product variety and service categories offered by enterprises in the food and beverage industry (Madiba, 2012, p.74; Nguyen, Phan and Vu, 2015, p.212). Variety and the introduction of new products within the food and beverage industry is crucial and refers to the different number of items that is included in one's offerings and menus (Madiba, 2012, p.74; Lin, 2011, p.3; Palekar, 2009, p.3). Owners of food and beverage outlets must realise that an increase in product variety, however, does not guarantee an increase in profit (Madiba, 2012, p.74). This is because product variety is influenced by the constantly changing requirements of customers and presents a

challenge to owners of businesses in the food and beverage industry to manage their product varieties in line with these changes. Product offerings have different features or elements that make an offering more enjoyable by customers and have a major impact on the perception of products and services and its relative advantages (Islam and Rahman, 2015, p.16; Issakova, 2014, p.20). Marketers within the food and beverage industry need to ensure that these features are customised to meet customer's needs and expectations and lead to repeat purchases (Madiba, 2012, p.74; Islam and Rahman, 2015, p.18). Businesses that provide quality features through their offerings provide uniqueness to their customers by creating a strong differential from competitor's products and services which allows businesses to create or maintain their competitive position (Issakova, 2014, p.20; Palekar, 2009, p.3). Marketers within the food and beverage industry need to develop effective packaging for their offerings in a manner that will perform functions such as promotional, protective and user-convenience (Madiba, 2012, p.76; Jain and Han, 2012, p.9; Dhurup, Mafini and Dumasi, 2014, p.2).

Sellers perceive price, as the amount of money, or cost, that is charged for a product or service whereas buyers perceive price as the cost of keeping customers and getting new ones (Islam and Rahman, 2015, p.18; Dhurup, Mafini and Dumasi, 2014, p.3; Madiba, 2012, p.78). Goods and services must be priced in a way that achieves profitability and satisfies customers, whilst adapting to various barriers or constraints such as competitors (Dhurup, Mafini and Dumasi, 2014, p.3; Jain and Han, 2012, p.13). To this extent, most businesses in the service sector use promotional tools, such as price, to motivate the sale of services and products (Dhurup, Mafini and Dumasi, 2014, p.2; Yoo, Donthu and Lee, 2000, p.198). Pricing within services is complex and difficult to measure, unlike products in which the final price depends on the raw materials, distribution, and the cost of production highlighting the importance of price and the fundamental role it plays in the extended marketing mix of the food and beverage industry (Islam and Rahman, 2015, p.18; Dhurup, Mafini and Dumasi, 2014, p.3).

Pricing strategies play a crucial role in the marketing of products and services and are used to support their quality in the market (Jobber, 1995, p.326; Dhurup, Mafini and Dumasi, 2014, p.3). Customers expect a basic level of service when they pay a standard price, but expect a higher level of service when charged a premium (Madiba, 2012, p.78; Nguyen, Phan and Vu, 2015, p.207). Businesses within the food and beverage industry, when setting a price, need to consider that overcharging in an industry (which leads to lost sales) or undercharging (which leads to a lost margin) can dramatically affect their long-term profitability and survival within this industry (Jobber, 1995, p.326; Dhurup, Mafini and Dumasi, 2014, p.3). Companies may use a variety of pricing strategies (low, high, or follow) available to them after conducting careful research and planning into what the current market offers as well as what goals the business has to ascertain (Madiba, 2012, p.78; Issakova, 2014, p.21; Dhurup, Mafini and Dumasi, 2014, p.3).

Price discounts are prices that are marginally discounted when necessary for specific groups of customers in order to increase customer base, reward loyal customers, and encourage more sales (Jain and Han, 2012, p.13; Dhurup, Mafini and Dumasi, 2014, p.3). This sensitivity of pricing to different market segments is evident in a Grahamstown context, with one segment viewing high prices as giving up more resources (mostly students), and other segments viewing high prices as a signal for quality (Dhurup, Mafini and Dumasi, 2014, p.3; Nguyen, Phan and Vu, 2015, p.207). One effective discount strategy in the food and beverage industry is quantity discounts which encourage customers to purchase larger amounts of the product (Madiba, 2012, p.79; Issakova, 2014, p.22). This type of discount allows the seller to obtain a larger share of a buyer's business and attract more customers and can be effectively incorporated within a Grahamstown context (Madiba, 2012, p.79).

The place element of the marketing mix refers to the place or location at which customers can buy products and how that product reaches out to the desired target market (Umeze and Ohen, 2015, p.3; Issakova, 2014, p.28; Nguyen, Phan and Vu, 2015, p.207).

Businesses within the food and beverage industry need to develop sound distribution channels in line with their location to provide accessibility to customers to send the right product or service to the right customer at the right time (Mason and Staude, 2007, p.244; Islam and Rahman, 2015, p.18). Place, price, product, and promotion need to be developed in conjunction to meet the needs and expectations of their target market (Madiba, 2012, p.81). Place, or location, is critical in ensuring that customers receive the products or services that they need and plays a vital role in the maximization of consumer satisfaction (Madiba, 2012, p.100; Nguyen, Phan and Vu, 2015, p.207). Owners of businesses in the food and beverage industry need to view their setups from their customer perspective and work out how frequently it would be visited by customers (Islam and Rahman, 2015, p.18). In the case of Grahamstown, the most desirable location is as close to the university as possible as it increases your chances of maintaining a steady stream of revenue (Maboja, 2012, p.1; Nguyen, Phan and Vu, 2015, p.207). Restaurants near the university already have, or can look to, the student population as a potential customer base if their elements of the market mix are aligned to the needs of students (Reimherr, 2013, p.1).

Place can also refer to the accessibility of a service by potential customers and empirical evidence confirms that providing convenient access to customers significantly affects their purchasing of food and beverage products (Madiba, 2012, p.80; Nguyen, Phan and Vu, 2015, p.207). Services are difficult to separate in their entirety, and this inseparability complicates the passing of the benefits of the service to customers in different locations (Madiba, 2012, p.80). According to Madiba (2012), the inseparability of a service implies that one person cannot produce a service at one place and make it available to customers in another place. Fast-food outlets such as Steers, McDonald's, and Pizza-Hut incorporate delivery service into their service marketing mix to further strengthen and attract new customers which in turn generates sales (Reimherr, 2013, p.1). Accessibility is an important element of achieving a competitive advantage through a business's "place" and businesses can look to a combination of sit-down and delivery/takeaway options to better aid accessibility of their business to customers.

Through the use of the internet, businesses are able to distribute products and services in new and innovative ways known as direct marketing; one such method is known as micro-blogging (Palekar, 2009, p.7; Issakova, 2014, p.26; Jain and Han, 2012, p.16).

Micro-blogging through Twitter to market products and relay information in real time is becoming increasingly popular and can be adopted by businesses in small towns. An example would be a coffee shop telling their twitter followers that coffee will be half price during lunch time, which is a time where customers most need a "pick-me-up" and are more likely to respond at this time (Palekar, 2009, p.7; Issakova, 2014, p.26). Businesses in the food and beverage industry located nearby their customers are able to lower their distribution and outreach costs and reduce the risk of competitors imitating their products, this is their competitive advantage and should be exploited (Madiba, 2012, p.82; Yoo, Donthu and Lee, 2000, p.199).

Promotion or marketing communication involves communication by marketers in order to inform persuade or remind customers about products or services that are currently available on the market (Madiba, 2012, p.86; Nguyen, Phan and Vu, 2015, p.207; Jain and Han, 2012, p.17). With the growing intensity of competition between luxury restaurants and take-away establishments in the food and beverage industry growing, it has become increasingly challenging for businesses to attract customers with new and innovative promotions (Palekar, 2009, p.5; Jain, 2013, p.24). The integration of technologies such as television and digital media allow businesses to come up with more innovative promotional approaches and for the

purpose of this investigation, the advertising and sales promotion elements were explored in order to highlight the importance of promotional strategies to the local food and beverage industry (Palekar, 2009, p.5; Nguyen, Phan and Vu, 2015, p.208)

To remain competitive within a particular industry, focus is placed on individual businesses to develop brand awareness and customer loyalty. This is done through effective advertising strategies to avoid relying solely on pricing structure as a way to retain customers (Kandampully and Suhartanto, 2000, p.346; Madiba, 2012, p.86; Buil, de Chernatony and Martínez, 2013, p.117; Jain and Han, 2012, p.17; Yoo, Donthu and Lee, 2000, p.200). Businesses within the local food and beverage industry need to adopt an original and innovative repetitive advertisement strategy to increase the probability that a product will be considered in a consumer's choice thereby increasing familiarity and shaping customers perceptions (Madiba, 2012,p.86; Buil, de Chernatony and Martínez, 2013,p.117; Yoo, Donthu and Lee, 2000,p.200).

Sales promotion includes a set of marketing activities that companies use in order to set short-term increases of product sales (Issakova, 2014, p.27; Buil, de Chernatony and Martínez, 2013, p.117; Yoo, Donthu and Lee, 2000, p.200). Sales promotion is a key ingredient in many marketing campaigns since it consists of a diverse collection of incentive tools (Madiba, 2012, p.88). These incentive tools are used to recruit new users, reward faithful customers, and ultimately increase the purchase rate of temporary customers, and can either be monetary or non-monetary (Madiba, 2012, p.88; Buil, de Chernatony and Martínez, 2013, p.118). A monetary promotion which is based on utilitarian benefits and includes price discounts and money off coupons are effective in generating immediate financial gain but at the expense of eroding brand perception, quality, and image in the long-term (Buil, de Chernatony and Martínez, 2013, p.118; Yoo, Donthu and Lee, 2000, p.200; Madiba, 2012, p.88). Owners of businesses today need to investigate to new long-term, and creative ways to promote their products. Strategies may include incorporating non-monetary promotions which is based on hedonic benefits and includes loyalty programmes, free gifts, free samples, and contests which are becoming increasingly important in promotional strategies as they can positively influence the perceived quality, brand associations, and equity in the long-term (Buil, de Chernatony and Martínez, 2013, p.118; Yoo, Donthu and Lee, 2000, p.200; Issakova, 2014, p.27; Madiba, 2012, p.88). Businesses in the food and beverage industry look to weekly sales promotion strategies to encourage a constant stream of students who are looking for good value at low prices (Maboja, 2012, p.1).

According to van Vliet (2013), *people* are any internal or external stakeholder to the company, from employees, to customers, to investors. As mentioned before, customers are becoming more important to the daily operation of businesses, more specifically in the food and beverage industry, whose core purpose is the provision of a quality good and/or service. Bhasin (2017, p.1) and Ivy (2008, p.290) agree that *people* are one of the most important elements of the marketing mix in the modern-day industry. Without the correct people working in the correct place, the product will not be sold. Bhasin (2017, p.1) explains the importance of people, in the marketing mix, and how it is not only front-line staff that are under the spotlight, but employees higher up in the business hierarchy, who are just as important as they give the lead to other employees. Businesses in the food and beverage industry do not generally hire large numbers of employees, and as a result of this, managing them effectively and integrating them into the overall marketing strategy could be the difference between having regular customers or having customers never visit your business again.

According to MarketingMix (2017, p.1), the *process* element, of the extended marketing mix, are the systems and processes put in place for everyday tasks to run smoothly in a business. Rafiq and Ahmed (1995, p.7) refer to Booms and Bitner's (1981, p.47) 7P framework, where

they explain *process* as being the procedures, mechanisms, and flow of activities by which the good or service is acquired. This step, although important in any business scenario, is crucial in an industry such as the this, as effective and efficient processes are what drive the business towards success. Having systems in place to ensure that a customer receives what they order in a timely fashion could mean the difference on them becoming loyal, long-term customers or not. Ivy (2008, p.7) notes that the process of obtaining a meal at a self-service, fast-food outlet is clearly different from that at a full-service restaurant. Marketers need to understand the nature of the business they are operating in, before they engage with customers to ensure that they experience a positive encounter.

The final element in the extended marketing mix is “*physical evidence*”, which are the tangible elements a company adds to an otherwise intangible product to differentiate oneself from other businesses (Bhasin, 2016, p.1). The physical evidences a company may include are, but are not limited to, things such as creating an ambient environment through lighting, décor, and appropriate music. It could be offering additional services such as free Wi-Fi for customers attending the restaurant for a meal. The Oxford College of Marketing (2013, p.1) adds that the physical environment of the business they are engaging with has to feel right, and be in line with their expectations. Having a high-quality business, and offering an extensive selection of products and/or services, with a poor-quality look and feel, sends the wrong message to the potential customer (Morrison and Beverland, 2003, p.79). Morrison and Beverland (2003, p.80) believe that in the case of the food and beverage industry, a restaurant that offers exotic dishes at high prices, but is dirty and in an arguably unsafe area sends mixed signals to the customer.

### **3. Problem Investigated**

The food and beverage industry is a highly competitive industry, and within Grahamstown this is no different (Weinreich, 2016, p.4; Maboja, 2012, p.1; Palekar, 2009, p.3; Dhurup, Mafini and Dumasi, 2014, p.2). Many businesses compete with one another daily in order to ensure that customers return to their enterprise (Weinreich, 2016, p.4; Maboja, 2012, p.1). Researchers have found that marketing is a principal factor in the success or failure of entities within the food and beverage industry where elements of the marketing mix are incorporated on a daily basis to ensure survival (Perry, 2014, p.34). The challenge for businesses within the food and beverage industry to understand how customers respond to the extended marketing mix. It is therefore important to analyse the location of an organisation and the skills of its employees to deliver an offering to customers (Madiba, 2012, p.8). It was against this background and the ever-increasing competitive nature of the food and beverage industry that led to the formulation of this topic papers title.

### **4. Research Objectives**

An investigation into the use of the marketing mix, in the food and beverage industry, in Grahamstown, South Africa.

- An investigation into how the food and beverage industry attracts customers through their product offerings.
- Investigation into the pricing strategy of the food and beverage industry.
- An investigation into the effect of location on the food and beverage industry.
- Investigation into the promotional strategies of the food and beverage industry.

### **5. Research Methodology**

The unit of analysis for the study constituted all businesses within the food and beverage industry, located in Grahamstown. Quantitative data analysis served as the primary research paradigm, with a qualitative analysis conducted for some of the data collected, which required

more interpretive analysis than what could be offered through statistics and numbers. A quantitative data analysis was used to explore the incorporation of marketing mix strategies within the food and beverages day-to-day operations to gain insight into how businesses in this industry attract customers. Due to the size of the city and the limited number of potential respondents a small sample size was necessitated. It became clear that not all businesses would be willing to participate in the research investigation. As a result, a sample size of thirty (30) businesses was believed to be sufficient for the purposes of this study.

Quantitative data collection refers to the gathering of either continuous or discrete data (Saunders, Lewis and Thornhill, 1997, p.74), which then needs to be statistically analysed and interpreted in order to gain insight and meaning out of what has been collected during the data collection period (Saunders, Lewis and Thornhill, 1997, p.287). Due to the nature of our research outcomes, convenience sampling was deemed most appropriate to the outcomes. This study was conducted primarily through the use of questionnaires, including six (6) basic demographic questions, as well as twenty (20) 5-point Likert scale related to each element of the marketing mix, with an open-ended, follow-up question in each section (Adams and Cox, 2008) to relevant candidates in the food and beverage industry.

In the collection process a list of all participating food and beverage industries within Grahamstown was drafted to act as a checklist. The questionnaires were handed out individually to each food and beverage outlet whereby the general manager, or owner, was approached. Each general manager, or owner, of the respective food and beverage outlet would either fill the questionnaire in on the premise or give a desired time for collection. This means of data collection proved to be successful in the end with a strong response rate being achieved.

In terms of statistical analysis, a total of thirty-five (35) businesses were contacted during the data collection, however, only thirty (30) (return rate = 85.71%) of those businesses responded with valid data. Data analysis consisted of both qualitative and quantitative analysis, as the study was found to contain aspects of both these research paradigms. In analysing the data collected, the researchers made use of the Statistical Package for the Social Sciences (SPSS) ,and Microsoft Excel. Microsoft's Excel was used to analyse the demographics section of the research instrument. Through use of the SPSS program, descriptive statistics was used for data analysis.

The first tool adopted was that of frequency tables, which indicated respondents' choices in the Likert Scale sections of the research instrument, organising the data into the corresponding choice options, giving the researchers a holistic view of the data collected, and pie charts to assist the analysis of data, as they were effective in illustrating the trends that were prominent in the study's data collected.

A valid measuring instrument is described as an instrument that is doing what it is intended to do, and measuring what it is supposed to measure (Madiba, 2012, p.120). Madiba (2012, p.121) refers to validity as the process of determining whether a survey's interviews or observations were conducted correctly, and are free of fraud or bias. The research instrument should be suitable to accurately measure what it is intended to measure and yield consistent results (Saunders, Lewis and Thornhill, 1997, p.287). Reliability refers to the extent to which independent administration of the same instrument consistently and accurately yields the same results under comparable conditions (Madiba, 2012, p.121).

The major ethical considerations that were taken in account are the issues of consent and anonymity of business owners in the presented research (Corti, Day and Backhouse, 2000). When presenting the relevant questionnaires and in-depth interviews to the selected businesses, a brief background and for the purpose of the study, the information required by the owner, and an informed consent form was presented before there was any exchange of information between both parties. The individual was then made aware of what the information will be used

for, and that their identity will be kept anonymous. It was fully understandable that some companies may not be willing to discuss their marketing and pricing strategies for fear of other companies using it, and thus participation was voluntary. Furthermore, participants were informed that feedback of the results will be made available to them. All data collected will be stored with our supervisor for a period of up to seven years.

## **6. Results**

The respondents were initially asked to indicate the length their business had been in operation for, with answers ranging from two weeks to seventy-eight years. The information gathered showed an overall average of 11.25 years, indicating a mature market.

### **6.1. Product Analysis**

In the results, the product element was explored through 4 Likert Scale questions. The intention of these questions was to investigate the first objective of our research. A strong 23 out of the 30 (77%) businesses investigated showed that having product variety in your offerings attracts customers to the business. Furthermore, 50%, or half, of the respondents strongly agree that their offerings meet their customers' requirements. The other half showed that not all their products met their customers' needs. Most businesses (96%) felt that the packaging and presentation of their products was effective with customers. The information gathered showed that the businesses name generally does influence customers' attraction towards the business with 90% of respondents agreeing. The remaining 10% of the respondents believed that their name did not significantly influence customer's choice. The overall combined results indicate that the majority of respondents (58%) feel that product variety, packaging and presentation, as well as the business name and its offerings influence customer's decisions to purchase at their organisation.

### **6.2. Price Analysis**

The price component of the marketing mix was investigated in another 4 Likert Scale questions. This was to further investigate the second objective of our research. In terms of pricing discounts, it was derived that 53% of respondents strongly agreed that their pricing strategy allowed for discounts, however there were a number of respondents that indicated that their pricing strategy did not allow for discounts, with 17% disagreeing, and 7% strongly disagreeing. The following question's responses showed that most businesses respondents (97%) agreed that their pricing strategies employed were appropriate to their target customer market. The third question showed that having the right pricing strategy for their products was vital in maintaining, and potentially even growing their existing customer base. However, there were a small number of respondents who did not agree with this statement (17%). In terms of applying the business' pricing strategy to their products, there was generally a positive response (90%) indicating that the incorporation of these strategies increased their general sales. The overall information gathered for the price section indicated that majority significant number of respondents (73%) indicated that pricing strategies give room for a large customer base, leads to increased sales, allows for discounts, and shows that the pricing of offerings are appropriate to their desired target market.

### **6.3. Place Analysis**

The four statements included in the place element relate to the specific location of the businesses, as well as their accessibility to customers. The purpose of this statement was to explore the third research objective. The results showed that 73% of the businesses investigated were satisfied that their offerings reached their target customer base through their various

distribution channels. Almost all businesses (97%) agreed that the location of their business aided in the level of customer accessibility. There was a single respondent who strongly disagreed with the statement (3%). The location of the business was indicated by most respondents (97%) that their location was important to their marketing strategy and their operational capabilities. Again, there was a single respondent who strongly disagreed with this statement (3%). The majority of the respondents (90%) agreed that the location of their business effectively covered their desired target market. There were a small number of respondents who did not feel this (10%). The combined results indicate that the majority of respondents in the study (92%) feel that the location of their business is important to their marketing strategy as it aids accessibility and covers their target market effectively through their distribution channels.

#### **6.4. Promotion Analysis**

Promotion relates to informing, influencing, or reminding customers about a product (Madiba, 2012, p.195). This construct included four statements. The purpose of these statements was to measure the fourth objective of the research, and the majority of the respondents (93%) agreed that their customers were informed about their product offerings through the influence of their various promotional strategies. Most respondents (93%) showed that they incorporated advertising in their promotional strategies, with two companies stating that they did not (7%). By applying promotional activities, most respondents (87%) indicated that there was a positive effect on sales. The information gathered indicates that 90% of respondents feel that applying promotional strategies to their operations influences their sales positively, and through adopting various advertising techniques, customers are aware of the various product offerings.

#### **6.5. Organisational Objectives Analysis**

Organisational Objectives is a combination of the individual elements of the marketing mix, and how the combination of these elements impacts the overall marketing strategies of the organisation. The results indicate that by incorporating specific strategies to the marketing mix, customers' overall needs are satisfied, with a 97% positive response rate. There was a consensus (100%) that application of marketing mix strategies resulted in an increased sales volume. Most respondents (97%) agree that by incorporating placement strategies to their operations, their product became more accessible to their customers. Participants, for the most part, indicated that their promotional activities resulted in better awareness of their business and products to their customer base, with a positive agreement response rate of 97%. The consolidated results indicate that the majority of respondents (82%) agree that the including marketing mix strategies resulted in a positive influence on their business operations and customers alike.

Through the course of data collection, additional qualitative findings were analysed, such as the additional factors that influenced the business service offerings.

The qualitative question asking what additional factors influenced the business's service offering revealed a trend among most businesses. This trend indicated that certain periods of the month and year influenced the food and beverage industry as a whole, whereby periods where students were more prevalent in the market, such as during Rhodes University semester times, made more of an impact on businesses than during vacation times. As a result of this, businesses within the food and beverage industry adjusted their overall marketing strategies to suit their current target market.

## 7. Discussion and Managerial Implications

When respondents were asked if they would move closer to Rhodes University if the opportunity arose, the majority of responses indicated that they would not. The primary reason was that most of the businesses investigated had already built up a strong customer base where they were currently situated, and moving could drive away local resident customers, and out of season could harm them more if they relocated closer to the University.

The overall results gathered from the thirty (30) respondents investigated showed the marketing mix to be a critical element in their business strategies, whether they were aware of it or not. When implementing the marketing mix in their strategy, the results showed that almost all businesses had a positive result, whether in more customers, higher revenue, or more overall awareness. This study shows that the marketing mix is important to businesses in the food and beverage industry, regardless of where they are located.

Several managerial implications arise from these results that suggest that businesses within the food and beverage industry should attempt to develop an effective marketing mix, with specific focus on the elements of product, price, place and promotion. Businesses operating within the food and beverage industry need to develop strong variety in their products to meet their customers' needs; develop a strong brand name and ensure the packaging and presentation of their offerings are effective in attracting customers. Pricing strategies that allow for discounts are recommended to develop a large customer base and increase sales which highlight the managerial importance of aligning prices to the desired target market. Managers within the food and beverage industry should be attentive to the positive effects applying promotional strategies such as advertising can have to their operations and must look to promotional activities to increase the awareness of their various product offerings. Lastly, managers in the food and beverage business need to look to their location in aiding the accessibility to their business and that they cover their target market effectively through the adoption of multiple distribution channels.

## Conclusion

In conclusion, this study provides insight into the integration of the marketing mix elements in the food and beverage industry, and how these factors influence and attract their customers. The analysis confirmed the importance of the marketing mix in the food and beverage industry, in general and specifically within Grahamstown-West. This study provides a better understanding of the use of the marketing mix in the food and beverage industry. Specifically, the results showed that the minor elements, included in the 4 P's influence customers attraction to the food and beverage business.

## References

- BHASIN, H., 2017. *People in the Marketing Mix – The 5<sup>th</sup> P of Marketing Mix* [Online]. Available at: <http://www.marketing91.com/people-marketing-mix/> [Accessed 15 June 2017].
- BHASIN, H., 2016. *Extended Marketing Mix* [Online]. Available at: <http://www.marketing91.com/extended-marketing-mix/> [Accessed 15 June 2017].
- BOOMS, B. H. AND BITNER, B. J., 1981. *Marketing Strategies and Organisation Structures for Service Firms*. Chicago: American Marketing Association.
- BUIL, I. DE CHERNATONY, L. and MARTÍNEZ, E., 2013. Examining the role of advertising and sales promotions in brand equity creation. *Journal of Business Research*, 66(1), pp.115-122.
- CORTI, L. DAY, A. and BACKHOUSE, G., 2000. *Confidentiality and Informed Consent: Issues for Consideration in the Preservation of and Provision of Access to Qualitative*

- Data Archives* [Online]. Available at: <http://www.qualitative-research.net/index.php/fqs/article/view/1024/2207> [Accessed 08 May 2017].
- DHURUP, M. MAFINI, C. and DUMASI, T., 2014. The impact of packaging, price and brand awareness on brand loyalty: Evidence from the paint retailing industry. *Acta Commercii*, 14(1).
- GOI, C. L., 2005. Marketing Mix: A Review of “P”. *Journal of Internet Banking and Commerce*, 10, p.1.
- ISLAM, F. AND RAHMAN, M., 2015. Services Marketing Mix and Their Impact on Bank Marketing Performance: A Case Study on Janata Bank Limited, Bangladesh. *Journal for Worldwide Holistic Sustainable Development*, 1, pp.16-32.
- ISSAKOVA, A., 2014. The marketing mix of the hotel “U Lišky”. [Bachelor dissertation] *Institute of Hospitality Management in Prague*. Prague.
- IVY, J., 2008. A new higher education marketing mix: the 7Ps for MBA marketing. *International Journal of Educational Management*, 22(4), pp.288-299.
- JAIN, M. and HAN, F., 2012. Identifying the essential factors in the marketing mix design (The case of Personal Protective Equipment). *Journal for Entrepreneurship*, pp.2-85.
- JAIN, M. K., 2013. An Analysis of Marketing Mix: 7Ps or more. *Asian Journal of Multidisciplinary Studies*, 1(4), pp.23-27.
- JOBBER, D., 1995. *Principles and Practice of Marketing*. McGraw-Hill: Berkshire.
- KANDAMPULLY, J. and SUHARTANTO, D., 2000. Customer loyalty in the hotel industry: the role of customer satisfaction and image. *International Journal of Contemporary Hospitality Management*, 12(6), pp.346-351.
- KOSKE, K., 2012. *Effects of 4ps Marketing Mix on Sales Performance of Automotive Fuels of Selected Service Stations in Nakuru Town*. [Online]. Available at: <http://ir-library.ku.ac.ke/bitstream/handle/123456789/7196/Kiprotich%20Leonard%20Koske.pdf?sequence=1> [Accessed 16 June 2017].
- LIN, S.M., 2011. Marketing mix (7P) and performance assessment of Western fast food industry in Taiwan: An application by associating DEMATEL (Decision Making Trial and Evaluation Laboratory) and ANP (Analytic Network Process). *African Journal of Business Management*, 5(26), pp.10634-10644.
- MABOJA, W., 2012. *Location, location, location...or not?*[Online]. Available at: <https://theintensivereport.wordpress.com/2012/10/17/location-location-location-or-not/>[Accessed 14 August 2017].
- MADIBA, G., 2012. The influence of the elements of the extended marketing mix on consumers' intention to purchase at a fast-food retail chain in Johannesburg. *Faculty of Management*, pp.1-275.
- MASON, R. and STAUDE, G., 2007. A marketing mix model for a complex and turbulent environment. *Acta Commercii*, 7(1).
- MCCARTHY, E. J., 1964. *Basic Marketing*, IL: Richard D. Irwin.
- MORRISON, M. and BEVERLAND, M., 2003. In Search of the Right In-Store Music. *Business Horizons*, 46(6), pp.77-82.
- NGUYEN, T. PHAN, T. and VU, P., 2015. The Impact of Marketing Mix Elements on Food Buying Behaviour: A Study of Supermarket Consumers in Vietnam. *International Journal of Business and Management*, 10(10), pp.206-213.
- Oxford College of Marketing, 2013. *The Extended Marketing Mix: Physical Evidence*. [Online]. Available at: <http://blog.oxfordcollegeofmarketing.com/2013/08/09/marketing-mix-physical-evidence-cim-content/> [Accessed 15 June 2017].
- PALEKAR, L., 2009. *Adapting Marketing Mix to external environment changes – An overview of the Food and Beverages Industry*. [Blog] Available at:

- [https://www.tutor2u.net/\\_legacy/blog/files/marketing\\_mix\\_synopsis.pdf](https://www.tutor2u.net/_legacy/blog/files/marketing_mix_synopsis.pdf)[Accessed 15 August 2017].
- RAFIQ, M. and AHMED, P. K., 1995. Using the 7ps as a Generic Marketing Mix: An Exploratory Survey of UK and European Marketing Academics. *Marketing Intelligence & Planning*, 13(9), pp.4-15.
- SAUNDERS, M. LEWIS, P. and THORNHILL, A., 1991. *Research Methods for Business Students*. Pitman Publishing: London.
- UMEZE, G. and OHEN, S., 2015. *Marketing Mix Strategies and Entrepreneurial Competence: Evidence from Micro Restaurants in Calabar Metropolis, Cross River State, Nigeria*, pp.1-29.
- VAN VLIET, V., 2013. *Service Marketing Mix (7 P's)*. [Online]. Available at: <https://www.toolshero.com/marketing/service-marketing-mix-7ps/> [Accessed 15 June 2017].
- VAN WATERSCHOOT, W. and VAN DEN BULTE, C., 1992. The 4P Classification of the Marketing Mix Revisited. *Journal of Marketing*, 56(4), pp.83-93.
- WEINREICH, C., 2016. Marketing Strategies Restaurant Leaders Use to Develop Their Customer Base. *Journal of Management and Technology*, pp.11-78.
- YOO, B. DONTU, N. and LEE. S., 2000. An examination of selected marketing mix elements and brand equity. *Journal of the Academy of Marketing Science*, 28(2), pp.195–211.

## **An Investigation into the factors influencing the Purchasing Behaviour of Smartphones among University Students in South Africa**

**Mark MARITZ**

Rhodes University  
m.maritz@ru.ac.za

**Ophelie STAUB**

Rhodes University

**Robyn Van BERGEN**

Rhodes University

### **Abstract**

The purpose of this research was to investigate whether certain factors can influence the purchasing behaviour of smartphones among university students in South Africa. This was done by collecting data from Rhodes University students through web-based (online) surveys, yielding a final of 81 respondents, using convenience and probability sampling. It was found that although certain factors can be more significant than others, there was no exceptional relationship between purchasing behaviour and demographics, perceived smartphone attributes nor technological communication factors.

**Keywords:** Marketing, Consumer Behavior, Smartphones.

**JEL classification:** M3, M31.

### **1. Introduction**

In the 21st century, mobile phones have become an essential and indispensable part of our everyday life (North, Johnston and Ophoff, 2014, pp. 115-116; Suki, 2013, pp. 236-237). South Africa has seen a dramatic increase in the number of mobile phone users within the last decade (Writer, 2016). In particular, smartphone penetration has increased to over one third of the South African population; and it is estimated that Sub-Saharan Africa will have an additional 400 million new smartphone connections by 2020 (Writer, 2016).

This study aims to understand and determine the factors that influence Rhodes University students in their purchasing behaviour of smartphones. Due the popularity of technology in general and previous research undertaken, it can be assumed that the majority of smartphone purchasers, both current and new, will comprise of a large portion of consumers aged between 18 and 25 years old (Heinonen and Strandvik, 2007 cited in Arif, Aslam and Ali, 2011, p. 286). University students fall into this age group category (North, Johnston and Ophoff, 2014, pp. 115-118).

Both manufacturers and marketers of smartphones must be aware of this constantly changing market segment and its associated purchasing behaviours (North, Johnston and Ophoff, 2014, pp. 115-118). Evidence has shown that the majority of failed product offerings can be directly linked to businesses not fully conducting marketing research (Lee, 2014, pp. 309-311). Many businesses assume a “cut and paste” solution with regards to entering into new market segments and markets (Arif, Aslam and Ali, 2011, pp. 286-288; Lee, 2014, pp. 310-312).

Many studies have examined the factors that influence the purchasing behaviour of smartphones among university students, however these have focused on the European,

American and Asian markets. Thereby, there is very limited research from the African and more importantly the South African perspective (North, Johnston and Ophoff, 2014, pp. 115-116; Elogie, 2015, pp. 1-3; Arif, Aslam and Ali, 2016, p. 285; Suki, 2013, pp. 236; Malviya, Saluja and Thakur, 2013; Lee, 2014, p. 308; Rahim, Safin, Kheng, Abas and Ali, 2016, p. 245). It must be noted that a study investigating the factors influencing the purchasing behaviour of smartphones among university students was conducted at Ambrose Alli University in Nigeria. Elogie (2015, pp. 1-14) discerned that a variety of factors had no significant relationships on the factors influencing the purchasing behaviour of smartphones among university students. Considering that this study was undertaken within the African context, it has formed the starting point for this research. What remains to be seen is whether the results will bear any resemblance within the unique context of South Africa.

The results gathered in this research could potentially give guidance to smartphone manufacturers and marketers concerning the development of their marketing strategies and product offerings (Arif, Aslam and Ali, 2016, p. 287).

## **2. Literature Review**

It must be noted that purchasing behaviour falls under the umbrella term of marketing (Kotler and Armstrong, 1999, pp. 3-4). Traditionally, marketing has been thought of an activity that is purely limited selling and advertising; however, its primary function is to understand how to satisfy consumer needs (Kotler and Armstrong, 1999, pp. 3-4). In order to satisfy consumer needs, companies need to develop a product that provides value for the right price as well as having an effective distribution system and the correct promotional activities (Ogbeide, 2015, pp. 336-337; Walters and Helman, 2020). Therefore taking the above information into account, it can be stated that marketing is both a social and managerial process (Leelakulthanit and Hongcharu, 2012, p. 623; Dewnarain, Haywantee, and Mavondo ;2019).

It is vital that businesses master marketing and its subsequent activities in order to ensure that product offerings are correctly tailored to customer expectations (Kotler and Armstrong, 1999, pp. 3-4). By doing so, business can remain competitive within the market and become sustainable over the long-term (LaMancha, 2013). Correctly tailoring product offerings to suit customer expectations can only be achieved if businesses understand the influencing factors behind purchasing behaviours (Khan, Kulkami and Bharathi, 2014, p. 609).

### **2.1 Consumer Behaviour and the Influences of Purchasing Behaviour**

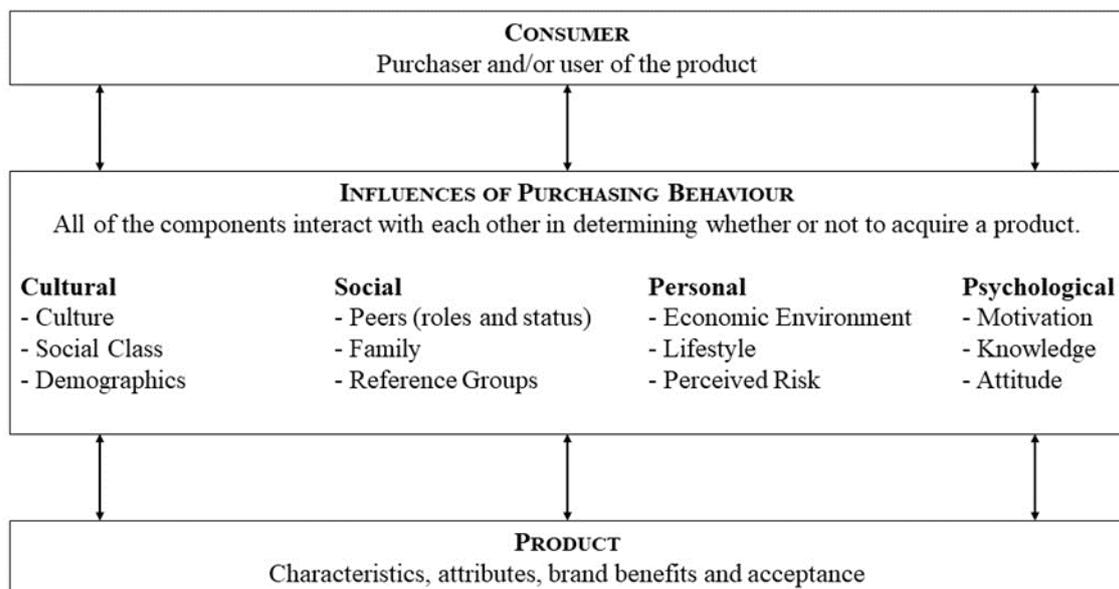
Consumer behaviour examines the individual perceptions, lifestyle, demographic characteristics, culture, environmental effects, reference groups and family influences of a consumer that impact on their unique purchasing behaviour (Ogbeide, 2015, pp. 335-336). The consumer engages with all of the above mentioned variables to some degree before making a purchase (Ogbeide, 2015, pp. 335-336; iResearch, 2018; University of Minnesota, 2010; Rahim, et al., 2016, pp. 247-248). Therefore, consumer behaviour begins before a product is purchased and continues after purchase (Ogbeide, 2015, p. 336; Paine, 2017).

These purchasing behaviours are done subconsciously or consciously by the individual. It must be noted that the degree of influence that these variables have change based on whether the purchase is deemed to be simple or complex by the consumer (Miller, 2012, pp. 221-222). A simple purchase is usually something routine such as buying milk and bread (Miller, 2012, pp. 221-222). In comparison, a complex purchase generally occurs when a consumer wishes to purchase a product that is either expensive or will relate to a long-term decision, such as a smartphone (Kotler and Armstrong, 2010 cited in Ogbeide, 2015, p. 336; Miller, 2012, pp. 221-222).

Therefore, purchasing behaviour refers to the factors that influence the decision process made in relation to purchasing a product (Kotler and Armstrong, 1999, pp. 132-133). Models are key in understanding the relationship and interactions between the different factors that influence purchasing behaviour (Arif, Aslam and Ali, 2016, p. 287; Paine; 2017). Organisations should engage with them regularly to ensure that proper market targeting is completed (Paine, 2017). Whilst there are numerous different models and frameworks that describe this purchasing behaviour, for the purpose of this investigation a general framework, see Figure 1 below, has been adapted from the literature.

Factors are different aspects that play a role in influencing a buyer in making their final purchasing decision (Nagarkoti, 2009). Factors include aspects such as anything that can have an informational input, internal prejudices concerning the person or product, effects of risk and uncertainty, personal habits, socio-cultural influences and cognitive constraints (Kotler and Armstrong, 1999, pp. 132-133). In this study, factors that influence the purchasing process of smartphones can be described as the various elements that contribute to a student choosing one brand of a smartphone over another and their reasoning behind doing so (Ding, Suet, Tanusina, Ca and Gay, 2011, pp. 193-194; Rahim, et al., 2016, pp. 247-248).

Figure 1: Generic Framework: Influences on Purchasing Behaviour adapted from Kotler and Armstrong (1999, pp. 132-140); Ogbeide (2015, p. 337); Ding, et al., (2011, pp. 193-194); Grier and Deshpandé (2001, pp. 216-218); Malviya, Saluja and Thakur (2013, pp. 14-17) and Leelakulthanit and Hongcharu (2012, pp. 624-626).



*Figure 1: Generic Framework: Influences on Purchasing Behaviour*

The reason for the adaption of the above framework, see Figure 1, is that current literature frameworks did not fully address all of the influences of purchasing behaviour. In addition to this, many focused solely on the consumer decision making process. Kotler and Armstrong (1999, p. 132-140) formed the base for the Generic Framework of Figure 1 and then additional literature and research informed the more detailed aspects and filled in any gaps in theory (Ogbeide, 2015, p. 337; Ding, et al., 2011, pp. 193-194; Grier and Deshpandé, 2001, pp. 216-218; Malviya, Saluja and Thakur, 2013, pp. 14-17; Leelakulthanit and Hongcharu, 2012, pp. 624-626); Oe, H and Yamaoka, Y 2020.

Research undertaken by Ding, et al., (2011, pp. 193-196) highlighted that there is limited knowledge relating to the consumer behaviour of university students, especially within the South African context. The reason for this statement, is that the majority of research typically examines different age groupings and focuses on international contexts such as the Americas, Europe and Asia (Ding, et al., 2011, pp. 193-196; Elogie, 2015, pp. 1-3).

University students present a unique market segment whereby they are embracing the shift from more traditional marketing mediums to digital and online marketing platforms (Van der Westhuizen, 2018). North, Johnston and Ophoff (2014, pp. 115-116) further highlighted that university students experience stronger peer and social status influences in comparison to older or younger market segments. Another attribute that differentiates this market segment as consumers is the multiple demographic characteristics that are present among students (North, Johnston and Ophoff, 2014, pp. 115-116). An example of this is the differences in funding sources and how this factor will impact a purchasing decision (Elogie, 2015, p. 2). Ultimately, the unique context of the Rhodes University student must be examined in order to determine what factors influence their purchasing behaviours in relation to smartphones.

Over the last few years the mobile phone has evolved from a piece of technology that was only capable of slight interpersonal interactions into a technological device which holds more computing power than the first rocket that landed on the moon (Puiu, 2017). At the mobile phone's initial launch, it had limited functionality and came at a price (Puiu, 2017; Pothitos, 2016). It allowed its users to be connected to the world through calling and messaging, however it initially lacked any other capabilities which then resulted in extensive research being conducted in order to explore potential customer requirements (Dennison, Morrison, Conway and Yardley, 2013, p. 75).

The increased use of the mobile phone worldwide has directly been correlated to the addition of technological functions and capabilities within the device (Lee, 2014, p. 309). While mobile phones are still offered to consumers within the market, smartphones have taken the popularity prize. They are especially popular with the youth, even though business people were initially the target market for this piece of technology (Pothitos, 2016).

Kotler and Armstrong (1999, p. 36) discuss examining products from both a product-oriented and market-orientated definition in order to fully examine the importance of the product to a consumer. From a product-oriented perspective, a smartphone is a multimedia platform capable of being programmed by the user and offers a variety of capabilities and features in order to aid the user in their daily life (Ding, et al., 2011, pp. 193-194; Suki, 2013, pp. 236-237). It contains features such as: downloading applications, instant messaging, use of the internet, social media services and entertainment (Lui and Lang, 2014, pp. 338-340; Miller, 2012, pp. 223-227; Ding, et al., 2011, p. 193). From a marketing-oriented perspective, consumers view smartphones as a device that provides them with a companion who makes their life easier, allows them to be in contact with virtually anyone in the world and improves their overall lifestyle and status (Shin, 2012 cited in Suki, 2013, p. 237; Malviya, Sulja and Thakur, 2013, pp. 16-19).

The increase in smartphone usage on the African continent further emphasises the important role that these devices play in everyday life (Writer, 2016; Statistica, 2017). Sub-Saharan Africa has low levels of infrastructure development; however, it is estimated that over 60% of the population has smartphone coverage (ITU, 2009 cited in Aker and Mbiti, 2010, pp. 207-208). A question must be raised as to how smartphone devices have made this shift? North, Johnston and Ophoff (2014, pp. 113-115) conducted an investigation at the University of Cape Town where they identified that South African students use their smartphones for social inclusion, security and safety, gaming and also to engage with their hobbies such as photography. In essence, smartphones allow students to be connected to the world through

instant messaging services and furthermore allow access to gain any desired information through the use of internet (Malviya, Saluja and Thakur, 2013, p. 18).

There is a simultaneous relationship between a student's smartphone adoption and the attributes of the smartphone (Lee, 2014). These attributes can be described as a combination of features of a smartphone perceived at different levels of importance by each individual, for example; camera quality, operating software, battery life, and many more (Singh, 2011). Smartphones have started being perceived as a need (Ding, et al., 2011, p. 198; Miller, 2012, pp. 234-236; Yu-Kang, Chun-Tuan, You and Zhao-Hong, 2014, pp. 374-378). The previous statement is supported by results from a study conducted by Kreutzer (2009) that found that South Africans who did not own a smartphone considered themselves economically and socially deprived.

Another aspect of smartphone attributes examines the aesthetics of a smartphone and how it could influence purchasing behaviours. That being said, research conducted by Toufani (2015) found that there was a significantly low relationship between emotional value perceived by a consumer and smartphone aesthetics. Therefore, although it appears aesthetics that do not have a direct effect on the sale of a smartphone in terms of emotional connection, it is still important to consider as the South African context may yield different results (Toufani, 2015).

The last attribute to examine is the extent to which the operating system of a smartphone has any influence over purchasing behaviour (North, Johnston and Ophoff, 2014, pp. 116-118). An operating system refers to the type of technology that is used to run all of the smartphone's various functions such as Apple IOS or Android (Liu and Liang, 2014, pp. 339-341). Research conducted by Nanji (2013) questioned the above statement and found that the influencing factors lie rather in the efficiency and operational capacity of a smartphone device rather than the "Apple IOS vs Android" debate.

It appears that there is continuous debate between individuals on why their smartphone from a particular brand, such as Apple, Samsung, Huawei or Nokia, is deemed superior to all other smartphone brands (Nagararkoti, 2009; Nanji, 2013). This generally goes hand-in-hand with the individual demonstrating a strong degree of stubbornness and brand loyalty when asked if they would change to another smartphone brand (Liu and Lang, 2014, p. 339; Leelakulthanit and Hongcharu, 2012, pp. 625-627).

These discussions often showcase the degree to which students are brand loyal which typically ties into the consumer decision making theory (Liu and Lang, 2014, p. 339; Ogbeide, 2015, pp. 332-335). While smartphone branding can potentially have a strong influence on purchasing behaviours, it must be considered that individuals are also affected by numerous other marketing stimuli whether they are exposed consciously or subconsciously to it (Leelakulthanit and Hongcharu, 2012, p. 626).

In addition to the physical capabilities of a product there is an aspect of emotional appeal and to a certain degree an emotional attachment to the product (Ogbeide, 2015). Kotler and Armstrong (1999, p. 425) introduced information relating to the importance of brand portfolios and how brand loyalty usually has a strong connection to status perceptions. This revelation by Kotler and Armstrong in 1999 shifted many of the traditional models at the time in terms of decision making norms (Van der Westhuizen, 2018, p. 172). The reason for this is that strong brand loyalty can contradict traditional consumer behaviour theory. For example, an individual may not have the appropriate economic resources but will still purchase the brand in question (Yu-Kang, et al., 2014, p. 380; Lui and Lang, 2014, pp. 338-343; Van der Westhuizen, 2018, p. 172).

Previous brand loyalty studies have been conducted which showcase the extent to which an individual is willing to remain brand loyal, such as only purchasing Apple products (Khan, Kulkarni and Bharathi, 2014, p. 609; Lui and Lang, 2014, pp. 338-343; Nanji, 2013). It is has

also been found that the younger generations are strongly affected and influenced by technology brands (Kim, Chun and Lee, 2014, p. 611; Nanji, 2013; Lui and Lang, 2014, pp. 338-343; Van der Westhuizen, 2018, p. 172).

Other reasons for smartphone choice over a mobile phone may be linked to the more superficial aspect of a smartphone being a status symbol (Lui and Lang, 2014, pp. 340-341). Research has shown that university students view smartphones as not only a vital tool, but that it can be used to elevate their status around peers and within social contexts (North, Johnston and Ophoff, 2014, p. 118; Malviya, Saluja and Thakur, 2013). It is important to note that in many cases brand loyalty has an influence on status (Van der Westhuizen, 2018, p. 172).

Demographics examine various population factors such as age, gender, income level, occupation and so on (North, Johnston and Ophoff, 2014, pp. 115-122). These various factors can be used to categorize certain characteristics of the population which in turn can give valuable information on how and why a market segment behaves in a particular way (Nanji, 2013). For example, there may be a correlation between demographic factors and the purchasing behaviour of an individual in relation to their gender, cultural values or age (North, Johnston and Ophoff, 2014, pp. 115-122; Kim, Chun, and Lee, 2014, pp. 584-586).

Research by Nanji (2013) has detailed the correlation between smartphone ownership and demographic data. In this particular research, undertaken in the United States, it was determined that demographic variables such as age and gender correlated with the purchase of either an iPhone or Android smartphone (Nanji, 2013). Very little data exists describing these variables and their correlation to smartphone ownership for South African students (North, Johnston and Ophoff, 2014, pp. 122-126). A question must be raised as to whether demographic characteristics such as; living in rural or urban areas, age, gender and ethnicity have any influence over the purchasing process of smartphones for university students (North, Johnston and Ophoff, 2014, pp. 122-126).

Additionally, a university student's financial affordability on their smartphone decision is another important variable. This is due to the fact that many university students are still financially dependent on their parents (North, Johnston and Ophoff, 2014, pp. 122-126). For instance, if a student is on a smartphone contract it is likely that their parents are paying for it or at least sharing the costs of it (Lee, 2014, p. 310). In addition to this, many students can only afford university by applying for bursaries, government grants or aid and student loans (North, Johnston and Ophoff, 2014, pp. 122-125). Therefore, the degree of financial dependency of university students will have an influence over their purchasing behaviours.

An important question must be asked to what extent do social influences such as peer opinion, social media and advertising impact on the decision to purchase a particular smartphone (Lee, 2014, pp. 308-310; Kim, Chun and Lee, 2014, pp. 578-279). The reason for this is the sheer amount of information available to the consumer through various social media sites and advertising campaigns (Grier and Deshpandé, 2001, p. 217). Consumers can not only view advertisements for smartphones but can also receive product reviews and comments from a variety of online sources that influence their purchasing decisions (Rahim, et al., 2016; Salehudin, 2011, p. 43). Furthermore, it has been found that there is a strong correlation between the variables of peer influence, family influence and reference groups on university students and their choice of smartphone (Lee, 2014, pp. 308-310; Khan, Kukarni and Bharathi, 2014, pp. 611-613).

The "Personal" component of the influences of purchasing behaviour refers to the environmental influences of the consumer (Kotler and Armstrong, 1999, p. 425). It must be noted that this component does share similarities with the consumer's demographic influences. That being said, one of the primary influences in this component is the perceived risk of the decision - the economic environment and lifestyle of the individual will have a great influence

over the risk perception (Salehudin, 2011, p. 43). The purchases of technological devices are usually delayed or cancelled based on the level of risk and uncertainty attached to them (Salehudin, 2011, p. 43).

The external environment informs the knowledge and motivations behind purchasing behaviours, for instance the attitude a person will have towards a product or service (University of Minnesota, 2010; Yu-Kang, et al., 2014, pp. 379-381; Nagarkoti, 2009). Technological and communication factors inform the psychological aspect of advertising activities and have a great ability to influence decision making thereby affecting purchases (Elogie, 2015, pp. 3-7). Past experiences with a product can negatively or positively affect consumer decision making especially if the encounter resulted in a significantly memorable outcome (Dietrich, 2010, p. 3). Purely product observations are insufficient to persuade and motivate customers to purchase a good. This is why marketing activities are conducted in order to further coerce consumers and influence their motivations (Dietrich, 2010, p. 3).

Auter (2007, as cited in North, Johnston and Ophoff, 2014, p. 117; Arif, Aslam and Ali, 2016, pp. 286-288) states that the primary importance of smartphones to university students, and their subsequent dependence on them is that these devices fulfill three needs namely: the need for inclusion, the need to maintain control over others or be controlled and the need of affection through instant gratification. Dependence on smartphones can be separated into two classifications which are the convenience of smartphones and the fulfilment of social needs (Ding, et al., 2011, pp. 193-195; North, Johnston and Ophoff, 2014, pp. 118-126). This information illustrates that a student can potentially view their smartphone device as another one of their physiological needs (Kuhlmeier and Knight, 2005, as cited in Arif, Aslam and Ali, 2016, pp. 289-290; Miller, 2012, pp. 221-223).

The above literature review as well as two previous research studies has formed the basis for this research. The first being research conducted at Ambrose Alli University in Nigeria and the second being conducted at the University of Cape Town.

In a previously conducted research done in Nigeria it was found that there were no connections between the variables and purchasing decisions made in relation to smartphones (Elogie, 2015, pp. 1-14). This forms the baseline of this investigation considering that it forms part of the African context. Within this research, similar objectives have been adapted in order to see whether student responses will be similar across African countries.

North, Johnston and Ophoff (2015, pp. 115-138) conducted a study at the University of Cape Town which explored the role and usage of both mobile phones and smartphones among students. This research can be useful as it provides a base from a South African perspective on mobile and smartphone uses. Using research from the past may also be challenging as some findings contradict the other research with regards to demographic variables (North, Johnston and Ophoff, 2014, pp. 115-138). However, this will help the study in the interpretation and analysis of research as there will be data supporting both arguments.

### **3. Aims and Objectives of the Research**

The aims of the research included the following objectives:

1. Identify demographic characteristics and whether they have an impact on the purchasing behaviour of Rhodes University students.
2. To determine whether smartphone attributes have an influence over purchasing behaviour.
3. Describe any potential link between technological/communication factors and the purchasing behavior concerning smartphones among Rhodes University students.

#### 4. Research Methodology

This research adopted a survey approach using deductive methods and quantitative analysis. These methods were chosen as they best suited the investigated hypotheses and any potential correlations. Surveys, used as the methodological approach allowed the researchers to generate a fairly large sample size of primary data collection, in a limited amount of time (Dudovskiy, 2017). Other advantages of this chosen approach included being cheap and gave way to an easier analysis of the data (Dudovskiy, 2017). On the other hand, the survey was limited in terms of the extent to which the depth of any relationships could be explored and was limited to the degree of generalizability (Dudovskiy, 2016). In continuation, the positivistic quantitative research paradigm was selected in order for the research to have a focus on the scientific method of gathering numerical data to perform Chi-Square testing (Antwi and Kasim, 2015, p. 220). This deductive approach assisted in describing and explaining the behaviours of the sample concerning their method of purchasing smartphones (Soiferman, 2010, p. 2).

Furthermore, the population of the study as mentioned in the title was Rhodes University students, from which the sample consisted of 81 students at all levels of study. The sampling method used included both convenience and probability sampling which was done using web-based surveys based in Limesurvey in August 2018. To go about doing this, a link to the surveys was sent by email to certain University student emailing lists. The main strengths of using this data collection technique is its time-effectiveness and convenience (Dudovskiy, 2016). Given the time constraints of the research the mailing lists being used enabled the sample to be stratified therefore targeting participants at different levels of study. Therefore, this consequently positively impacted the study's generalizability. However, chances of identifying potential bias and sampling variability estimation is limited (Dudovskiy, 2016).

Notwithstanding, most survey questions were scored on a 5-point Likert scale in an ordinal data format for data analysis. This was done with the intention to establish the various beliefs and opinions that the participants had on smartphones and their various characteristics (LaMarca, 2011). The Likert scale in this instance had no measurement between categories (i.e. Strongly agree and Agree) which allowed the participant to decide on their own level of agreement to the questions being asked. This was arguably a suitable method when analysing customer perception and product quality (LaMarca, 2011).

Measuring instruments included inferential and descriptive statistics, as these showcase the most accurate analysis. The quality of the research design has been addressed by taking into account factors affecting face validity and content validity such as any potential subjective judgements and unclear question structures (Trochim, 2006). The quality of the instrument had already met the standards required as the survey questions were based on a previous questionnaire, namely Elogie (2015) in Ambrose Alli University Nigeria. Methods of data analysis consisted of using a p-value of 0.05 where a relationship was classified as significant if  $p < 0.05$ . In order to achieve this, the Chi-squared ( $X^2$ ) testing method was used as it is appropriate for frequency problems. Furthermore, its appropriateness has been assessed as Chi-squared is used when dealing with categorical data and particularly in large scale surveys where data is in the form of counts.

The reliability and validity of our tests must also be taken into account. Reliability refers to whether the results of questionnaire are consistent overtime and can be reproduced should a similar or the same methodology be used again on the same group of candidates (Moerdyk, 2009). Validity is concerned with whether the results of the questionnaire will accurately measure what they were intended to measure (Cohen and Swerdlik, 2002). Content validity has been used as it involves the scrutiny as to whether the questionnaire actually measures the factors influencing purchasing behaviour of smartphones. The questionnaire was able to measure the behaviour that it was intended to measure (Davis, 2013). The concept of face

validity has been used as it asks the question of whether the specific items in the questionnaire appear to be appropriate for the purpose of the investigation (Moerdyk, 2009).

Lastly, during the process of conducting the study, ethical considerations were taken into account and complied with upon approval from the Department of Management's Human Research Ethics Committee. For instance; the participants were respected and were at no risk of any harm, the research was conducted honestly whereby the participant and the information they provided will remain anonymous (Council National Health and Medical Research, 2012). In addition, the participants were asked prior to joining the study for their consent, as well as being informed of their voluntary participation and choice of withdrawing from the researcher at any point (Council National Health and Medical Research, 2012). Furthermore, ethical clearance was received from the Office of the Registrar to approach departmental secretaries in e-mailing the questionnaire to their respective students.

## 5. Results

The achieved sample of 81 respondents, accurately portrayed the population demographics of Rhodes University. This consisted of 66.7% female respondents and 32.1% male respondents, between the ages of 18-29, further the data collected precisely portrayed the population ethnicities and academic years of study ranging from undergraduate to postgraduate students at Rhodes University.

Moreover, 23.5% of respondents qualify for NSFAS, alongside an additional 14.8% who qualified for the "missing middle" sector. This allowed us to distinguish different student categories and their purchasing behaviour based on demographic variables. Additionally, this aided in determining significant and non-significant relationships. It should be noted that according to the data collected, in relation to the perceived characteristics of a smartphone, the majority of respondents said that the level of technology, the price of the smartphone and its brand were significantly important factors that contributed to their decision-making process. Section C consisted of the technological communications factors deemed important to the questionnaire respondents. It was observed from the raw data collected that brand loyalty was not as significantly important in comparison to the smartphone's operating system. It was also found that most people change cell phone devices due to their previous one breaking, as well as upgrading on average between 2-3 years.

Based on demographic and perceived attribute variables, the Chi-Square test was conducted, and from the 64 tests done only the above were found to have a significant relationship. P value has been used to establish whether there is a level of significance. In this instance, a relationship is considered significant if the p value is less than 0.05. Based on the data collected from the sample size, it can be seen that the source of funds for university and funding qualifications played an important role in influencing the purchasing decisions of students at Rhodes University. For instance, students that require funding were significantly more sensitive to the perceived ease of use of a smartphone as well as the level of technology, and appearance of their electronic device. In continuation, the population group was found to have sensitivities towards the appearance of their device, the level of technology, brand and pricing structure. Based on this it can be said that when smartphone brands are targeting lower disposable income class the focus can be placed on the basic functionality and the appearance of the device. Given that most of our respondents were from Urban residential home addresses, there are significant relationships between appearance, price and brand, interpreted as an important aspect for companies to consider when designing and marketing their product.

Despite the amount of data collected and questions asked, this section of demographic variables and technological communication factors only 4 tests were shown to have a significant relationship. Students viewed that understanding features of their smartphone was

of great importance based on their residential address at Rhodes. Also, this was linked to their upgrade frequency of a  $p$  value of 0.028, which may be based on the assumption that students living off campus have higher disposable incomes than those living in residence on campus.

Notwithstanding, the strong relationship between funding qualification and brand loyalty ( $p = 0.008$ ) can be attributed to high brand switching costs that students may not be able to afford given their need for funding at the University. Also, it can be assumed that the psychological switching costs with regards to switching brands can explain the relationship between brand loyalty and residential home address. This is highlighted by brand theory where the age demographic group of 18-29 year olds are more brand loyal to their technological products, in this case their smartphones.

It was also discovered that understanding features was based on the appearance and level of technology displayed by a smartphone device. In continuation, the sample showed that their use of the features of their smartphone was mainly attributed to conducting research prior to their purchase and the physical appearance of the electronic device. This can be interpreted as significantly meaningful due to the fact that the level of complexity smartphone device software has become increasingly difficult to understand and use. Hence, with research being conducted prior to the purchase of a smartphone students were able to better engage with the features available to them.

Furthermore, the significant relationship of  $p = 0.004$  between the brand and the brand loyalty that students have is expected and can be said to be a precursor for the following relationship of status symbol and appearance at  $p = 0.033$ . Considering that status symbol is part of the intrinsic characteristics of brand, whereas appearance is an extrinsic characteristic of a brand, thus showcasing that students at Rhodes University do potentially view their smartphone as an indispensable device in their lives. This further supports the theory that smartphones have become increasingly important, to a point of being considered as a physiological need and psychological dependency (Ding, et al., 2011, pp. 193-195; North, Johnston and Ophoff, 2014, pp. 118-126; Auter, 2007, as cited in North, Johnston and Ophoff, 2014, p. 117; Arif, Aslam and Ali, 2016, pp. 286-288).

## 6. Discussion and Managerial Implications

Based on the findings and the interpretation of our analysis the following points have arisen as recommendations from the study:

1. If marketers are targeting lower disposable income groups, they should be aware of students disinterest in additional features as they prefer smartphones that are easier to use while being cost-sensitive. This may principally be relevant in terms of financial planning and costing conducted prior to the release of a new smartphone device depending on the targeted customer base.

2. Smartphone device manufacturers must be aware that students prefer smartphones that have a strong ease of use and are void of additional non-core features. Many smartphones are marketed as having more features than their competitors, however it appears that this detracts from the perceived consumer value of the product offering.

3. Due to the finding that students are incredibly brand loyal as seen for a variety of reasons, marketers need to know that in order to entice brand switching the product offerings of the brand needs to exceed the psychological switching costs. Marketers and smartphone manufacturers must also cater for students who view brand switching costs as being too high.

4. Focus should be placed on the ease of use of the user experience when analysing one's purchasing behaviour as understanding and using features on a smartphone device is strongly related to the marketing of the outer appearance and screen display. This notion can

be used to elicit a certain purchasing behaviour when initially promoting the smartphone device as a product for the first time to consumers.

## 7. Recommendations for future research

This study was limited due to the fact that only a sample size of 81 respondents were used of which the age demographic only ranged between 18-29, with the most occurring ages being between 18-22. Additionally from this sample, only the tertiary educational context was examined from the perspective of students which did not include academic or support staff members. What's more, the study was also limited to the small geographical location of Grahamstown, South Africa. Therefore, suggestions for further research include; using a larger sample size which may be more representative of the population. Conducting this study in other countries may also illustrate different findings, hence as is the case when comparing the findings of this study at Rhodes University to the study of Ambrose Alli University in Nigeria, which was used as a foundation for this research.

## References

- AKER, J., and MBITI, M., 2010. Mobile phones and economic development in Africa. *Journal of Economic perspectives*, 24 (3), pp. 207-209.
- ANTWI, S. and KASIM, H., 2015. Qualitative and Quantitative Research Paradigms in Business Research: A Philosophical Reflection, *European Journal of Business and Management*, 7(3), pp. 217-225.
- ARIF, I., ASLAM, W. and ALI, M., 2016. Students dependence on smartphones and its effect on purchasing behaviour. *South Asian Journal of Global Business Research*, 5(2), pp. 285-302.
- COHEN, R.J. and SWERDLIK, M.E., 2002. *Psychological Testing and Measurement: An Introduction to Test and Measurement*. 5th ed. Boston: McGraw Hill.
- NATIONAL HEALTH AND MEDICAL RESEARCH COUNCIL, 2012. Section 3: Ethical considerations specific to research methods or fields | National Health and Medical Research Council. [online] Available at: <<https://www.nhmrc.gov.au/book/section-3-ethical-considerations-specific-research-methods-or-fields>> [Accessed: 4 March 2018].
- DAVIS, R.J., 2013. The validation of a psychological assessment battery for the selection of customer service agents in a South African commercial airline company (Unpublished Master's Thesis). University of South Africa: Pretoria.
- DENNISON, L., MORRISON, L., CONWAY, G., and YARDLEY, L., 2013. Opportunities and Challenges for Smartphone Applications in Supporting Health Behavior Change: Qualitative Study. *Journal of Medical Internet Research*, 15(4), pp.73-84.
- DEWNARAIN, S, RAMKISSOON, H & MAVONDO, F (2019) Social customer relationship management: An integrated conceptual framework, *Journal of Hospitality Marketing & Management*, 28:2, 172-188, DOI: 10.1080/19368623.2018.1516588
- DIETRICH, C., 2010. Decision Making: Factors that Influence Decision Making, Heuristics Used, and Decision Outcomes. *Inquiries Student Pulse*, 2(2). [online] Available at: <<http://www.inquiriesjournal.com/a?id=180>> [Accessed: 4 March 2018].
- DING, H.T., SUET, F.L., TANUSINA, S.P., CA, G.L. and GAY, C.K., 2011. Dependency on smartphone and the impact on purchase behaviour. *Young Consumers*, 12 (3), pp.193-203.
- DUDOVSKIY, J., 2016. Research Methodology. [online] Available at: <<https://research-methodology.net/research-methods/survey-method/>> [Accessed: 4 March 2018].
- DUDOVSKIY, J., 2017. Non-probability sampling. [online] Available at: <<https://research-methodology.net/sampling-in-primary-data-collection/non-probability-sampling/>> [Accessed: 4 March 2018].

- ELOGIE, A.A., 2015. Factors influencing the adoption of smartphones among university students in Ambrose Alli University, Ekpoma, Nigeria. *Library Philosophy and Practice*, pp. 1-14.
- GRIER, S.A., and DESHPANDÉ, R., 2001. Social Dimensions of Consumer Distinctiveness: The Influence of Social Status on Group Identity and Advertising Persuasion. *Journal of Marketing Research*, 38(2), pp.216-224.
- IRESEARCH, 2018. 5 Common Factors Influencing Consumer Behaviour. [online] Available at: <<http://www.iresearchservices.com/5-common-factors-influencing-consumer-behavior/>> [Accessed: 22 April 2018].
- KHAN, M., KUKARNI, A. and BHARATHI, V., 2014. A Study on Mobile Buying Behaviour Using an Image-based Survey. *Procedia Economics and Finance*, 11, pp. 609-617.
- KIM, D., CHUN, H., and LEE, H., 2014. Determining the factors that influence college students' adoption of smartphones. *Journal of the Association for Information Science and Technology*, 65(3), pp. 578-588.
- KOTLER, P. and ARMSTRONG, G., 1991. *Principles of Marketing*. New York: Prentice Hall.
- KREUTZER, T., 2009. Generation Mobile: Online and Digital Media Usage on Mobile Phones among Low-Income Urban Youth in South Africa. [pdf] Research Gate. Available at: <[https://www.researchgate.net/profile/Tino\\_Kreutzer/publication/237307346\\_Generation\\_Mobile\\_Online\\_and\\_Digital\\_Media\\_Usage\\_on\\_Mobile\\_Phones\\_among\\_Low-Income\\_Urban\\_Youth\\_in\\_South\\_Africa/links/0c960536bb8c901261000000/Generation-Mobile-Online-and-Digital-Media-Usage-on-Mobile-Phones-among-Low-Income-Urban-Youth-in-South-Africa.pdf](https://www.researchgate.net/profile/Tino_Kreutzer/publication/237307346_Generation_Mobile_Online_and_Digital_Media_Usage_on_Mobile_Phones_among_Low-Income_Urban_Youth_in_South_Africa/links/0c960536bb8c901261000000/Generation-Mobile-Online-and-Digital-Media-Usage-on-Mobile-Phones-among-Low-Income-Urban-Youth-in-South-Africa.pdf)> [Accessed: 6 May 2018].
- LAMANCHA, S., 2013. Why marketing is so important for your small business. [online]. Available at: <<https://www.business2community.com/small-business/marketing-important-small-business-0611576>> [Accessed: 18 March 2018].
- LAMARCA, N., 2011. The Likert scale: Advantages and Disadvantages. [online] Available at: <<https://psyc450.wordpress.com/2011/12/05/the-likert-scale-advantages-and-disadvantages/>> [Accessed: 4 March 2018].
- LEE, S.Y., 2014. Examining the factors that influence early adopters' smartphone adoption: The case of college students. *Telematics and Informatics*, 31 (2) pp. 308-318.
- LEELAKULTHANIT, O., and HONGCHARU, B., 2012. Factors influencing smartphone repurchase. *Journal of Business and Economic research*, 10 (12), pp. 623-628.
- LIU, C. and LIANG, H., 2014. The Deep Impression of Smartphone Brand on the Customers' Decision Making. *Procedia - Social and Behavioral Sciences*, 109 pp. 338-343.
- MALVIYA, S., SALUJA, D.M.S. and THAKUR, A.S., 2013. A Study on the Factors Influencing Consumer's Purchase Decision Towards Smartphones in Indore. *International Journal of Advance Research In Computer Science and Management Studie*, 1(6), pp.14-21.
- MILLER, G., 2012. The Smartphone Psychology Manifesto. *Perspectives on Psychological Science*, 7(3), pp. 221-237.
- MOERDYK, A., 2009. *The Principles and Practice of Psychological Assessment*. Pretoria: Van Schaik.
- NAGARKOTI, B., 2009. Factors influencing consumer behaviour of smartphone users. Masters. Arcada University of Applied Sciences. Available at: <[https://www.theseus.fi/bitstream/handle/10024/70466/Nagarkoti\\_Bishal.pdf?sequence=1&isAllowed=y](https://www.theseus.fi/bitstream/handle/10024/70466/Nagarkoti_Bishal.pdf?sequence=1&isAllowed=y)> [Accessed: 6 May 2018].
- NANJI, A., 2013. How iPhone and Android Ownership Varies by Demographic. [online]. Available at: <<http://www.marketingprofs.com/charts/2013/10957/how-iphone-and-android-ownership-varies-by-demographic>> [Accessed: 5 March 2018].

- NORTH, D., JOHNSTON, K. and OPHOFF, J., 2014. The Use of Mobile Phones by South African University Students. *Issues in Informing Science & Information Technology*, 11, pp.115-138.
- OE, H. and YAMAOKA, Y., 2020. Chinese consumers' conspicuous perspectives: the context of smartphone purchase behavior. *Journal of Business Management and Economic Research*, 4 (1), 1-20.
- OGBEIDE, O.A., 2015. Consumer Behaviour in Product Acquisition: Literature Review. *The Marketing Review*, 15(3), pp. 335-360.
- PAINE, M., 2017. What are the different models of consumer behaviour? [online]. Available at: <<https://bizfluent.com/info-8083297-different-models-consumer-behavior.html>> [Accessed: 18 March 2018].
- POTHITOS, A., 2016. The history of the smartphone. [online] Available at: <<http://www.mobileindustryreview.com/2016/10/the-history-of-the-smartphone.html>> [Accessed: 6 May 2018].
- PUIU, T., 2017. Your smartphone is millions of times more powerful than all of NASA's combined computing in 1969. [online] Available at: <<https://www.zmescience.com/research/technology/smartphone-power-compared-to-apollo-432>> [Accessed: 5 March 2018].
- RAHIM, A., SAFIN, S.Z., KHENG, L.K., ABAS, N., and ALI, S.M., 2016. Factors Influencing Purchasing Intention of Smartphone among University Students. *Procedia Economics and Finance*, 37 pp.245-253.
- SALEHUDIN, I., 2011. Perceived purchase risk in the technological goods purchase context: An instrument development and validation. *International Journal of Research in Commerce, IT & Management*, 2(1), pp.41-48.
- SINGH, A., 2011. The best combination of attributes and levels of a smartphone. [online] Available at: <<https://www.scribd.com/doc/100667082/THE-BEST-COMBINATION-OF-ATTRIBUTES-AND-LEVELS-OF-A-SMARTPHONE>> [Accessed 6 May 2018].
- SOIFERMAN, L.K, 2010. Compare and contrast deductive and inductive research approaches. [pdf] University of Manitoba. Available at: <<https://files.eric.ed.gov/fulltext/ED542066.pdf>> [Accessed: 4 March 2018].
- STATISTICA, 2017. Number of smartphone users in South Africa from 2014 to 2022. [online] Available at: <<https://www.statista.com/statistics/488376/forecast-of-smartphone-users-in-south-africa/>> [Accessed: 6 May 2018].
- SUKI, N.M., 2013. Students demand for smartphones: Structural relationships of product features, brand name, product price and social influence. *Campus-Wide Information Services*, 30(4), pp. 236-248.
- TOUFANI, S., 2015. The importance of aesthetics on customers' intentions to purchase smartphones. *Marketing Intelligence & Planning*, 35(3), pp.316-338.
- TROCHIM, W., 2006. Measurement validity types. [online] Available at: <<https://www.socialresearchmethods.net/kb/measval.php>> [Accessed: 6 March 2018].
- UNIVERSITY OF MINNESOTA, 2010. Principles of Marketing. [e-book] Available through: University of Minnesota Libraries Publishing <<https://open.lib.umn.edu/principlesmarketing/chapter/3-1-factors-that-influence-consumers-buying-behavior/>> [Accessed: 22 April 2018].
- VAN DER WESTHUIZEN, L.M., 2018. Brand loyalty: exploring self-brand connection and brand experience. *Journal of Product & Brand Management*, 27(2), pp.172-184.
- WALTERS, D, and HELMAN, D. (2020) Performance Management: Value Drivers and Strategic Value Builders. In: Strategic Capability Response Analysis. Springer, Cham.

- WRITER, S., 2016. Smartphone penetration in South Africa hits major milestone. [online]. Available at: <<https://mybroadband.co.za/news/smartphones/180894-smartphone-penetration-in-south-africa-hits-major-milestone.html>> [Accessed: 5 March 2018].
- YU-KANG, L., CHUN-TUAN, C., YOU, L., and ZHAO-HONG, C., 2014. The dark side of smartphones usage: Psychological traits, compulsive behaviour and technostress. *Computers in Human Behavior*, 31(1), pp. 373-383.

## **Exploring the Influence of Green Transparency on the Purchase Intention of Green Products**

**Gen LI**

University of Essex  
gl19837@essex.ac.uk

**Amir HOMAYOUNFARD**

University of Essex  
ahomay@essex.ac.uk

**Maged A A ALI**

University of Essex  
maaali@essex.ac.uk

### **Abstract**

The issue of greenwashing has raised consumers' suspicion towards green brands and created a negative impact on the authenticity of green brands (Chen and Chang, 2013). There has also been a growing demand for green brand authenticity at a broader level, which has become an essential criteria for choosing green brands (Beverland and Farrelly, 2010; Ewing, Allen and Ewing, 2012). Prior research has explored different dimensions of brand authenticity within different contexts including fashion (Choi et al., 2015) and fast moving consuming goods (FMCG) (Beverland, 2006). Different capacities of brand authenticity including brand extension authenticity (Spiggle, Nguyen and Caravella, 2012), consumer-brand authenticity (Napoli, Dickinson, Beverland and Farrelly, 2014), and service brand authenticity (Daugstad and Kirchengast, 2013) have also been explored. Despite recent development of the prior literature, our understanding of green brand authenticity with regards to consumers' purchase intention remains limited. This study seeks to gain insights into the puzzle of green brand authenticity and its influence on consumers' purchase intention. It contributes to the extant body of the literature by providing an authenticity perspective for understanding consumers' response to green brands. Building on theory of planned behavior, our framework will explore the impact of green brand transparency on the green brand authenticity.

**Keywords:** Green brand, brand authenticity, purchase intention, green transparency, theory of planned behavior.

**JEL classification:** M31.

### **1. Introduction**

The growing rise in demand and consumption of green products has led to firms increasingly utilising green brand to derive competitive advantage and brand benefits (Chen and Chang, 2013). Compared to conventional brands, green brands have offered higher environmental protection and energy efficiency and while consisting a series of green attributes and benefits, which appeals to consumers' purchase preference. According to European Commission (2013), 77% of EU respondents are willing to pay more for environmental protection products if they are assured of the environmental friendly-attributes of the products; however, only 55% of EU citizens are aware of the environmental impact of products they use and purchase. However, not all companies are sincere to cultivate green brands, as there is a growing concern about firms adopting greenwash strategies to acquire financial return (Rahman, Park and Chi, 2015). Consequently, greenwash issues dampen honest organizations' green investment initiatives, raise consumers' scepticism towards green brands, and have a negative influence on green brand authenticity (Nguyen, Yang, Nguyen, Johnson and Cao,

2019). As such the demand for green brand authenticity is increasing substantially at a wider level and has become an essential criteria to choose green brand.

Authenticity is a new perspective to alleviating negative cognition towards brands (Brown, Kozinets and Sherry, 2003). However, green brand market is glutted with various green clues and green claims, the kind of obscure information that increases consumers' identification difficulty and choice cost (Papista and Krystallis, 2013). A brand may carry out green claims and act in sustainable manner, but it does not necessarily mean it is viewed as a green brand. Opaque clues of green brands have been bothering consumers (Sahoo, Lenka and Pradhan, 2017). Green transparency is beneficial for consumers to understand the environmental performance, green practice and products features of green brands (Reynolds and Yuthas, 2008). Thus, green transparency is necessary for consumers to weaken the green brand confusion and enhance the green brand authenticity perception (Lin, Lobo and Leckie, 2017).

Green brand is an enduring concern (Olsen, Slotegraaf and Chandukala, 2014). Researchers have attempted to investigate the factors of enhancing the green purchase intention from brand-based perspective (Huang, Yang and Wang, 2014). The role of green brand values and costs and green brand equity in willingness to pay, consumers' green perceived value, green brand benefits and green brand image in purchase behavior response are investigated (Papista and Krystallis, 2013; De Medeiros, Ribeiro and Cortimiglia, 2016; Esmaeili et al, 2017; Lin et al., 2017; Li, Li and Sun, 2019). However, there is a paucity of research which investigates the impact in the context of green brand authenticity. As such, this research aims to answer the following research questions:

RQ1: What is the impact of green transparency on green authenticity ?

RQ2: What is the direct or indirect effect of green authenticity on customers' purchase intention?

Therefore, we answer calls for research regarding green transparency (Lin, Lobo and Leckie, 2017) and seek to contribute to improving the understanding in this area. The purpose of this study is firstly to identify the underlying dimensions of green brand authenticity in the context of green air conditioning brands and contribute to research content by integrating green brand benefits with corporate green practice of providing transparent environmental clues, which combine transparency with authenticity in the context of green brand. This study filled the gap to explore the influence of green transparency on green brand authenticity. It is beneficial to improve the theory about the antecedents of green brand authenticity.

## **2. Literature Review**

### **2.1 Green transparency and green brand authenticity**

Transparency has always been a hot topic in various fields (Khosroshahi, Rasti-Barzoki and Hejazi, 2019). Although the application of transparency in the research of corporate sustainability and environment related topics has increased in recent years, but the research is still limited (Khosroshahi et al., 2019). However, these studies show the importance of transparency and its high impact on consumer behavior and manufacturers' environmental attitudes. In the existing literature, transparency plays an important role in the sustainable development of enterprises. Environmental transparency has been proved to have a positive impact on willingness of customers to participate in environmental programs (Vaccaro and Echeverri, 2010), customers' willingness to pay (Egels-Zandén and Hansson, 2016; An, 2013), CSR concerns of enterprises and local governments (Haddad, 2015), environmental performance of companies (Arena, Bozzolan and Michelin, 2015), production of green products (Li and Li, 2012), and financial performance (Shvarts, Pakhalov and Knizhnikov, 2016).

"Green visibility", that is, "green can be seen" is significantly related to consumer loyalty (Brick, Sherman and Kim, 2017). Hence, green brands should convey transparent green information to win targeting consumers than alternative brands. Green transparency refers to the behaviors that a green brand embodies explicit information about environmental policy and its honest clarification of the environmental impact on its production process. transparency influences not only environmental behavior but also company–stakeholder relationships (Vaccaro, 2010). Green transparency is beneficial for green brands to communicate their green values by improving the transparency of sustainability related information as well as the real motivation of green practice, which is the key to enhance consumers' perceived authenticity. Kim et al. (2016) suggest that consumers tend to perceive authenticity when an identity is communicated clearly or in a way that is consistent with experiential truth from the consumer's viewpoint. In other words, if a green brand presents detailed and transparent information, consumers tend to believe that the brand is "true" or at least perceived authentic beneficial to the environment.

## 2.2 Green brand authenticity

The word "authenticity" originated from the Greek *authentikos*, which is a credible alternative. Kennick (1985) described it as authenticity, Steiner and Reisinger (2006) observed that when consumers associate authenticity with their identity, authenticity will produce corresponding results. In the early stage, it can be said that authenticity is a much more complex phenomenon than the simple fact of being genuine or original (Alexander, 2009). When authenticity is introduced into the field of marketing, it has been widely proved to play a prominent role in consumer behavior and corporate brand building (Hernandez-Fernandez and Lewis, 2019).

The authenticity of green brand is the focus of brand management research at home and abroad (Beverland and Farrelly, 2010; Ewing, Allen and Ewing, 2012; Li, Li and Sun, 2019). It refers to consumers' subjective perception and evaluation of green brand on the basis of its inherent attributes and their own experience and knowledge (Chin et al, 2019). With the emergence of brand authenticity, scholars began to explore the dimensions of brand authenticity from different categories and perspectives (Eggers et al, 2013; Morhart et al, 2014; Napoli et al, 2014). Beverland (2006) put forward the dimensions of brand authenticity in the study of the authenticity of high-end red wine brands, including: Heritage and pedigree, stylistic consistency, quality commitments, relationship to place, method of production, downplaying commercial initiatives. Eggers et al (2013) explores the relationship between brand authenticity and the brand growth of small and medium-sized enterprises from the perspective of CEO, and believes that the dimensions of brand authenticity include brand consistency, brand consistency, customer orientation. Napoli et al (2014) constructed the measurement method of brand authenticity from the perspective of consumers, and believed that brand authenticity was influenced by heritage, quality commitment and severity.

Previous studies have shown that brand authenticity has an impact on consumers' brand identity (Brown, 2013; Spiggle, Nguyen and Caravela, 2012), brand trust, brand attachment and word-of-mouth recommendation (Assiouras et al., 2015; Morhart et al, 2015; Choi et al., 2015), and purchase intention (Plevoets and Cleempoel, 2011). More than that, the improvement of the authenticity of green brand can not only improve the organizational performance (Cason and Gangadharan, 2002) and shape the brand image (Li, Li and Sun, 2019), but also affect the relationship between consumers and green brand, indirectly affecting consumers' purchase behavior. The perception degree of brand authenticity elements (quality commitment, sincerity and inheritance, etc.) will affect the enthusiasm of word-of-mouth recommendation (Jasmina ilicic, etc., 2014; Morhart et al, 2015; Xu Wei, 2015). Chen Weijun

and Sun Xixiang (2017) took green cosmetics as an example to study the impact of real sensuality of green brands on consumers' purchase intention, and found that real sensuality of green brands (including green attribute, integrity, quality assurance, cultural heritage, etc.) can directly affect consumers' purchase intention. Therefore, under the influence of relevant government regulations, the authenticity of green brand will be improved accordingly, which will affect consumers' trust, emotion and value perception to the brand, and then affect consumers' purchase behavior, so as to promote the transition of the relationship between consumers and green brand. Portal, Abratt and Bendixen (2019) confirm that brand authenticity does have a direct impact on brand trust, while enthusiasm and ability to a certain extent regulate the relationship between brand authenticity and brand trust. By discussing how to establish and maintain brand authenticity, Athwal and Harris (2018) found that brand authenticity will lead to brand integrity with the development of brand through rich product expansion strategies.

At present, the research highly recognizes that brand authenticity has an important impact on customer behavior and the relationship between consumption and brand (Portal S, Abratt R, Bendixen M, 2019; Li, Li and Sun, 2019). In recent years, "green wash" has happened frequently (Rahman, Park and Chi, 2015). When consumers doubt the authenticity of such "green brands", their "green wash" behavior will affect the reputation and financial performance of enterprises (Walker and Wan, 2012). Moreover, once consumers are skeptical or distrustful of the brand, it will directly affect consumers' perception of corporate behavior motivation, and then affect consumers' purchase behavior (Jahdi, Acikdilli, 2009; Parguel, etc., 2011). Frequent occurrence of "green wash" phenomenon, lack of third-party certification, and consumers' inability to perceive the environmental friendliness and resource saving characteristics of green brands that cause the public to have doubts about the green attributes of green products, and the root cause of such doubts is the public trust of consumers to green products (Ginsberg and Bloom, 2004). It can be seen that green brands have to improve the authenticity of their own brands in order to gain consumers' trust and brand reputation.

### **2.3 Brand relationship quality**

With the development of relationship theory and brand personification, consumer brand relationship has become a hot issue in brand management research. Blackstone (1992) first put forward the concept of consumer brand relationship, which is the interaction between the attitude of consumers to the brand and the attitude of the brand to the consumer. Consumers and brands can establish a similar interpersonal relationship (Fournier, 1998). The relationship between consumers and brands has changed the research of brand management from the traditional level of brand cognition to the level of brand relationship, breaking through the limitations of traditional brand concepts such as brand attitude on the research of brand management. Brand relationship quality was found quality includes six dimensions: interdependence, personal commitment, love and passion, self-connection, intimacy, partner quality (Fournier, 1998). The concept and structure of brand relationship quality provide the basis and reference for the research of the theory of consumer brand relationship, and develop the relevant concrete structures, such as self brand connection (Harrigan et al, 2018), brand satisfaction (Saragih et al, 2019), brand commitment (Das et al, 2019; Kang and Hur, 2012), brand love (Huang, 2017), brand attachment (Japutra, Ekinici and Simkin, 2019), which are used to describe, abstract and summarize the green brand relationship of consumers. The concept of the relationship between consumers and green brand deepened people's understanding of the theory of brand relationship, and further enhanced the practicability and operability of the scale of the relationship between consumers and green brand.

Most empirical research results confirm that the quality of brand relationship plays a positive role in maintaining the relationship between consumers and brands (Adhikari and Panda, 2019), reducing the tendency to exit the relationship (Fetscherin and Heinrich, 2014), positive word-of-mouth (Leventhal, Wallace, Buil and de Chernatony, 2014), relationship continuity (Kim and Cha, 2002), brand co-creation (Kaufmann, Loureiro and Manarioti, 2016) and brand loyalty (Kaufmann et al, 2016). Nowadays, most managers pay more attention to the construction of brand relationship quality, because it can not only improve the financial performance of enterprises (Dessart, Veloutsou and Morgan-Thomas, 2015), but also improve the willingness of consumers to forgive the brand (Hegner, Fenko and Teravest, 2017).

### 3. Conceptual framework

As shown in Figure 1, there are four major dimensions of green brand authenticity (i.e. stylistic, quality, heritage and sincerity). Green transparency is postulated to have direct effects on green brand authenticity. Green brand authenticity and brand relationship quality is expected to play a mediating role between the green transparency and green brand purchase intention.

Crowther and Martinez (2004) argued that sustainability, accountability and transparency are the important aspects of corporate management. Transparency has previously been widely discussed in many fields. In the field of public management, the improvement of transparency is believed to promote the credibility of the government sector and thus improve citizen participation behavior (da Cruz et al., 2016). In the field of organizational management, it is considered to improve corporate social responsibility and affect organizational performance (Arena, Bozzolan and Michelon, 2015; Shvarts, Pakhalov and Knizhnikov, 2016). In the field of marketing, transparency can improve brand image and increase consumers' purchase intention (An, 2013). Some steps and methods to improve transparency were identified by Galera, de los Ríos Berjillos, Lozano and Valencia (2014). Green transparency is based on the evolution of transparency, it refers to the green brand indicate their green attribute in products or advertisements, or disclose their environmental friendly production processes to the public (Lee and Chen, 2019; Eggert and helm, 2003). Generally, the price of products with green attributes is higher than that of general products. Providing consumers with more information about green attributes will promote their recognition of consuming green products. Consequently, customers will use the available information they receive to evaluate the authenticity of the product and make a purchase decision. (Lee and Chen, 2019).

Authenticity is defined as the consumer experience of real consumption (Beverland and Farrelly, 2010). It can be based on sincerity, innocence and originality (Fine, 2003), or simplicity, honesty and nature. It may be related to the authenticity of an object or experience (Grayson and Martinec, 2004). Brand authenticity can be divided into indexical authenticity and iconic authenticity from consumer perspective, so is green brand authenticity. For example, green brands improve consumers' perception of brand authenticity through green labels (indexical authenticity), organic packaging materials and green product certification (iconic authenticity). Through the distinction of authenticity, we can enhance our understanding of the formation process of authenticity, especially make a significant contribution to promoting the purchase intention of consumers (Fritz, Schoenmueller and Bruhn, 2017). Authenticity is always what consumers want because it runs through all aspects of people's lives (O'Neill et al., 2014). Such as goods and services (Liang, Choi and Joppe, 2018; Grayson and Martinec, 2004), food and beverage (Beverland et al., 2008), tourism (Park, Choi and Lee, 2019; Domínguez-Quintero, González-Rodríguez and Paddison, 2020), subcultures (Fuist and McDowell, 2019), Green brand (Ewing, Allen and Ewing, 2012) and advertising (Chiu et al., 2012). Brand authenticity is important in the understanding of brand-customer relationship (Portal, Abratt and Bendixen, 2019). Majority studies have shown that brand authenticity has

an impact on the relationship between brand and consumers. Such as, consumers' brand identity (Brown, 2013; Spiggle, Nguyen and Caravela, 2012), brand trust, brand attachment and brand purchase intention (Lu, Gursoy and Lu 2015)

According to Fournier's (1994) description, brand relationship quality, as a measure of brand equity based on consumers, reflects the strength and development ability of continuous connection between consumers and brands (Hudson, Roth, Madden and Hudson, 2015). Customers can develop relationship with brands when they interact with them, like getting along with friends (Hudson et al., 2015). The relationship between consumers and brands can be positive or negative like interpersonal relationship. Consumers can express their opinions, attitudes and feelings towards the brand. However, having a positive or negative view or feeling about the brand does not mean that consumers will be willing to interact with the brand and build relationships. The intensity of this relationship is determined by the degree of consumer enthusiasm for the brand (Sternberg, 2004). Therefore, when consumers have a strong relationship with the brand, they will abandon other brands. Brand relationship quality brings many positive results on the individual level, such as satisfaction (Wallace, Builand de Chernatony, 2014), brand loyalty (Kaufmann et al, 2016), value co-creation (Kaufmann et al, 2016), brand trust (Morhart f et al, 2015) and brand purchase intention (Lee and Kang, 2012 ).

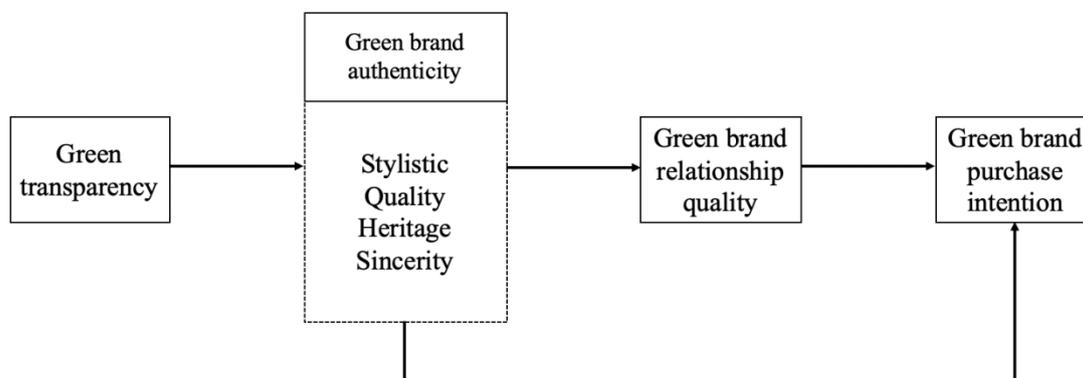


Figure 1. Framework of the research

#### 4. Potential managerial implication and conclusion

This work investigates the effect of green transparency on green brand authenticity and consumers' perception of the brand authenticity, in turn, their purchase intention of green brand. The findings provide several insights, not only for academics but also for marketing practice. First of all, brand managers should understand what green attributes are, and accurately identify which green attribute transparency is the most concerned by consumers, and undertake their social and ecological responsibilities to increase consumers' perception of authenticity (Trang, Lee and Han, 2019). Secondly, Our findings may encourage green brands to concrete specific guidelines, help green brands effectively improve the green transparency of products, and increase consumers' perception of authenticity (Pelet, Durrieu and Lick, 2020; Riefler, 2020; Lin, Lobo and Leckie, 2017). the green brand authenticity is a powerful tool (Portal, Abratt and Bendixen, 2019; Beverland, 2005). Enterprises can use it to reduce the gap between consumers' green demand and enterprises' green products. Brand managers should provide sincere and effective communication, transfer the green attributes of products to consumers to enhance the effectiveness and authenticity of green brand communication, so as to be trusted by consumers (Schnackenberg and Tomlinson, 2016). Third, brand managers should pay attention to the fact that improving the transparency of green clues and green certification is helpful to enhance the green brand authenticity, so as to improve the behavior results of green brands (Ewing, Allen

and Ewing, 2012; Starr and Brodie, 2016). When consumers believe that the green brand is authentic, consumers are more likely to establish a strong connection with the green brand, as well as the purchase intention of the green brand (Plevoets and Cleempoel, 2011). Therefore, enterprises should make use of reasonable green marketing mix, establish green brand relationship, improve the quality of green brand relationship, and enhance consumers' long-term willingness to cooperate.

In 2019, the industrial production of air conditioners in China had amounted to about over 218 million units (Samantha W, 2020). Although affected by the downturn in the real estate market in recent years, but with the promotion of smart home system and the rise of overseas markets, the future growth space of China's air conditioner shipments is still worthy of expectation. This study focuses on the impact of green transparency on the green brand authenticity, the impact of green brand authenticity on the purchase intention of green brand, and the intermediate effect of the green brand relationship quality between the green brand authenticity and the purchase intention of green brand for environmental protection and energy-saving air conditioning products. From the previous research, we have reason to believe that green transparency has a significant positive impact on the four different measurement methods of green brand authenticity. The green brand authenticity will also have a direct impact on the purchase intention of green brand. In addition, the green brand authenticity indirectly affects the purchase intention of green brand through the green brand relationship quality.

## References

- ADHIKARI, K. and PANDA, R.K., 2019. Evaluation of brand relationship quality using formative index: a novel measurement approach. *Journal of Product and Brand Management*.
- ALEXANDER, N., 2009. Brand authentication: Creating and maintaining brand auras. *European Journal of Marketing*.
- AN, R., 2013. Effectiveness of subsidies in promoting healthy food purchases and consumption: A review of field experiments. *Public Health Nutrition*.
- ARENA, C., BOZZOLAN, S., and MICHELON, G., 2015. Environmental Reporting: Transparency to Stakeholders or Stakeholder Manipulation? An Analysis of Disclosure Tone and the Role of the Board of Directors. *Corporate Social Responsibility and Environmental Management*.
- ASSIOURAS, I., LIAPATI, G., KOULETSIS, G., and KONIORDOS, M., 2015. The impact of brand authenticity on brand attachment in the food industry. *British Food Journal*.
- ATHWAL, N. and HARRIS, L.C., 2018. Examining how brand authenticity is established and maintained: the case of the Reverso. *Journal of Marketing Management*.
- BEVERLAND, M., 2006. The 'real thing': Branding authenticity in the luxury wine trade. *Journal of Business Research*.
- BEVERLAND, M.B., FARRELLY, F., and QUESTER, P.G., 2010. Authentic subcultural membership: Antecedents and consequences of authenticating acts and authoritative performances. *Psychology and Marketing*.
- BEVERLAND, M.B. and FARRELLY, F.J., 2010. The Quest for Authenticity in Consumption: Consumers' Purposive Choice of Authentic Cues to Shape Experienced Outcomes. *Journal of Consumer Research*.
- BLACKSTON, M., 2000. Observations: Building brand equity by managing the brand's relationships. *Journal of Advertising Research*.
- BRICK, C., SHERMAN, D.K., and KIM, H.S., 2017. "Green to be seen" and "brown to keep down": Visibility moderates the effect of identity on pro-environmental behavior. *Journal of Environmental Psychology*.

- BROWN, L., 2013. Tourism: A catalyst for existential authenticity. *Annals of Tourism Research*.
- BROWN, S., KOZINETS, R. V., and SHERRY, J.F., 2003. Teaching old brands new tricks: Retro branding and the revival of brand meaning. *Journal of Marketing*.
- CARSANA, L. and JOLIBERT, A., 2018. Influence of iconic, indexical cues, and brand schematicity on perceived authenticity dimensions of private-label brands. *Journal of Retailing and Consumer Services*.
- CASON, T.N. and GANGADHARAN, L., 2002. Environmental labeling and incomplete consumer information in laboratory markets. *Journal of Environmental Economics and Management*.
- CHEN, Y.S., 2010. The drivers of green brand equity: Green brand image, green satisfaction, and green trust. *Journal of Business Ethics*.
- CHEN, Y.S. and CHANG, C.H., 2013. Greenwash and Green Trust: The Mediation Effects of Green Consumer Confusion and Green Perceived Risk. *Journal of Business Ethics*.
- CHIN, T.A. and MUHARAM, F.M., 2019. Effect of Green Brand Positioning , Knowledge , and Attitude of Customers on Green Purchase Intention. *Journal of Arts & Social Sciences*.
- CHIU, H.C., HSIEH, Y.C., and KUO, Y.C., 2012. How to Align your Brand Stories with Your Products. *Journal of Retailing*.
- CHOI, H., KO, E., KIM, E.Y., and MATTILA, P., 2015. The role of fashion brand authenticity in product management: A holistic marketing approach. In: *Journal of Product Innovation Management*.
- CROWTHER, D., and MARTINEZ, E. O. 2004. Corporate social responsibility: History and principles. *Social Responsibility World*.
- DA CRUZ, N.F., TAVARES, A.F., MARQUES, R.C., JORGE, S., and DE SOUSA, L., 2016. Measuring Local Government Transparency. *Public Management Review*.
- DAS, G., AGARWAL, J., MALHOTRA, N.K., and VARSHNEYA, G., 2019. Does brand experience translate into brand commitment?: A mediated-moderation model of brand passion and perceived brand ethicality. *Journal of Business Research*.
- DAUGSTAD, K. and KIRCHENGAST, C., 2013. Authenticity and the pseudo-backstage of agri-tourism. *Annals of Tourism Research*.
- DESSART, L., VELOUTSOU, C., and MORGAN-THOMAS, A., 2015. Consumer engagement in online brand communities: A social media perspective. *Journal of Product and Brand Management*.
- DE MEDEIROS, J.F., RIBEIRO, J.L.D., and CORTIMIGLIA, M.N., 2016. Influence of perceived value on purchasing decisions of green products in Brazil. *Journal of Cleaner Production*.
- DOMÍNGUEZ-QUINTERO, A.M., GONZÁLEZ-RODRÍGUEZ, M.R., and PADDISON, B., 2020. The mediating role of experience quality on authenticity and satisfaction in the context of cultural-heritage tourism. *Current Issues in Tourism*.
- DWIVEDI, A., 2014. Self-Brand Connection With Service Brands: Examining Relationships With Performance Satisfaction, Perceived Value, and Brand Relationship Quality. *Services Marketing Quarterly*.
- EGELS-ZANDÉN, N. and HANSSON, N., 2016. Supply Chain Transparency as a Consumer or Corporate Tool: The Case of Nudie Jeans Co. *Journal of Consumer Policy*.
- EGGERS, F., O'DWYER, M., KRAUS, S., VALLASTER, C., and GÜLDENBERG, S., 2013. The impact of brand authenticity on brand trust and SME growth: A CEO perspective. *Journal of World Business*.
- ESMAEILI, A., SEPAHVAND, A., ROSTAMZADEH, R., JOKSIENE, I., and ANTUCHEVICIENE, J., 2017. Effect of integration of green constructs and traditional

- constructs of brand on green purchase intention of customers. *E+M Ekonomie a Management.*
- EWING, D.R., ALLEN, C.T., and EWING, R.L., 2012. Authenticity as meaning validation: An empirical investigation of iconic and indexical cues in a context of 'green' products. *Journal of Consumer Behaviour.*
- FETSCHERIN, M., GUZMAN, F., VELOUTSOU, C., and CAYOLLA, R.R., 2019. Latest research on brand relationships: introduction to the special issue. *Journal of Product and Brand Management.*
- FETSCHERIN, M. and HEINRICH, D., 2014. Consumer brand relationships: A research landscape. *Journal of Brand Management.*
- FOURNIER, S., 1994. A Consumer-Brand Relationship Framework for Strategic Brand Management. *ProQuest Dissertations & Theses.*
- FOURNIER, S., 1998. Consumers and Their Brands: Developing Relationship Theory in Consumer Research. *Journal of Consumer Research.*
- FRITZ, K., SCHOENMUELLER, V., and BRUHN, M., 2017. Authenticity in branding – exploring antecedents and consequences of brand authenticity. *European Journal of Marketing.*
- FUIST, T.N. and MCDOWELL, A.D., 2019. "Jesus Would Turn the Tables Over": Five Dimensions of Authenticity Applied to Countercultural Christianity. *Symbolic Interaction.*
- GALERA, A. N., DE LOS RIOS BERJILLOS, A., LOZANO, M. R., and VALENCIA, P. T., 2014. Transparency of sustainability information in local governments: English-speaking and Nordic cross-country analysis. *Journal of Cleaner Production.*
- GINSBERG, J.M. and BLOOM, P.N., 2004. Choosing the right green marketing strategy. *MIT Sloan Management Review.*
- GRAYSON, K. and MARTINEC, R., 2004. Consumer Perceptions of Iconicity and Indexicality and Their Influence on Assessments of Authentic Market Offerings. *Journal of Consumer Research.*
- HADDAD, M.A., 2015. Increasing Environmental Performance in a Context of Low Governmental Enforcement: Evidence From China. *Journal of Environment and Development.*
- HARRIGAN, P., EVERS, U., MILES, M.P., and DALY, T., 2018. Customer engagement and the relationship between involvement, engagement, self-brand connection and brand usage intent. *Journal of Business Research.*
- HEGNER, S.M., FENKO, A., and TERAVEST, A., 2017. Using the theory of planned behaviour to understand brand love. *Journal of Product and Brand Management.*
- HERNANDEZ-FERNANDEZ, A. and LEWIS, M.C., 2019. Brand authenticity leads to perceived value and brand trust. *European Journal of Management and Business Economics.*
- HUANG, C.C., 2017. The impacts of brand experiences on brand loyalty: mediators of brand love and trust. *Management Decision.*
- HUANG, Y.C., YANG, M., and WANG, Y.C., 2014. Effects of green brand on green purchase intention. *Marketing Intelligence and Planning.*
- HUDSON, S., ROTH, M.S., MADDEN, T.J., and HUDSON, R., 2015. The effects of social media on emotions, brand relationship quality, and word of mouth: An empirical study of music festival attendees. *Tourism Management.*
- ILICIC, J. and WEBSTER, C.M., 2014. Investigating consumer-brand relational authenticity. *Journal of Brand Management.*

- JAHDI, K. S. and ACIKDILLI, G. 2009. Marketing communications and corporate social responsibility (CSR): marriage of convenience or shotgun wedding?. *Journal of business ethics*.
- JAPUTRA, A., EKINCI, Y., and SIMKIN, L., 2019. Self-congruence, brand attachment and compulsive buying. *Journal of Business Research*.
- KANG, S. and HUR, W.M., 2012. Investigating the Antecedents of Green Brand Equity: A Sustainable Development Perspective. *Corporate Social Responsibility and Environmental Management*.
- KAUFMANN, H.R., LOUREIRO, S.M.C., and MANARIOTI, A., 2016. Exploring behavioural branding, brand love and brand co-creation. *Journal of Product and Brand Management*.
- KHOSROSHAHI, H., RASTI-BARZOKI, M., and HEJAZI, S.R., 2019. A game theoretic approach for pricing decisions considering CSR and a new consumer satisfaction index using transparency-dependent demand in sustainable supply chains. *Journal of Cleaner Production*.
- KIM, J.H. and JANG, S.C. (Shawn), 2016. Determinants of authentic experiences: An extended Gilmore and Pine model for ethnic restaurants. *International Journal of Contemporary Hospitality Management*.
- KIM, S. and SEOCK, Y.K., 2009. Impacts of health and environmental consciousness on young female consumers' attitude towards and purchase of natural beauty products. *International Journal of Consumer Studies*.
- KIM, W.G. and CHA, Y., 2002. Antecedents and consequences of relationship quality in hotel industry. *International Journal of Hospitality Management*.
- LEE, H.J. and KANG, M.S., 2012. The effect of brand experience on brand relationship quality. *Academy of Marketing Studies Journal*.
- LEE, Y.H. and CHEN, S.L., 2019. Effect of green attributes transparency on wta for green cosmetics: Mediating effects of CSR and green brand concepts. *Sustainability (Switzerland)*.
- LEIGH, T.W., PETERS, C., and SHELTON, J., 2006. The consumer quest for authenticity: The multiplicity of meanings within the MG subculture of consumption. *Journal of the Academy of Marketing Science*.
- LI, G., LI, J., and SUN, X., 2019. Measuring green brand equity in relationship interactions and its impact on brand loyalty. *Revista de Cercetare si Interventie Sociala*.
- LI, W. and LI, D., 2012. Environmental information transparency and implications for green growth in china. *Public Administration and Development*.
- LIANG, L.J., CHOI, H.C., and JOPPE, M., 2018. Understanding repurchase intention of Airbnb consumers: perceived authenticity, electronic word-of-mouth, and price sensitivity. *Journal of Travel and Tourism Marketing*.
- LIN, J., LOBO, A., and LECKIE, C., 2017a. Green brand benefits and their influence on brand loyalty. *Marketing Intelligence and Planning*.
- LIN, J., LOBO, A., and LECKIE, C., 2017b. The role of benefits and transparency in shaping consumers' green perceived value, self-brand connection and brand loyalty. *Journal of Retailing and Consumer Services*.
- LU, A.C.C., GURSOY, D., and LU, C.Y., 2015. Authenticity perceptions, brand equity and brand choice intention: The case of ethnic restaurants. *International Journal of Hospitality Management*.
- MICHAEL B. BEVERLAAND, 2005. Crafting Brand Authenticity: The Case of Luxury Wines. *Journal of Management Studies*.

- MORHART, F., MALÄR, L., GUÈVREMONT, A., GIRARDIN, F., and GROHMANN, B., 2013. Brand authenticity: An integrative framework and measurement scale. *Journal of Consumer Psychology*.
- NAPOLI, J., DICKINSON, S.J., BEVERLAND, M.B., and FARRELLY, F., 2014. Measuring consumer-based brand authenticity. *Journal of Business Research*.
- NAVARRO GALERA, A., DE LOS RÍOS BERJILLOS, A., RUIZ LOZANO, M., and TIRADO VALENCIA, P., 2014. Transparency of sustainability information in local governments: English-speaking and Nordic cross-country analysis. *Journal of Cleaner Production*.
- NGUYEN, T.T.H., YANG, Z., NGUYEN, N., JOHNSON, L.W., and CAO, T.K., 2019. Greenwash and green purchase intention: The mediating role of green skepticism. *Sustainability (Switzerland)*.
- O'NEILL, C., HOUTMAN, D., and AUPERS, S., 2014. Advertising real beer: Authenticity claims beyond truth and falsity. *European Journal of Cultural Studies*.
- OLSEN, M.C., SLOTEGRAAF, R.J., and CHANDUKALA, S.R., 2014. Green claims and message frames: How green new products change brand attitude. *Journal of Marketing*.
- PAPISTA, E. and KRYSTALLIS, A., 2013. Investigating the Types of Value and Cost of Green Brands: Proposition of a Conceptual Framework. *Journal of Business Ethics*.
- PARGUEL, B., BENOÎT-MOREAU, F., and LARCENEUX, F., 2011. How Sustainability Ratings Might Deter 'Greenwashing': A Closer Look at Ethical Corporate Communication. *Journal of Business Ethics*.
- PARK, E., CHOI, B.K., and LEE, T.J., 2019. The role and dimensions of authenticity in heritage tourism. *Tourism Management*.
- PARSA, H.G., LORD, K.R., PUTREVU, S., and KREEGER, J., 2015. Corporate social and environmental responsibility in services: Will consumers pay for it? *Journal of Retailing and Consumer Services*.
- PELET, J.É., DURRIEU, F., and LICK, E., 2020. Label design of wines sold online: Effects of perceived authenticity on purchase intentions. *Journal of Retailing and Consumer Services*.
- PLEVOETS, B. and VAN CLEEMPOEL, K., 2011. Adaptive reuse as a strategy towards conservation of cultural heritage: A literature review. In: *WIT Transactions on the Built Environment*.
- PORTAL, S., ABRATT, R., and BENDIXEN, M., 2019. The role of brand authenticity in developing brand trust. *Journal of Strategic Marketing*.
- RAHMAN, I., PARK, J., and CHI, C.G.Q., 2015. Consequences of "greenwashing": Consumers' reactions to hotels' green initiatives. *International Journal of Contemporary Hospitality Management*.
- REYNOLDS, M. and YUTHAS, K., 2008. Moral discourse and corporate social responsibility reporting. In: *Journal of Business Ethics*.
- RIEFLER, P., 2020. Local versus global food consumption: the role of brand authenticity. *Journal of Consumer Marketing*.
- SAHOO, P.R., LENKA, S.K., and PRADHAN, B.B., 2017. Transactional and psychological concerns of all parties involved in opaque hotel room distribution. *International Journal of Economic Research*.
- SAMANTHA, W., 2020. Industrial production of air conditioners in China 2009-2019. <https://www.statista.com/statistics/408888/china-air-conditioner-production/>
- SARAGIH, M. G., SURYA, E. D., RAHAYU, S., HARIANTO, H., HARAHAP, R., and WIDODO, S. 2019. Analysis Of Brand Experience And Brand Satisfaction With Brand

- Loyalty Through Brand Trust As A Variable Mediation. *In Journal of International Conference Proceedings.*
- SCHNACKENBERG, A. K., and TOMLINSON, E. C., 2016. Organizational transparency: A new perspective on managing trust in organization-stakeholder relationships. *Journal of Management.*
- SHVARTS, E.A., PAKHALOV, A.M., and KNIZHNIKOV, A.Y., 2016. Assessment of environmental responsibility of oil and gas companies in Russia: the rating method. *Journal of Cleaner Production.*
- SPIGGLE, S., NGUYEN, H.T., and CARAVELLA, M., 2012. More than fit: Brand extension authenticity. *Journal of Marketing Research.*
- STARR, R. G., and BRPDIE, R. J., 2016. Certification and authentication of brand value propositions. *Journal of Brand Management.*
- STEINER, C.J. and REISINGER, Y., 2006. Understanding existential authenticity. *Annals of Tourism Research.*
- STERNBERG, R.J., 2004. A triangular theory of love. In: *Close Relationships: Key Readings.*
- STOKBURGER-SAUER, N., RATNESHWAR, S., and SEN, S., 2012. Drivers of consumer-brand identification. *International Journal of Research in Marketing.*
- TEAS, R.K., 1993. Expectations, Performance Evaluation, and Consumers' Perceptions of Quality. *Journal of Marketing.*
- TRANG, H.L.T., LEE, J.S., and HAN, H., 2019. How do green attributes elicit pro-environmental behaviors in guests? The case of green hotels in Vietnam. *Journal of Travel and Tourism Marketing.*
- VACCARO, A. and ECHEVERRI, D.P., 2010. Corporate transparency and green management. *Journal of Business Ethics.*
- WALKER, K. and WAN, F., 2012. The Harm of Symbolic Actions and Green-Washing: Corporate Actions and Communications on Environmental Performance and Their Financial Implications. *Journal of Business Ethics.*
- WALLACE, E., BUIL, I., and DE CHERNATONY, L., 2014. Consumer engagement with self-expressive brands: Brand love and WOM outcomes. *Journal of Product and Brand Management.*
- WOGNUM, N. and BREMMERS, H., 2009. Environmental transparency of food supply chains - Current status and challenges. In: *Global Perspective for Competitive Enterprise, Economy and Ecology - Proceedings of the 16th ISPE International Conference on Concurrent Engineering.*

## **Exploring the Influence of Green Transparency Improvement on the Trust Repair after Greenwashing**

**Gen LI**

University of Essex  
gl19837@essex.ac.uk

**Amir HOMAYOUNFARD**

University of Essex  
ahomay@essex.ac.uk

**Maged A A ALI**

University of Essex  
maaali@essex.ac.uk

### **Abstract**

The growing rise in demand and consumption of green products has led to firms increasingly utilising green brands to derive competitive advantage and brand benefits (Chen and Chang, 2013). However, the growing manifestation caused by greenwashing has made successful brands to lose their consumers' brand trust (Guo et al., 2018; Chen and Chang, 2013) as well as brand equity (Akturan, 2018; Chen, Tien, Lee and Tsai, 2016). This requires an effective brand strategy to be put forward to repair green brand trust after greenwashing (Guo et al., 2018). Previous research has explored different trust repair strategies including apologies (Pace, Fediuk and Botero, 2010), donations (Xia, Teng and Gu, 2019; Brown, Buchholtz and Dunn, 2016), denial (Fuoli, van de Weijer and Paradis, 2017), commitment (Schweitzer, Hershey and Bradlow, 2006), and excuses (Tomlinson and Mayer, 2009). Despite recent development of the prior literature, our understanding of trust repair mechanism after greenwashing is still limited (Guo et al., 2018). This study seeks to gain insights into the puzzle of organizational-level strategies for trust repair (green transparency improvement) and its influence on green brand authenticity, which plays a significant mediating role in the brand trust repair process. It contributes to the extant body of the literature by providing an authenticity perspective for understanding trust repair to green brands. Building on theory of organizational trust repair mechanism, our framework will explore the impact of green brand transparency on the green brand authenticity.

**Keywords:** Green brand, brand authenticity, green transparency, green brand image, trust repair.

**JEL classification:** M31.

### **1. Introduction**

The growing rise in demand and consumption of green products has led to firms increasingly utilising green brand to derive competitive advantage and brand benefits (Chen and Chang, 2013). Compared to conventional brands, green brands have offered higher environmental protection and energy efficiency. They also consist a series of green attributes and benefits, which appeals to consumers' purchase preference. According to Mintel reports, there were only 5 green brands in 2002. But the number of green brands had increased to 328 in 2007 (Crowley, 2008). Although enterprises take a more positive attitude towards creating green brands. But not all companies are sincere to cultivate green brands, as there is a growing concern about firms adopting greenwashing strategies to acquire financial return (Rahman, Park and Chi, 2015). Consequently, greenwashing issues dampen honest organizations' green investment initiatives, raise consumers' skepticism towards green brands, and have a negative influence on green brand trust and green brand authenticity (Nguyen, Yang, Nguyen, Johnson and Cao, 2019). As such the demand for green brand trust repair is increasing substantially at

a wider level. It has also become a significant way for leading firms to rebuild their brand image and gain brand trust.

The loss of brand trust not only affects the relationship between enterprises and consumers, but also deeply affects the cooperative relationship between enterprises (Martins, Faria, Prearo and Arruda, 2017). This requires an enterprise to consider whether it is necessary to repair the brand trust after the greenwashing, either as a strategy to maintain its relationship with its suppliers or impact its image in the eyes of consumers. Greenwashing is not only to cause damage to financial performance for individuals (Walker and Wan, 2012), but more seriously to cause loss of public benefit (Pearse, 2012). Therefore, when the greenwashing is exposed, it remains crucial to take strategies to repair the brand image and regain the brand trust.

At present, the literature on brand trust repair is very limited (Guo et al., 2018). Previous research has explored different trust repair strategies, such as apologies (Pace, Fediuk and Botero, 2010), donations (Xia, Teng and Gu, 2019; Brown, Buchholtz and Dunn, 2016), denial (Fuoli, van de Weijer and Paradis, 2017), commitment (Schweitzer, Hershey and Bradlow, 2006), and excuses (Tomlinson and Mayer, 2009). However, previous literature has paid more attention to the personal trust repair, and less attention to the trust repair between organizations. On the basis of the existing research, this study will reveal the process of rebuilding brand image and regaining brand trust after exposure to greenwashing behavior from the perspective of the green brand authenticity. As such, this study aims to answer the following research questions:

*RQ1: What is the impact of green transparency on green authenticity?*

*RQ2: What are the direct and indirect effects of green brand authenticity on trust repair?*

Green brand is an enduring concern (Olsen et al., 2014). The trust repair after greenwashing behavior of green brand is also very important for the company (Li-min and Ting, 2016; Guo et al., 2018), but there seems to be a lack of literature on the research of brand trust repair from the perspective of the green brand authenticity. Hence, this study seeks to gain insight into the impact of relevant strategies (green transparency improvement) on the green brand authenticity and its role in trust repair. Specifically, what is the impact of green transparency improvement on the green brand authenticity? What is the effect of the green brand authenticity on the green brand trust repair?

We answer calls for research regarding trust repair (Guo et al., 2018) and seek to contribute to the extant literature and improve our understanding in this area. We combine two kinds of trust repair strategies which are widely used nowadays. Under the background of green brand, we combine this strategy with authenticity to study the process of trust repair between enterprises and other stakeholders in their supply chain. In this study, the authors are aiming to fill the gap in the literature and explore the impact of green transparency improvement on the green brand authenticity, and ultimately achieve the purpose of trust repair.

## **2. Literature Review**

### **2.1 Green transparency**

Transparency has always been a hot topic in various fields (Khosroshahi, Rasti-Barzoki and Hejazi, 2019). Although the application of transparency in the research of corporate sustainability and environment related topics has increased in recent years, but the research is still limited (Khosroshahi et al., 2019). However, these studies show the importance of transparency and its high impact on consumer behavior and manufacturers' environmental attitudes. In the existing literature, transparency plays an important role in the sustainable development of enterprises. Environmental transparency has been proved to have a positive impact on willingness of customers to participate in environmental programs (Vaccaro and

Echeverri, 2010), customers' willingness to pay (Egels-Zandén and Hansson, 2016; An, 2013), CSR concerns of enterprises and local governments (Haddad, 2015), environmental performance of companies (Arena, Bozzolan and Michelon, 2015), production of green products (Li and Li, 2012), and financial performance (Shvarts, Pakhalov and Knizhnikov, 2016).

"Green visibility", that is, "green can be seen" is significantly related to consumer loyalty (Brick, Sherman and Kim, 2017). Hence, green brands should convey transparent green information to win targeting consumers than alternative brands. Green transparency refers to the behaviours that a green brand embodies explicit information about environmental policy and its honest clarification of the environmental impact on its production process. transparency influences not only environmental behaviour but also company–stakeholder relationships (Vaccaro, 2010). Green transparency is also beneficial for green brands to communicate their green values by improving the transparency of sustainability related information as well as the real motivation of green practice, which is the key to enhance green brand authenticity. Transparency and honesty are critical to corporation response to an organization-level failure (eg. greenwashing) (Korsgaard et al., 2002). The higher the transparency of the brand, the more information the public is allowed to obtain, the better the brand image will be formed and finally the brand trust will be achieved. On the contrary, if the company is not transparent, the organization may alienate the stakeholders, thus causing the public to suspect it (Poppo and Schepker, 2010).

## 2.2 Green brand authenticity

The word "authenticity" originated from the Greek "authentikos", which is a credible alternative. Kennick (1985) described it as authenticity, Steiner and Reisinger (2006) observed that when consumers associate authenticity with their identity, authenticity will produce corresponding results. In the early stage, it can be said that authenticity is a much more complex phenomenon than the simple fact of being genuine or original (Alexander, 2009). When authenticity is introduced into the field of marketing, it has been widely proved to play a prominent role in consumer behavior and corporate brand building (Hernandez-Fernandez and Lewis, 2019).

The authenticity of green brand has always been a fundamental focus within the brand management literature (Beverland and Farrelly, 2010; Ewing, Allen and Ewing 2012; Gen, Juan and Xixinag, 2019). It refers to consumers' subjective perception and evaluation of green brands on the basis of its inherent attributes and their own experience and knowledge (Chin et al., 2019). With the emergence of brand authenticity, scholars began to explore the dimensions of brand authenticity from different categories and perspectives (Eggers et al., 2013; Morhart et al., 2014; Napoli et al., 2014). In this manner, Beverland (2006) put forward the dimensions of brand authenticity in the study of the authenticity of high-end red wine brands, including: Heritage and pedigree, stylistic consistency, quality commitments, relationship to place, method of production, downplaying commercial initiatives. Eggers et al., (2013) explored the relationship between brand authenticity and the brand growth of small and medium-sized enterprises (SME) from the perspective of CEO and present the dimensions of brand authenticity as brand consistency and customer orientation. In addition, he also pointed out that brand authenticity can cultivate brand trust and promote the development of SME (Eggers et al., 2013). Moreover, an increasing number of scholars believe that there is an influence relationship between brand authenticity and brand trust (Portal, Abratt and Bendixen, 2019; Schallehn, Burmann and Riley, 2014; Moulard, Raggio and Folse, 2016).

Previous studies have also highlighted that brand authenticity has an impact on consumers' brand identity (Brown, 2013; Spiggle, Nguyen and Caravela, 2012), brand trust

(Assiouras et al., 2015), brand attachment (Choi et al., 2015), word of mouth recommendation (Morhart et al., 2015) and purchase intention (Plevoets and Van Cleempoel, 2011). More than that, the improvement of the green brand authenticity can not only improve the organizational performance (Cason and Gangaharan, 2002) and shape the brand image (Gen, Juan and Xixinag, 2019). The perception degree of brand authenticity elements (quality commitment, sincerity and inheritance, etc.) will affect the enthusiasm of word-of-mouth recommendation (Ilicic and Webster, 2014; Morhart et al., 2015; Xu Wei, 2015). Once the authenticity of the green brand is improved, the brand image will be promoted effectively and then the brand trust will be improved. Portal, Abratt and Bendixen (2019) confirm that brand authenticity does have a direct impact on brand trust, while enthusiasm and ability to a certain extent regulate the relationship between brand authenticity and brand trust.

At present, the research highly recognizes that green brand authenticity has an important impact on customer behaviour (Gen, Juan and Xixinag, 2019; Portal et al., 2019). In recent years, greenwashing has happened frequently (Rahman, Park and Chi, 2015). When consumers doubt the authenticity of such "green brands", their "green wash" behaviour will affect the reputation and financial performance of enterprises (Walker and Wan, 2012). Moreover, once consumers are sceptical or distrustful of the brand, it will directly affect consumers' perception of corporate behaviour motivation, and then affect consumers' purchase behaviour (Marques and Almeida, 2013; Parguel, Benoît-Moreau and Larceneux, 2011). Frequent occurrence of "green wash" phenomenon, lack of third-party certification, and consumers' inability to perceive the environmental friendliness and resource saving characteristics of green brands that cause the public to have doubts about the green attributes of green products, and the root cause of such doubts is the public trust of consumers to green products (Ginsberg and Bloom, 2004). It can be seen that green brands have to improve the authenticity of their own brands in order to gain brand trust and brand reputation.

### **2.3 Green brand image**

Brand image has been defined as consumers' psychological impression of products, which contains symbolic meaning, that is, consumers are associated with specific attributes of products or services (Keller, 1993; Bibby, 2011). Sääksjärvi and Samiee (2011) argued that brand image as a series of memories that lead to consumers' perception of brand. Green brand image is based on the development of brand image, which is consumers' brand perception related to environmental commitment and environmental problems (Chen, 2010). Because of this, green brand image has all the functions and attributes of brand image (Chen, 2010).

From the perspective of consumers, brand image can help consumers to recognize their needs and satisfaction with the brand (Hsieh, Pan and Setiono, 2004), help them to collect information, identify the brand, and influence their purchase decisions (Hien, Phuong, Tran and Thang, 2020; Chinomona, 2016; Aghekyan-Simonian, Forsythe, Kwon and Chattaraman, 2012), so as to reduce the purchase risk of consumers (Kwon and Lennon, 2009). From the perspective of enterprises, brand image can help enterprises to establish a market position, so as to protect the brand from other competitors (Chinomona, 2016). Not only that, brand image is also one of the preconditions of brand equity (Iglesias, Markovic, Singh and Sierra, 2019) and brand loyalty (Chen, Huang., Wang and Chen, 2020; Nyadzayo and Khajehzadeh, 2016).

### **2.4 Green brand trust repair**

Trust refers to the belief that others are honest and trustworthy (Swan, Bowers and Richardson, 1999). Trust is the basis of a transaction or exchange relationship and has a positive impact on the development of customer attitudes, intentions and behaviors (Mosavi and Ghaedi, 2012; Hoq, Sultana and Amin, 2010; Swan, Bowers and Richardson, 1999). Trust

repair entails improvement in a consumer trust after it was damaged like greenwashing (Bozic, 2017), for the process of trust restoration, he argued that the first thing is eliminate the negative emotions of consumers. Through Bachmann et al. (2015) research, There are six key mechanisms in the trust repair mechanism, they are sense-making, relational approach, regulation and formal control, ethical culture and informal control, transparency and accountability, trust transference. Hickman and Jackson (2017) argued that by acknowledging the fault and apologizing for it, a familiar brand is more likely to regain trust. Recently, with the development of blockchain technology, some scholars use of blockchain technology to repair brand trust in the digital space (Fleischmann, Ivens and Krishnamachari, 2020)

However, green brand trust is fragile, especially compared with individuals, it is more difficult to repair trust between organizations (Kim, Cooper, Dirks and Ferrin, 2013). Therefore, it is vital to determine the right brand strategy to repair trust after green washing (Lewicki and Brinsfield, 2017). At present, many researches have focused on the problem of trust repair. It also studies the problem from the perspective of individuals (Tomlinson and Mryer, 2009; Kim, Dirks and Cooper, 2009) and organizations (Kim, Cooper, Dirks and Ferrin, 2013; Bozic, Siebert and Martin, 2019). Most scholars have explored trust repair methods, including apologies (Pace, Fediuk and Botero, 2010), donations (Xia, Teng and Gu, 2019; Brown, Buchholtz and Dunn, 2016), denial (Fuoli, van de Weijer and Paradis, 2017), commitment (Schweitzer, Hershey and Bradlow, 2006), and excuses (Tomlinson and Mayer, 2009). Meanwhile, some experts have studied the process of trust repair. Generally, they divide the trust repair into four stages: immediate responses, diagnosis, reforming interactions, and evaluation (Gillespie and Dietz, 2009). In addition, some scholars consider the trust repair from the response time dimension (Guo et al., 2018; Poppo and Schepker, 2010). Although there are more and more researches on the strategies of trust repair, but the research on trust repair from the perspective of the green brand authenticity is still limited.

### 3. Conceptual framework

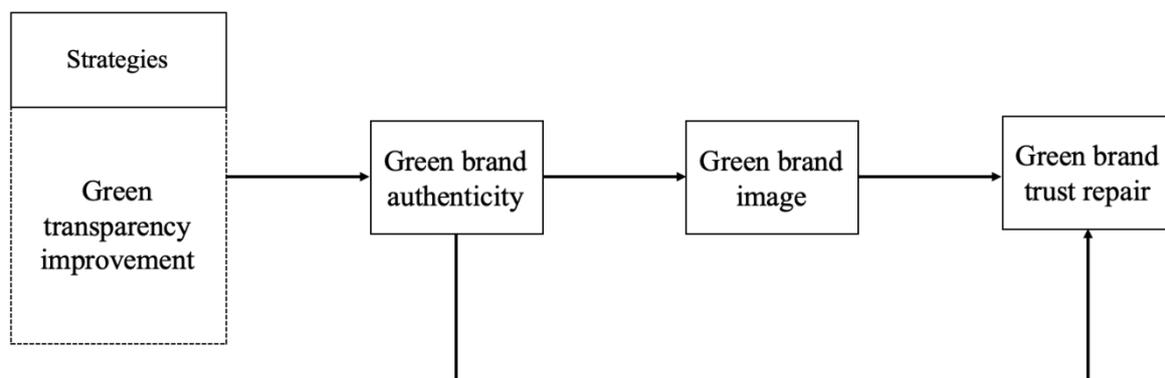
As shown in Figure 1, there is a strategie (green transparency improvement). They are postulated to have direct effects on green brand authenticity. Green brand image is expected to play a mediating role between green brand authenticity and green brand trust repair.

Crowther and Martinez (2004) argued that sustainability, accountability and transparency are the important aspects of corporate management. Transparency has previously been widely discussed in many fields. In the field of public management, the improvement of transparency is believed to promote the credibility of the government sector and thus improve citizen participation behavior (da Cruz et al., 2016). In the field of organizational management, it is considered to improve corporate social responsibility and affect organizational performance (Arena, Bozzolan, and Michelin, 2015; Shvarts, Pakhalov and Knizhnikov, 2016). In the field of marketing, transparency can improve brand image and increase consumers' purchase intention (An, 2013). Some steps and methods to improve transparency were identified by Galera, de los Ríos Berjillos, Lozano and Valencia (2014). Green transparency is based on the evolution of transparency, it refers to the green brand indicate their green attribute in products or advertisements, or disclose their environmental friendly production processes to the public (Lee and Chen, 2019; Eggert and helm, 2003). Generally, the price of products with green attributes is higher than that of general products. Providing consumers with more information about green attributes will promote their recognition of consuming green products. Consequently, customers will use the available information they receive to evaluate the authenticity of the product and make a purchase decision. (Lee and Chen, 2019).

Authenticity is defined as the consumer experience of real consumption (Beverland and Farrelly, 2010). It can be based on sincerity, innocence and originality (Fine, 2003), or

simplicity, honesty and nature. It may be related to the authenticity of an object or experience (Grayson and Martinec, 2004). Brand authenticity can be divided into indexical authenticity and iconic authenticity from consumer perspective, so is green brand authenticity. For example, green brands improve consumers' perception of brand authenticity through green labels (indexical authenticity), organic packaging materials and green product certification (iconic authenticity). Through the distinction of authenticity, we can enhance our understanding of the formation process of authenticity, especially make a significant contribution to promoting the purchase intention of consumers (Fritz, Schoenmueller and Bruhn, 2017). Authenticity is always what consumers want because it runs through all aspects of people's lives (O'Neill et al., 2014). Such as goods and services (Liang, Choi and Joppe, 2018; Grayson and Martinec, 2004), food and beverage (Beverland et al., 2008), tourism (Park, Choi and Lee, 2019; Domínguez-Quintero, González-Rodríguez and Paddison, 2020), subcultures (Fuist and McDowell, 2019), Green brand (Ewing, Allen and Ewing, 2012) and advertising (Chiu et al., 2012). Brand authenticity is important in the understanding of brand-customer relationship (Portal, Abratt and Bendixen, 2019). Majority studies have shown that brand authenticity has an impact on the relationship between brand and consumers. Such as, consumers' brand identity (Brown, 2013; Spiggle, Nguyen and Caravela, 2012), brand trust, brand attachment and brand image (Jian, Zhou and Zhou, 2019).

Park et al. (1986) argued that brand image include functional benefits, symbolic benefits, and experiential benefits. Brand image is synonymous with name, reputation, design and symbol (Kotler, 1991). Consumers use it to distinguish products and services between brands. Greve (2014) also uses a scale consisting of three items to measure brand image: value, perceived quality and uniqueness. Although many scholars have different opinions on the content of brand image, but they are all based on the viewpoint that the brand image is how consumers view the brand. Brand image is very important in enterprise management (Plumeyer, Kottemann, Böger and Decker, 2019; Bian and Moutinho, 2011). Good brand image can not only bring excellent market performance for enterprises, but also protect their brands from the influence of competitive brands (Chinomona, 2016). For consumers, brand image can provide information to distinguish brands from others, affect customer satisfaction, loyalty, purchase intention, etc (Wang and Chen, 2020; Wang and Yang, 2010). Meanwhile, the influence of brand image on brand trust has been widely proved (Alhaddad, 2015; Fianto, Hadiwidjojo and Aisjah, 2014).



*Figure 1. Framework of the research*

#### **4. Potential managerial implication and conclusion**

This work investigates the influence of green transparency on the green brand authenticity, and the effect of brand authenticity on the green brand trust repair. The results of

this study may not only provide some insights for the academics, but also for the marketing practice. In particular, this study provides some new solutions to the problem of trust repair after the exposure of green washing behavior. First of all, brand managers should understand what green attributes are, accurately identify which green attributes is most concerned by consumers, and which one makes consumers feel the authenticity of products most easily (Trang, Lee and Han, 2019). Secondly, our findings may encourage brands affected by green washing behavior to develop specific solutions to help these brands effectively improve the green transparency of products and increase consumers' perception of authenticity (Pelet, Durrieu and Lick, 2020; Riefler, 2020; Lin, Lobo and Leckie, 2017). The green brand authenticity is a powerful tool (Portal, Abratt and Bendixen, 2019; Beverland, 2005). Companies can use it to reduce consumer skepticism. Brand managers should provide sincere and effective communication, transfer the green attributes of products to consumers, enhance the effectiveness and authenticity of green brand communication, so as to regain the trust of consumers (Schnackenberg and Tomlinson, 2016). Third, brand managers should pay attention to improving the transparency of green clues and green certification to enhance the green brand authenticity, so as to achieve the goal of repairing consumer trust (Ewing, Allen and Ewing, 2012; Starr and Brodie, 2016). When consumers think that the exposed green washing brand is authentic, consumers are more likely to reestablish contact with the brand and improve their purchase intention (Chen et al., 2020). Therefore, enterprises should make rational use of green marketing mix, dare to bear the responsibility of environmental protection, strengthen the relationship between brand and consumers, enhance the green brand image, and repair the brand trust of consumers (Bukhari, Rana and Bhatti, 2017).

In 2019, Gree, a famous air-conditioning brand in China, reported to the China market regulatory authority that the energy efficiency of eight models produced by Aux, the same famous brand, was significantly lower than that claimed by Aux on its label. This incident makes Aux suspected of green washing behavior (Fan, 2019). It can be seen that although the laws and regulations issued by the state are becoming more and more perfect, the green washing behavior still occurs from time to time, which makes the trust repair after the green washing event particularly important. This paper studies the impact of green transparency on the green brand authenticity, the impact of green brand authenticity on the green brand trust repair, and the intermediary role of green brand image on the green brand trust repair. From previous studies, we have reason to believe that green transparency has a significant positive impact on four different methods of measuring the authenticity of green brand. The green brand authenticity will also directly affect the process of green brand trust repair. In addition, the green brand authenticity indirectly affects the green brand trust repair through green brand image.

## References

- AAKER, D.A., 1996. Measuring Brand Equity Across Products and Markets. *California Management Review*.
- ABDULLAH, A., 2015. A Structural Model of The Relationships between Brand Image, Brand Trust and Brand Loyalty. *International Journal of Management Research & Review*.
- AGHEKYAN-SIMONIAN, M., FORSYTHE, S., SUK KWON, W., and CHATTARAMAN, V., 2012. The role of product brand image and online store image on perceived risks and online purchase intentions for apparel. *Journal of Retailing and Consumer Services*.
- AKTURAN, U. 2018. How does greenwashing affect green branding equity and purchase intention? An empirical research. *Marketing Intelligence & Planning*.
- ALEXANDER, N., 2009. Brand authentication: Creating and maintaining brand auras. *European Journal of Marketing*.

- ALHADDAD, A., 2015. A structural model of the relationships between brand image, brand trust and brand loyalty. *International Journal of Management Research and Reviews*.
- ALIF FIAN TO, A.Y., HADIWIDJOJO, D., AISJAH, S., and SOLIMUN, S., 2014. The Influence of Brand Image on Purchase Behaviour Through Brand Trust. *Business Management and Strategy*.
- AN, R., 2013. Effectiveness of subsidies in promoting healthy food purchases and consumption: A review of field experiments. *Public Health Nutrition*.
- ARENA, C., BOZZOLAN, S., and MICHELON, G., 2015. Environmental Reporting: Transparency to Stakeholders or Stakeholder Manipulation? An Analysis of Disclosure Tone and the Role of the Board of Directors. *Corporate Social Responsibility and Environmental Management*.
- ASSIOURAS, I., LIAPATI, G., KOULETSIS, G., and KONIORDOS, M., 2015. The impact of brand authenticity on brand attachment in the food industry. *British Food Journal*.
- AUDREY KORSGAARD, M., BRODT, S.E., and WHITENER, E.M., 2002. Trust in the face of conflict: The role of managerial trustworthy behavior and organizational context. *Journal of Applied Psychology*.
- BACHMANN, R., GILLESPIE, N., and PRIEM, R., 2015. Repairing Trust in Organizations and Institutions: Toward a Conceptual Framework. *Organization Studies*.
- BEVERLAND, M., 2006. The ‘real thing’: Branding authenticity in the luxury wine trade. *Journal of Business Research*.
- BEVERLAND, M.B., FARRELLY, F., and QUESTER, P.G., 2010. Authentic subcultural membership: Antecedents and consequences of authenticating acts and authoritative performances. *Psychology and Marketing*.
- BEVERLAND, M.B. and FARRELLY, F.J., 2010. The Quest for Authenticity in Consumption: Consumers’ Purposive Choice of Authentic Cues to Shape Experienced Outcomes. *Journal of Consumer Research*.
- BIAN, X. and MOUTINHO, L., 2011. The role of brand image, product involvement, and knowledge in explaining consumer purchase behaviour of counterfeits: Direct and indirect effects. *European Journal of Marketing*.
- BIBBY, D.N., 2011. Sponsorship portfolio as brand image creation strategies: A commentary essay. *Journal of Business Research*.
- BOZIC, B., 2017. Consumer trust repair: A critical literature review. *European Management Journal*.
- BOZIC, B., SIEBERT, S., and MARTIN, G., 2019. A strategic action fields perspective on organizational trust repair. *European Management Journal*.
- BRICK, C., SHERMAN, D.K., and KIM, H.S., 2017. “Green to be seen” and “brown to keep down”: Visibility moderates the effect of identity on pro-environmental behavior. *Journal of Environmental Psychology*.
- BROWN, J.A., BUCHHOLTZ, A.K., and DUNN, P., 2016. Moral Salience and the Role of Goodwill in Firm-Stakeholder Trust Repair. *Business Ethics Quarterly*.
- BROWN, L., 2013. Tourism: A catalyst for existential authenticity. *Annals of Tourism Research*.
- BUKHARI, A., RANA, R.A., and BHATTI, U.T., 2017. Factors influencing consumer ’ s green product purchase decision by mediation of green brand image. *International Journal of Research*.
- CASON, T.N. and GANGADHARAN, L., 2002. Environmental labeling and incomplete consumer information in laboratory markets. *Journal of Environmental Economics and Management*.

- CHEN, Y.S., 2010. The drivers of green brand equity: Green brand image, green satisfaction, and green trust. *Journal of Business Ethics*.
- CHEN, Y.S. and CHANG, C.H., 2013. Greenwash and Green Trust: The Mediation Effects of Green Consumer Confusion and Green Perceived Risk. *Journal of Business Ethics*.
- CHEN, Y.S., HUANG, A.F., WANG, T.Y., and CHEN, Y.R., 2020. Greenwash and green purchase behaviour: the mediation of green brand image and green brand loyalty. *Total Quality Management and Business Excellence*.
- CHIN, T.A. and MUHARAM, F.M., 2019. Effect of Green Brand Positioning , Knowledge , and Attitude of Customers on Green Purchase Intention. *Journal of Arts & Social Sciences*.
- CHINOMONA, R., 2016. Brand communication, brand image and brand trust as antecedents of brand loyalty in Gauteng Province of South Africa. *African Journal of Economic and Management Studies*.
- CHIU, H.C., HSIEH, Y.C., and KUO, Y.C., 2012. How to Align your Brand Stories with Your Products. *Journal of Retailing*.
- CHOI, H., KO, E., KIM, E.Y., and MATTILA, P., 2015. The role of fashion brand authenticity in product management: A holistic marketing approach. In: *Journal of Product Innovation Management*.
- CROWTHER, D., and MARTINEZ, E. O. 2004. Corporate social responsibility: History and principles. *Social Responsibility World*.
- DA CRUZ, N.F., TAVARES, A.F., MARQUES, R.C., JORGE, S., and DE SOUSA, L., 2016. Measuring Local Government Transparency. *Public Management Review*.
- DOMÍNGUEZ-QUINTERO, A.M., GONZÁLEZ-RODRÍGUEZ, M.R., and PADDISON, B., 2020. The mediating role of experience quality on authenticity and satisfaction in the context of cultural-heritage tourism. *Current Issues in Tourism*.
- EGELS-ZANDÉN, N. and HANSSON, N., 2016. Supply Chain Transparency as a Consumer or Corporate Tool: The Case of Nudie Jeans Co. *Journal of Consumer Policy*.
- EGGERT, A. and HELM, S., 2003. Exploring the impact of relationship transparency on business relationships a cross-sectional study among purchasing managers in Germany. *Industrial Marketing Management*.
- EWING, D.R., ALLEN, C.T., and EWING, R.L., 2012. Authenticity as meaning validation: An empirical investigation of iconic and indexical cues in a context of 'green' products. *Journal of Consumer Behaviour*.
- FAN F.F., 2019. Market regulator will investigate Gree's claim against rival Aux. *China Daily*. <https://www.chinadaily.com.cn/a/201906/12/WS5d003bb6a310176577230a05.html>.
- FIANTO, A. Y. A., HADIWIDJOJO, D., and AISJAH, S., 2014. The influence of brand image on purchase behaviour through brand trust. *Business Management and Strategy*.
- FLEISCHMANN, M., IVENS, B.S., and KRISHNAMACHARI, B., 2020. Blockchain Technology as a Means for Brand Trust Repair – Empirical Evidence from a Digital Transgression. In: *Proceedings of the 53rd Hawaii International Conference on System Sciences*.
- FOURNIER, S., 1998. Consumers and Their Brands: Developing Relationship Theory in Consumer Research. *Journal of Consumer Research*.
- FRITZ, K., SCHOENMUELLER, V., and BRUHN, M., 2017. Authenticity in branding – exploring antecedents and consequences of brand authenticity. *European Journal of Marketing*.
- FUIST, T.N. and MCDOWELL, A.D., 2019. “Jesus Would Turn the Tables Over”: Five Dimensions of Authenticity Applied to Countercultural Christianity. *Symbolic Interaction*.
- FUOLI, M., VAN DE WEIJER, J., and PARADIS, C., 2017. Denial outperforms apology in repairing organizational trust despite strong evidence of guilt. *Public Relations Review*.

- GALERA, A. N., DE LOS RIOS BERJILLOS, A., LOZANO, M. R., and VALENCIA, P. T., 2014. Transparency of sustainability information in local governments: English-speaking and Nordic cross-country analysis. *Journal of Cleaner Production*.
- GILLESPIE, N. and DIETZ, G., 2009. Trust repair after an organization-level failure. *Academy of Management Review*.
- GINSBERG, J.M. and BLOOM, P.N., 2004. Choosing the right green marketing strategy. *MIT Sloan Management Review*.
- GRAYSON, K. and MARTINEC, R., 2004. Consumer Perceptions of Iconicity and Indexicality and Their Influence on Assessments of Authentic Market Offerings. *Journal of Consumer Research*.
- GREVE, G., 2014. The Moderating Effect of Customer Engagement on the Brand Image – Brand Loyalty Relationship. *Procedia - Social and Behavioral Sciences*.
- GUO, R., ZHANG, W., WANG, T., LI, C.B., and TAO, L., 2018. Timely or considered? Brand trust repair strategies and mechanism after greenwashing in China—from a legitimacy perspective. *Industrial Marketing Management*.
- HADDAD, M.A., 2015. Increasing Environmental Performance in a Context of Low Governmental Enforcement: Evidence From China. *Journal of Environment and Development*.
- HERNANDEZ-FERNANDEZ, A. and LEWIS, M.C., 2019. Brand authenticity leads to perceived value and brand trust. *European Journal of Management and Business Economics*.
- HICKMAN, E., and JACKSON, O., 2017. Does brand familiarity have any impact on repairing trust between a company and customer in the time of crisis?. *BCUR conference, Bournemouth*.
- HIEN, N.N., PHUONG, N.N., VAN TRAN, T., and THANG, L.D., 2020. The effect of country-of-origin image on purchase intention: The mediating role of brand image and brand evaluation. *Management Science Letters*.
- HOQ, M.Z., AMIN, M., and SULTANA, N.S., 2012. The Effect of Trust, Customer Satisfaction and Image on Customers' Loyalty in Islamic Banking Sector. *SSRN Electronic Journal*.
- HSIEH, M.H., PAN, S.L., and SETIONO, R., 2004. Product-, corporate-, and country-image dimensions and purchase behavior: A multicountry analysis. *Journal of the Academy of Marketing Science*.
- IGLESIAS, O., MARKOVIC, S., SINGH, J.J., and SIERRA, V., 2019. Do Customer Perceptions of Corporate Services Brand Ethicality Improve Brand Equity? Considering the Roles of Brand Heritage, Brand Image, and Recognition Benefits. *Journal of Business Ethics*.
- ILICIC, J. and WEBSTER, C.M., 2014. Investigating consumer-brand relational authenticity. *Journal of Brand Management*.
- JAHDI, K. S. and ACIKDILLI, G. 2009. Marketing communications and corporate social responsibility (CSR): marriage of convenience or shotgun wedding?. *Journal of business ethics*.
- JIAN, Y., ZHOU, Z., and ZHOU, N., 2019. Brand cultural symbolism, brand authenticity, and consumer well-being: the moderating role of cultural involvement. *Journal of Product and Brand Management*.
- KELLER, K.L., 1993. Conceptualizing, Measuring, and Managing Customer-Based Brand Equity. *Journal of Marketing*.
- KHOSROSHAHI, H., RASTI-BARZOKI, M., and HEJAZI, S.R., 2019. A game theoretic approach for pricing decisions considering CSR and a new consumer satisfaction index

- using transparency-dependent demand in sustainable supply chains. *Journal of Cleaner Production*.
- KIM, P.H., COOPER, C.D., DIRKS, K.T., and FERRIN, D.L., 2013. Repairing trust with individuals vs. groups. *Organizational Behavior and Human Decision Processes*.
- KIM, P.H., DIRKS, K.T., and COOPER, C.D., 2009. The repair of trust: A dynamic bilateral perspective and multilevel conceptualization. *Academy of Management Review*.
- KOTLER, P.H., 1991. *Marketing Management: Analysis, Planning, and Control*. Journal of Marketing Management.
- KWON, W.S. and LENNON, S.J., 2009. Reciprocal Effects Between Multichannel Retailers' Offline and Online Brand Images. *Journal of Retailing*.
- LEE, Y.H. and CHEN, S.L., 2019. Effect of green attributes transparency on wta for green cosmetics: Mediating effects of CSR and green brand concepts. *Sustainability (Switzerland)*.
- LEWICKI, R.J. and BRINSFIELD, C., 2017. Trust Repair. *Annual Review of Organizational Psychology and Organizational Behavior*.
- LI-MIN, H. and TING, L., 2017. Study About the Impact on Brand Trust Repair from Environmental Donation After the Exposure of Greenwash. *DEStech Transactions on Social Science, Education and Human Science*.
- LI, G., LI, J., and SUN, X., 2019. Measuring green brand equity in relationship interactions and its impact on brand loyalty. *Revista de Cercetare si Interventie Sociala*.
- LI, W. and LI, D., 2012. Environmental information transparency and implications for green growth in china. *Public Administration and Development*.  
*Public Administration and Development*.
- LIANG, L.J., CHOI, H.C., and JOPPE, M., 2018. Understanding repurchase intention of Airbnb consumers: perceived authenticity, electronic word-of-mouth, and price sensitivity. *Journal of Travel and Tourism Marketing*.
- LIN, J., LOBO, A., and LECKIE, C., 2017. The role of benefits and transparency in shaping consumers' green perceived value, self-brand connection and brand loyalty. *Journal of Retailing and Consumer Services*.
- LYON, T.P. and MONTGOMERY, A.W., 2015. The Means and End of Greenwash. *Organization and Environment*.
- MARQUES, C.P. and ALMEIDA, D., 2013. A path model of attitudinal antecedents of green purchase behaviour. *Economics and Sociology*.
- MARTINS, D.M., FARIA, A.C. de, PREARO, L.C., and ARRUDA, A.G.S., 2017. The level of influence of trust, commitment, cooperation, and power in the interorganizational relationships of Brazilian credit cooperatives. *Revista de Administração*.
- MEISE, J.N., RUDOLPH, T., KENNING, P., and PHILLIPS, D.M., 2014. Feed them facts: Value perceptions and consumer use of sustainability-related product information. *Journal of Retailing and Consumer Services*.
- MICHAEL B. BEVERLAAND, 2005. Crafting Brand Authenticity: The Case of Luxury Wines. *Journal of Management Studies*.
- MORHART, F., MALÄR, L., GUÈVREMONT, A., GIRARDIN, F., and GROHMANN, B., 2013. Brand authenticity: An integrative framework and measurement scale. *Journal of Consumer Psychology*.
- MOSAVI, S. A., and GHAEDI, M., 2012. A survey on the relationship between trust, customer loyalty, commitment and repurchase intention. *African Journal of Business Management*.
- MOULARD, J. G., RAGGIO, R. D., and FOLSE, J. A. G., 2016. Brand authenticity: Testing the antecedents and outcomes of brand management's passion for its products. *Psychology & Marketing*.

- NAPOLI, J., DICKINSON, S.J., BEVERLAND, M.B., and FARRELLY, F., 2014. Measuring consumer-based brand authenticity. *Journal of Business Research*.
- NGUYEN, T.T.H., YANG, Z., NGUYEN, N., JOHNSON, L.W., and CAO, T.K., 2019. Greenwash and green purchase intention: The mediating role of green skepticism. *Sustainability (Switzerland)*.
- NYADZAYO, M.W. and KHAJEHZADEH, S., 2016. The antecedents of customer loyalty: A moderated mediation model of customer relationship management quality and brand image. *Journal of Retailing and Consumer Services*.
- O'NEILL, C., HOUTMAN, D., and AUPERS, S., 2014. Advertising real beer: Authenticity claims beyond truth and falsity. *European Journal of Cultural Studies*.
- OLSEN, M.C., SLOTEGRAAF, R.J., and CHANDUKALA, S.R., 2014. Green claims and message frames: How green new products change brand attitude. *Journal of Marketing*.
- PACE, K.M., FEDIUK, T.A., and BOTERO, I.C., 2010. The acceptance of responsibility and expressions of regret in organizational apologies after a transgression. *Corporate Communications*.
- PARGUEL, B., BENOÎT-MOREAU, F., and LARCENEUX, F., 2011. How Sustainability Ratings Might Deter 'Greenwashing': A Closer Look at Ethical Corporate Communication. *Journal of Business Ethics*.
- PARK, C.W., JAWORSKI, B.J., and MACLNNIS, D.J., 1986. Strategic Brand Concept-Image Management. *Journal of Marketing*.
- PARK, E., CHOI, B.K., and LEE, T.J., 2019. The role and dimensions of authenticity in heritage tourism. *Tourism Management*.
- PEARSE, G., 2012. Greenwash: Big brands and carbon scams. *Black Inc*.
- PELET, J.É., DURRIEU, F., and LICK, E., 2020. Label design of wines sold online: Effects of perceived authenticity on purchase intentions. *Journal of Retailing and Consumer Services*.
- PLEVOETS, B. and VAN CLEEMPOEL, K., 2011. Adaptive reuse as a strategy towards conservation of cultural heritage: A literature review. In: *WIT Transactions on the Built Environment*.
- PLUMEYER, A., KOTTEMANN, P., BÖGER, D., and DECKER, R., 2019. Measuring brand image: a systematic review, practical guidance, and future research directions. *Review of Managerial Science*.
- POPPO, L. and SCHEPKER, D.J., 2010. Repairing public trust in organizations. *Corporate Reputation Review*.
- PORTAL, S., ABRATT, R., and BENDIXEN, M., 2019. The role of brand authenticity in developing brand trust. *Journal of Strategic Marketing*.
- RAHMAN, I., PARK, J., and CHI, C.G.Q., 2015. Consequences of "greenwashing": Consumers' reactions to hotels' green initiatives. *International Journal of Contemporary Hospitality Management*.
- RIEFLER, P., 2020. Local versus global food consumption: the role of brand authenticity. *Journal of Consumer Marketing*.
- SÄÄKSJÄRVI, M. and SAMIEE, S., 2011. Relationships among Brand Identity, Brand Image and Brand Preference: Differences between Cyber and Extension Retail Brands over Time. *Journal of Interactive Marketing*.
- SCHALLEHN, M., Burmann, C., and RILEY, N., 2014. Brand authenticity: model development and empirical testing. *Journal of Product & Brand Management*.
- SCHNACKENBERG, A.K. and TOMLINSON, E.C., 2016. Organizational Transparency: A New Perspective on Managing Trust in Organization-Stakeholder Relationships. *Journal of Management*.

- SCHWEITZER, M.E., HERSHEY, J.C., and BRADLOW, E.T., 2006. Promises and lies: Restoring violated trust. *Organizational Behavior and Human Decision Processes*.
- SHVARTS, E.A., PAKHALOV, A.M., and KNIZHNIKOV, A.Y., 2016. Assessment of environmental responsibility of oil and gas companies in Russia: the rating method. *Journal of Cleaner Production*.
- SPIGGLE, S., NGUYEN, H.T., and CARAVELLA, M., 2012. More than fit: Brand extension authenticity. *Journal of Marketing Research*.
- STARR, R.G. and BRODIE, R.J., 2016. Certification and authentication of brand value propositions. *Journal of Brand Management*.
- STEINER, C.J. and REISINGER, Y., 2006. Understanding existential authenticity. *Annals of Tourism Research*.
- SWAN, J. E., BOWERS, M. R., and RICHARDSON, L. D., 1999. Customer trust in the salesperson: An integrative review and meta-analysis of the empirical literature. *Journal of Business Research*.
- TOMLINSON, E.C. and MAYER, R.C., 2009. The role of causal attribution dimensions in trust repair. *Academy of Management Review*.
- TRANG, H.L.T., LEE, J.S., and HAN, H., 2019. How do green attributes elicit pro-environmental behaviors in guests? The case of green hotels in Vietnam. *Journal of Travel and Tourism Marketing*.
- VACCARO, A. and ECHEVERRI, D.P., 2010. Corporate transparency and green management. *Journal of Business Ethics*.
- WALKER, K. and WAN, F., 2012. The Harm of Symbolic Actions and Green-Washing: Corporate Actions and Communications on Environmental Performance and Their Financial Implications. *Journal of Business Ethics*.
- WANG, X. and YANG, Z., 2010. The effect of brand credibility on consumers' brand purchase intention in emerging economies: The moderating role of brand awareness and brand image. *Journal of Global Marketing*.
- XIA, X., TENG, F., and GU, X., 2019. Reputation repair and corporate donations: An investigation of responses to regulatory penalties. *China Journal of Accounting Research*.

## **Developing an Entrepreneurial Mindset among Engineering Students. A Comparative Analysis of Entrepreneurship Curriculum in Romanian Technical Universities**

**Mădălina-Alexandra COȚIU**

Technical University of Cluj-Napoca  
madalina.cotiu@gmail.com

**Anca CONSTANTINESCU-DOBRA**

Technical University of Cluj-Napoca  
anca.constantinescu@enm.utcluj.ro

### **Abstract**

Current research shows entrepreneurship potential among technical university graduates is particularly high given the immediate applicability of their skills and expertise in many different fields. Yet, entrepreneurship teaching among technical universities in Romania remains quite underdeveloped. European Union development strategies name entrepreneurship and social entrepreneurship initiatives as a particular driver of employment and means for reducing unemployment rates among the young population. The paper we propose aims to comparatively analyse the curricula for entrepreneurship teaching among six Romanian technical universities. The added value of the article lies in the fact that it offers the first analysis of this kind. The article is the first step in a more in depth analysis aimed at illustrating means for better adapting the curricula within the technical field to the needs of the labour market. It is particularly aimed at university staff who can use the results in order to better adapt the offering to the current context of sustained entrepreneurial support.

**Keywords:** entrepreneurship, technical universities, Romania.

**JEL classification:** M31, L26.

### **1. Introduction**

Entrepreneurship is currently one of the main strategies employed by the European Union in its efforts to reduce unemployment and youth unemployment in particular. Furthermore, the European Commission emphasises entrepreneurship as a tool to reduce social exclusion and stimulate innovation among young people (European Commission, 2017a). Entrepreneurship and fostering youth entrepreneurship are core objectives of the Europe 2020 Strategy, as well as the EU Youth Strategy (European Commission, 2017a). These efforts are conducted in a context of unemployment rates among the young which continue to remain high at EU level. According to European estimates, the youth unemployment rate in EU28 in 2016 was 18.4%, 2.2 times higher than the general unemployment rate of 8.3%. Also, in 2015, more than 6,6 million young people (aged 15-24 years) were neither in employment nor in education or training (NEETs) in EU28 (European Commission, 2017b). Reducing unemployment rates among the young is a goal in line with the wider EU target of achieving a 75% employment rate among the working age population (20-64 years). The EU Youth Strategy also recognises the importance of youth work in reducing this risk. One of the solutions identified for tackling youth unemployment is represented by the development and setting of entrepreneurial initiatives among this group. As mentioned above, the Europe 2020 strategy “recognizes entrepreneurship and self-employment as key for achieving smart, sustainable and inclusive growth” (European Commission, 2017c).

At the same time, research shows the young generation today is generally tech savvy, self-starters with a high potential for developing entrepreneurial ventures, willing to seize the

opportunities presented to them by the current environment in order to put their ideas into practice (Paquette, 2015). This natural interest of the new generation towards the technical field is also visible when analysing their choice of careers. A recent Manpower Group (2015) study published in Romania indicates technical studies as ranking first in undergraduates choices. According to the aforementioned study, in 2013/2014, most highschool graduates chose to complete their tertiary education in the technical field (31%), followed by teaching training (25.8%) and economics (18.6%).

Young people today are also entrepreneurial in nature. Two in ten young people aged between 18 and 24 years old in Romania indicated they wanted to start their own business in the following year, according to a GfK Romania study (Mazurchevici, 2016). This percentage is much higher when strictly considering undergraduate and postgraduate students. A recent EY Romania study indicated 52% of Romanian students wanted to start their own business in the following years (EY, 2014), while technical students, more precisely civil engineering students, ranked second when asked how willing they were to start their own venture (Jurnalul de afaceri, 2016).

In this context, and considering data from other research indicating that technical university students should not only be focused on the technical subjects, but should also acquire social awareness, as well as economics competences (Crawley et al, 2014), we propose an analysis of the educational curricula offered by the top six technical universities in Romania with regards to entrepreneurial education. The added value of the article lies in the fact that it offers the first analysis of this kind. The article is the first step in a more in depth analysis aimed at illustrating means for better adapting the curricula within the technical field to the needs of the labour market. It is particularly aimed at university staff who can use the results in order to better adapt the offering to the current context of sustained entrepreneurial support.

## 2. Research methodology

The article aims to identify the degree to which technical universities in Romania include entrepreneurial or related courses in their curricula, given the increased potential for entrepreneurial development registered among technical university graduates.

According to Romanian National Institute of Statistics, there are currently over 140.000 students pursuing an engineering degree, representing a quarter of the total number of Romanian students (INSEE, 2017). The years following the economic crisis witnessed an increase in the number of young people opting for a degree in economic engineering. According to Mirea (2012), the number of students currently enrolled in a management and engineering study domain exceeds 20.000, representing approximately 14% of the total number of students in the technical sector.

In this context, the operational objectives of the article are the following:

- To analyze the entrepreneurial content of the curricula proposed by the technical universities in order to cluster the courses by entrepreneurial subjects;
- To compare the propensity for entrepreneurial education by field of study or program of study, among the most representative six technical universities in Romania.

Both qualitative and quantitative data analysis were performed based on the educational plans of the five technical universities selected. The sample included the top six technical universities as indicated by the 2019 annual university ranking (4icu, 2019): The Technical University in Cluj-Napoca (UTCN, 2019), The Technical University Gheorghe Asachi in Iasi (UT Iasi, 2019), The University Politehnica of Bucharest (UPB, 2019), The Politechnic University of Timisoara (UPT, 2019), The Stefan the Great University in Suceava (USV, 2019) and The Technical University of Civil Engineering Bucharest (UTCB, 2019).

All the universities in the sample are public universities. The analysis included the educational plans available on the universities' websites for all the study programs offered at bachelor and master level. A total number of 37 faculties were evaluated. In order to achieve the second operational objective, we considered the length of a conventional lecture of 2 hours. As such, for the quantitative analysis courses of different duration (e.g. 1 hour or 3 hours) were adjusted using multipliers (e.g. 1.5 and 0.5, respectively). Also, when a lecture comprised two disciplines belonging to different categories, we weighted each subject as 0.5. The analysis was conducted between October and November 2019.

### **3. Results and discussion**

#### **3.1 The entrepreneurial content of the curricula in Romanian technical universities**

After the evaluation of the entrepreneurial related curricula of the technical universities in the sample, the disciplines were clustered in five categories: economics subjects, financial related lectures, marketing related, management related and communication.

##### **Economics subjects**

In this cluster we included subjects such as General Economics, Micro and Macro Economics, Fundamentals of Economics, Economic Politics, Industrial Economics, Economics and legislation, European Union Economic Policies, Economics and Economic Analyses, Business economics and Environmental Economics. It is important for an entrepreneur to have a good knowledge of the main macro-indicators of an economy, the existing correlation between them along with their interpretation. Additionally, an entrepreneur must understand the offer and demand general process. All the universities in the sample included a description of the content of each courses on their websites. It is worth noting that General Economics is included in the first years of study (first or second) for most universities. It was only in the case of The University Politehnica of Bucharest that this subject was taught in the fourth year. The more advanced economic disciplines are generally taught in the final year (third or fourth, depending on the bachelor structure). The educational plans for master level specializations included no economic subjects as comprised by this cluster.

##### **Financial related disciplines**

The following subjects regarding the financial aspects a company would be faced with were included in the educational plans of the universities under analysis: Financial Management, Economical and Financial Analysis, Finance and Credits, Finance and Banking, Accounting Fundamentals, Investment Economics and Social Efficiency, Economic Administration, Business Financials, Economic and Financial Control and Audit and related.

Based on the subjects descriptions available in the educational plans, all courses focused on the specific knowledge regarding an enterprise's finances, the main financial mechanisms of the enterprise, the processes for consolidating investment decisions, preparing the financial statements of an enterprise, enterprise risk analysis and assessment, elaboration and evaluation of the technical, economic and financial flows at the business level. Subjects in this category were present in the educational plans of the universities in the sample for all years of study, especially for the engineering and management domain.

##### **Marketing related disciplines**

The educational plans of the technical universities in the sample are quite poor with regards to marketing related disciplines. The content available is generally referring to the following issues: environmental factors that affect marketing strategies, market research, strategic analysis for allocating marketing resources for product development, description of

market segments, matrix of appropriate marketing strategies, proposals for the product's price strategy, profitable choices of product distributors, proposals for the appropriate marketing mix of a product, in a national and international context. Courses included in this category were selected considering the various topics and approaches to marketing. As such, besides the classical Fundamentals of marketing course, we also considered as belonging to this cluster: Market research, E-commerce, Marketing communication, Commodities strategies, Commercial transactions, Suppliers management, Marketing and project promotion, Product value management, International Marketing, Strategic Marketing, Marketing data analysis or Marketing for a distinctive (technical) branch. The courses are addressed to both undergraduate and master students and are present during the entire educational cycle.

### **Management related disciplines**

Management education seems to be considered the most important subject in the economics spectrum included in the Romanian technical universities curricula. Based on the analysis conducted, it appears that understanding the managerial functions is considered crucial by the universities in this sample. The educational plans tend to favor general courses in management, but also specific lectures are offered. Project management is the most common, followed by production (operational, or process management). The Management and Engineering domain offers the possibility for students to also study Human Resources Management, Strategic Management, Comparative Management and International Management. For the other engineering domains, the following courses are available: Environmental Management, Sustainable Development Management and Innovation Management. The subjects included in the discipline plans mainly aim to develop students' ability to assess different decision-making alternatives and select the most appropriate strategy for a given context, to facilitate systemic thinking in identifying the opportunities/threats of the external environment as well as the strengths/weaknesses of the organization, to formulate and implement strategies, assigning tasks and group leadership, to effectively coordinate a team, to efficiently organize the company's activities. This group of disciplines is mainly designed for students in the third year or above.

### **Communication disciplines**

Communication disciplines are connected to entrepreneurial education by building transversal abilities for students. Disciplines such as Managerial Communication, Business Communication, Negotiation, Communication and Professional Ethics are present in the curricula of the technical universities assessed. The description for communication courses includes issues related to communication as a combination of art and knowledge, appropriate communication through speaking, writing and behaving, working in teams, presenting information effectively in a variety of formats, negotiating etc. These disciplines are mainly addressed to students in their first, third or fourth year of studies. The majority of these subjects are taught optional ones.

### **3.2 Comparing the propensity for entrepreneurial education by field or program of study, among the most representative five technical universities in Romania.**

The quantitative analysis consists in studying the number of entrepreneurial disciplines or related based on the categories above as presented in the curricula of the five technical universities in the sample. The Management engineering (ME) domain was indicated separately. The data obtained are depicted in the Table 1 and Figure 1 below.

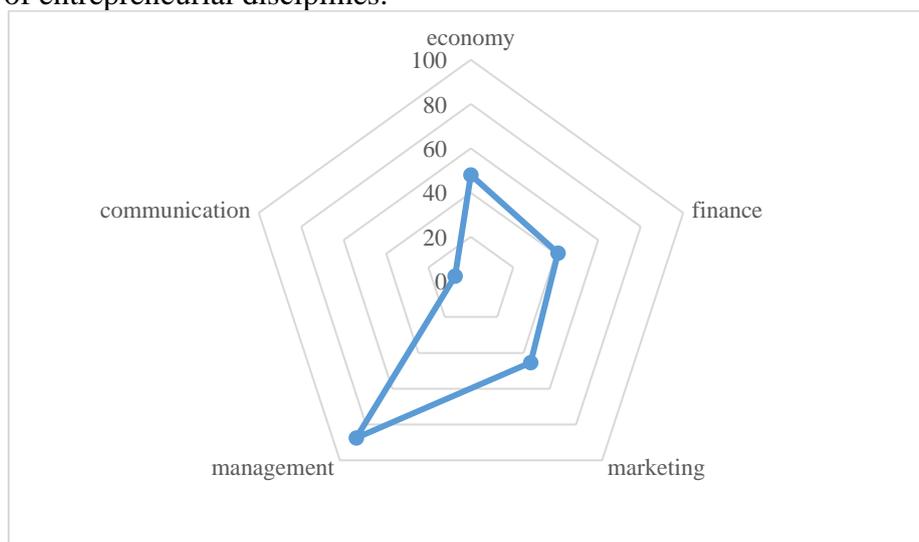
**Table 1. The number of entrepreneurial related courses included in the educational plan of the technical universities in the sample**

| The sample         | Politehnica Bucharest | Politehnica Timisoara | Technical Univ. Iasi | Civil Engineering Bucharest | Suceava Univ | Technical Univ. Cluj | Total |
|--------------------|-----------------------|-----------------------|----------------------|-----------------------------|--------------|----------------------|-------|
| Economics          | 13                    | 10                    | 8                    | 5                           | 3            | 9                    | 48    |
| Economics (ME)     | 6                     | 5                     | 2                    | 2                           | 3            | 4                    | 22    |
| Finances           | 8                     | 4                     | 4                    | 8                           | 4            | 13                   | 41    |
| Finances (ME)      | 5                     | 2                     | 3                    | 6                           | 5            | 11                   | 32    |
| Marketing          | 8.5                   | 5                     | 5                    | 4                           | 5            | 18                   | 45.5  |
| Marketing (ME)     | 4.5                   | 1                     | 1                    | 3                           | 5            | 7                    | 21.5  |
| Management         | 19                    | 4                     | 9.5                  | 4                           | 15           | 36                   | 87.5  |
| Management (ME)    | 9                     | 1                     | 2                    | 3                           | 11           | 13                   | 39    |
| Communication      | 1                     | 0                     | 0                    | 0                           | 0.5          | 6                    | 7.5   |
| Communication (ME) | 0                     | 0.5                   | 0.5                  | 0                           | 0            | 4                    | 5     |

Source: own data computed

Results indicate management subjects to be most present in the educational plans of the technical universities analyzed. Subjects included in this cluster obtained 87 points (disciplines), out of which 39 are offered to students pursuing a degree in economical engineering. The next category is economics (48 points/22 points for economical engineering specialties), followed by marketing (45.5 points and 21.5 points for ME) and finances (41 points and 32 points for ME). It therefore seems that technical universities management consider students need to first acquire relevant management knowledge and skills and then develop competencies regarding general macro and micro-economic indicators, financial flows and capitalizing on market opportunities. Basic education in economics appears to carry equal importance for the all specializations. Education regarding communication skills is almost neglected (7.5 points, with 5 for ME).

Figure 1 below presents a more detailed analysis of the disparities between the different categories of entrepreneurial disciplines.



**Figure 1. The disparities between the entrepreneurial categories of disciplines**

Source: own data computed

The analysis consolidates the conclusion presented above that Communication abilities are the most neglected in the entrepreneurial education curricula available within the Romanian technical universities in the sample. It is also worth noting that *the comparative evaluation between universities is not representative*, because the curricula for some of the study domains was not available. For example, the score obtained by the Technical University in Cluj-Napoca, where we assessed 9 faculties, could not be compared with Polytechnica University of Timisoara (with the same number of faculties studied) because of differences in the number of study domains. Another important aspect is that there are four purely entrepreneurial disciplines in the curricula of universities in the sample: three subjects proposed by the Technical University in Cluj-Napoca (Entrepreneurship, Entrepreneurship and Technology Transfer, Responsible entrepreneurship - all disciplines offered for master students in the fifth year of study, one for ME) and one subject offered by The University of Suceava.

#### 4. Limitations

The analysis was conducted based on the educational curricula available on the websites of the universities in the sample. It is therefore possible that the electronic search performed did not retrieve all curricula available for a given university and that some courses were not taken into consideration. We do believe, however, that the results retrieved allow for a good image of the entrepreneurial curricula available within the Romanian technical universities. Further research will include a more in-depth analysis aimed at illustrating means for better adapting the curricula within the technical field to the needs of the labour market.

#### Conclusion

In conclusion, the analysis of the entrepreneurial curricula of the Romanian technical universities in the sample indicates a propensity toward management disciplines (40%), followed by economics, marketing and finances (approx. 20%). More specific disciplines such as communication and entrepreneurship are still scarce suggesting they are at the beginning of being introduced in the curricula. We believe an increased focus on such disciplines could contribute to reducing the gap between graduates' competences and the requirements of the labor market, especially with regards to transversal skills and abilities. At the same time, increasing the emphasis placed on entrepreneurship and economics education could foster employability among the technical university graduates by increasing their interest in new venture creation. Based on the research findings, we also suggest including disciplines in the entrepreneurial curricula as early as possible in the educational plans and doubling these efforts by increased opportunities for familiarizing students with the labor market demands and opportunities in their area.

#### References

- CRAWLEY, E.F., MALMQVIST, J., ÖSTLUND, S., BRODEUR, D.R. 2014. *Rethinking Engineering Education The CDIO Approach Second Edition*, Springer Cham Heidelberg New York, Dordrecht, London.
- European Commission. 2017a. *Employment and entrepreneurship*, [http://ec.europa.eu/youth/policy/youth-strategy/employment-entrepreneurship\\_en](http://ec.europa.eu/youth/policy/youth-strategy/employment-entrepreneurship_en), Retrieved 8 March 2020.
- European Commission. 2017b. *Youth employment*, <http://ec.europa.eu/social/main.jsp?catId=1036>, Retrieved 2 March 2020.
- European Commission. 2017c. *Supporting entrepreneurs and the self-employed*, <http://ec.europa.eu/social/main.jsp?catId=952>, Retrieved 2 April 2020.

- EY (2014), *Antreprenoriatul – una dintre soluțiile pentru “generația pierdută” a tinerilor fără loc de muncă*, <https://www.eyromania.ro/noutati/articole/antreprenoriatul-%E2%80%93-una-dintre-solu%C5%A3iile-pentru-%E2%80%9Cgenera%C5%A3ia-pierdut%C4%83%E2%80%9D-tinerilor-f%C4%83r%C4%83>, Retrieved 3 March 2020.
- INSEE (2017), *Anuarul statistic al României 2017*, [www.insee.ro](http://www.insee.ro), Retrieved 3 March 2020.
- Jurnalul de afaceri (2016), *Ce îi determină pe tineri să își dorească să devină antreprenori?*, <http://www.jurnaluldeafaceri.ro/ce-ii-determina-pe-tineri-sa-isi-doreasca-sa-devina-antreprenori/>, Retrieved 3 April 2020.
- Manpower Group (2015), *Studiul Manpower privind Perspectivele Angajării de Forță de Muncă – România*, [https://candidate.manpower.com/wps/wcm/connect/53db4159-9e3a-4840-b0bf-73560782e6b7/MEOS\\_Romania\\_Q315\\_Ro.pdf?MOD=AJPERES](https://candidate.manpower.com/wps/wcm/connect/53db4159-9e3a-4840-b0bf-73560782e6b7/MEOS_Romania_Q315_Ro.pdf?MOD=AJPERES), Retrieved 3 March 2020.
- MAZURCHIEVICI, A. (2016), *GfK: Doi din zece tineri români vor să urmeze calea antreprenoriatului în următorul an*, <http://www.mediafax.ro/economic/gfk-doi-din-zece-tineri-romani-vor-sa-urmeze-calea-antreprenoriatului-in-urmatorul-an-15095218>, Retrieved 3 April 2020.
- MIREA C. (2012), *România produce 50.000 de ingineri pe an, dar angajatorii spun că aceștia „nu știu meserie cu adevărat”*, <http://www.zf.ro/profesii/romania-produce-50-000-de-ingineri-pe-an-dar-angajatorii-spun-ca-acestia-nu-stiu-meserie-cu-adevarat-10335028>, Retrieved 3 March 2020.
- PAQUETTE, A. (2015), *Gen Z is poised to become the most entrepreneurial generation ever— even more so than millennials*, <https://www.visioncritical.com/entrepreneurial-gen-z/>, Retrieved 3 March 2020.
- Romanian University Ranking (2020), <http://www.4icu.org/ro/> and <http://www.uaic.ro/uaic-isi-mentine-pozitia-in-topul-universitatilor-din-romania-realizat-de-unirank/>, Retrieved 3 March 2020.
- UPB (2019) *Universitatea Politehnica Bucuresti*, <https://upb.ro/facultati/facultateade-antreprenorat-ingineria-si-managementul-afacerilor/#1519161906610-bb2de589-33e6a2ed-0c92>, Retrieved 3 March 2020
- USV (2019) *Universitatea Stefan cel Mare Suceava*, [http://www.eed.usv.ro/html/curricula\\_licenta.html](http://www.eed.usv.ro/html/curricula_licenta.html), Retrieved 3 March 2020
- UT Iasi (2019) *Universitatea Tehnica „Gheorghe Asachi” Iasi*, <https://ieeia.tuiasi.ro/studii/licenta/plan-de-invatamant/>, <http://www.tuiasi.ro>.
- UTCB (2019) *Universitatea Tehnica de Constructii Bucuresti*, <https://instalatii.utcb.ro/planuri-invatamant/>, Retrieved 3 March 2020
- UTCN (2019) <https://ie.utcluj.ro/planuri-de-invatamant.html>, 4icu, (2020). *Universities Search Engine, Top Universities in Romania*,

## Supporting the Decision-Making Process of High-school Students in Choosing their University Track. A Raspberry Pi Case Study

**Madalina COTIU**

Technical University of Cluj-Napoca  
madalina.cotiu@gmail.com

**Adrian SABOU**

Technical University of Cluj-Napoca  
adrian.sabou@cs.utcluj.ro

**Anca CONSTANTINESCU-DOBRA**

Technical University of Cluj-Napoca  
anca.constantinescu@enm.utcluj.ro

### Abstract

Technical higher education, especially in the electrical field has become particularly appealing in recent years due to the increased employment opportunities currently available on the Romanian labour market. This has contributed to an increased number of highschool students opting to pursue a university degree in electrical field. Yet, increasing drop-out figures in recent years show students find it difficult to finalise their studies in this field. One cause for this situation could be related to the structure of university studies which imply a time span of four years starting with a basis for the theoretical knowledge then followed by the practical skills development. First year students therefore often find themselves not understanding how exactly the theoretical knowledge will be put into practice. This then leads to them becoming disengaged with the subjects proposed. The article aims to analyse whether the Raspberry Pi can be used as a means for explaining high-school students what it means to pursue a degree in the electrical field of a technical university. More clear explanations regarding the university studies structure and finality could support high-school students in their decision-making process for selecting an undergraduate track, as well as helping them develop realistic expectations in terms of what they will be able to do at the end of their studies. This would, in turn, support higher retention rates of students during the first years of studies. A simple device, the Raspberry Pi, was used to illustrate how the theoretical and the practical knowledge are combined throughout the four years of studies in order to equip graduates with the knowledge and skills required to perform as electrical specialists on the labour market. Using only basic programming skills, the device allows users to immediately see the applicability of their knowledge. Three projects which can be conducted using the Raspberry Pi were presented. The projects can be used to help high-school students understand how the theoretical and practical knowledge are combined, why the theoretical knowledge of the first two years is important, what is the difference between the various tracks in the electrical field, as well as give students an idea of the knowledge and skills they will possess at the end of their studies. The paper is particularly relevant in the current context of increased drop-out rates among first year students in electrical higher education, while also being of interest to the admissions office as a means of effectively presenting higher education studies in the electrical field to high-school students and supporting their decision-making process when choosing their undergraduate specialty.

**Keywords:** higher education, Raspberry Pi, decision-making, high-school students.

**JEL classification:** M31.

### 1. Introduction

Engaging students in the learning process is one of the key struggles of the teaching staff. This is even more so in the context of technical higher education, where knowledge, skills and abilities are developed over a time span of four years. The curriculum generally first implies developing the theoretical knowledge required and then allows the practical experimentation

and development of projects. Current research indicates students in the technical field are taught a variety of algorithms and parameters they work with but often without the opportunity to experience the real impact of their programming (Sobota et al, 2013). Another issue currently depicting the technical higher education environment is related to the high attrition rates faced by universities. According to recent studies, attrition figures among European universities vary between 18% (UK) and 41% (Norway) (European Commission, 2015). For Romanian universities, the percentage of students deciding not to complete their tertiary education is around 30%, with the majority of those leaving university doing so after their first year (ANOSR, 2013). Among the causes of drop-out, Quinn (2013) indicates factors regarding learning strategies and a mismatch between students' interest and the subject which was chosen. It will often happen that first year students will find themselves not understanding how exactly the theoretical knowledge will be put into practice which then leads to them becoming disengaged with the subjects proposed. Some of them will drop-out, while others will choose to rely solely on an immediate employment with on the job practical skills development. The latter will struggle to graduate, but will no longer be engaged in the subjects taught. This can be to the disadvantage of students in the longterm as they may become extremely skilled in a very particular set of activities that are required by the employer while completely ignoring other aspects of their field of expertise.

The article aims to analyse whether the Raspberry Pi can be used as a means for explaining high-school students what it means to pursue a degree in the electrical field of a technical university. It is our view that more clear explanations regarding the university studies structure and finality could support high-school students in their decision-making process for selecting an undergraduate track, as well as helping them develop realistic expectations in terms of what they will be able to do at the end of their studies. This would, in turn, support higher retention rates of students during the first years of studies.

This simple device represents a low-cost computer which can deepen students engagement with programming (Kölling, 2016) by having all its parts exposed and allowing students to both see inside and receive feedback for their programming (Simão et al, 2014). The device could be used to illustrate how the theoretical and the practical knowledge are combined throughout the four years of studies in order to equip graduates with the knowledge and skills required to perform as electrical specialists on the labour market. Three projects which can be conducted using the Raspberry Pi will be discussed in order to illustrate the specificities of the knowledge and skills acquired within the electrical field of university studies, namely: automation and computing science, electronics and telecommunications and electrical engineering. The paper is particularly relevant in the current context of increased drop-out rates among first year students in electrical higher education. The three experiments could be used for presenting higher education studies in the electrical field to high-school students, either by admission officers or by career counsellors, to better support high-school students in their decision-making process when choosing their undergraduate specialty.

## **2. About the Raspberry Pi and its educational potential**

The Raspberry Pi (Figure 1) is a small computer board developed by the Raspberry Pi Foundation (The Raspberry Pi, 2017) with the main purpose of promoting teaching activities in basic computer science among schools. However, its low cost and flexibility drove its popularity far more than anticipated, for uses in domains such as robotics or entertainment. The latest model, the Raspberry Pi 3 Model B, comes equipped with a 4-cores ARM microprocessor clocked at 1100 MHz and incorporated GPU inside a system on a chip (SOC), 1GB RAM, USB and HDMI connectors and Wi-Fi, offering sufficient computing power to host not only educational examples, but also complex real-world applications.



*Figure 1- The Raspberry Pi*

The Raspberry Pi and similar computing devices have an enormous educational potential in the context of how technology has evolved. Hardware and software have reached a level where students can interact with complex applications, offering compelling user interfaces and photorealistic graphics. Smartphones, tablets and similar devices are now accessible to everyone and are used on a daily basis. However, as technology evolves, devices become more complex, encapsulated and closed systems. We can no longer “see under the hood”, tinker with settings or modify the code that makes these devices operate, leading to an increased risk of bringing up generations of students who have no idea of how computers and computing devices actually operate and what makes them tick. This is why devices such as the Raspberry Pi are so important in education, by reverting to the basics, stripping back all the non-essential shiny cases and well-polished user interfaces to offer the possibility to experiment, explore and understand how computers work, enlightening those for whom such a device is a “sealed box of magic tricks” (Rivers, 2014).

### **3. Raspberry Pi Case Studies**

#### **3.1. Building your personal web server and file storage cloud**

Ever since the Internet has begun picking up momentum, so has the World Wide Web (WWW), the primary tool people use to interact online. The Web today is a growing universe of web pages and web applications full of photos, videos and interactive content and, since November 2016, is mostly accessed using mobile devices (StatCounter, 2016). With students focusing mostly on consuming web services on a daily basis, they fail to understand the interplay of web technologies and browsers that makes all this possible, taking all of it for granted.

The Raspberry Pi can be used to exemplify how a Web server works, how Web pages can be created and hosted on such a server and served to clients when requested. It can also be used to deploy a personal file storage cloud service similar to other well-known services such as Google Drive, iCloud, OneDrive or Dropbox. Furthermore, while learning to deploy such a server, students can become accustomed to installing and configuring software on Linux, discovering some innerworkings of an operating system other than Microsoft Windows. Linux is free and highly customizable and allows you to “peek under the hood” and to modify it in any way you see fit.

NGINX (NGINX Inc., 2017) is an opensource high-performance web server well known for its performance and low resource consumption. It uses a scalable asynchronous architecture that has small and predictable memory usage under load. This small footprint makes NGINX an ideal candidate for our educational example on the Raspberry Pi. The installation process is covered by the official Raspberry Pi documentation and there are also plenty of free tutorials available (Emmeshop, 2014), (Raspbian-France, 2017). The Web server case study is even more useful when augmented with information about HTTP security and SSL certificates (e.g. LetsEncrypt free certificates (LetsEncrypt, 2017)). Students can thus learn how all the web technologies come together to serve web pages securely across unsecured transmission media.

To complete the example with the deployment of a personal file storage cloud, we can use OwnCloud (OwnCloud Inc., 2017), an open-source suite of client-server software for file hosting and sharing services. The installation and configuration of OwnCloud on Raspberry Pi is covered by plenty of free tutorials (Burnett, 2016) (Project Pi, 2017). Once the server is deployed, files can be accessed using a web-based client or dedicated desktop or mobile applications.

### **3.2. Building your personal communication server**

Communication devices have become ubiquitous and highly affordable ever since the mobile age began. Phone calls or conference calls are initiated and received at a press of a button, instantly ensuring connectivity among parties. However, from a technical point of view, the complexity of all systems involved in the communication process is hidden to the average user. To exemplify how communication is carried out, with immediate practical application and feedback, we propose this second case study, building a personal communication server using the Raspberry Pi and Asterisk and FreePBX.

Asterisk (Digium Inc., 2017) is an open-source framework for building communications applications and can turn any ordinary computer into a communications server. It can easily implement a software telephone private branch exchange (PBX), allowing calls between attached telephones and connections to other telephone services such as the public switched telephone network (PSTN) of voice over IP (VoIP) services. Asterisk is available worldwide and is implemented in over 1 million communications systems and has even attracted the attention of the Raspberry Pi community, which launched the RasPBX project (RasPBX, 2017), a Raspberry Pi based implementation of the popular Asterisk server.

The RasPBX project is easy to deploy and configure and can serve as an excellent test bed for exemplifying how communications work, how to create a session initiation protocol (SIP) trunk, how to access the server using a SIP capable phone or a software client and how to initiate phone calls between phones or clients. This makes it ideal as a case study for students who wish to pursue a career in communications, illustrating how different communications concepts and protocols work together to ensure voice connectivity, in a practical, real-world example.

### **3.3. Learning to code with lights and music**

Computer programming (or coding) is essential to future IT specialists. It can be defined as the process of creating sets of instructions that tell a computer how to perform a task and involves computational thinking. Computer programming in Romanian schools is taught purely on a theoretical level and mostly involves learning and implementing specific algorithms, an approach that can lead to students becoming disengaged with the subjects proposed, mainly due to the lack of perspective on how coding relates to solving real-world problems. This third case study aims at engaging students in order to effectively teach them core fundamental programming using the Raspberry Pi and Sonic Pi.

Sonic Pi (Aaron, 2017) is an open-source programming environment that allows you to create sounds and music, developed by Dr. Sam Aaron, a researcher at the University of Cambridge Computer Lab. It was specifically designed for the Raspberry Pi platform and can be easily installed from the main software repository. Sonic Pi can be used to great success to teach basic programming concepts in an engaging sounds and music creation environment with immediate, motivating feedback. Most coding techniques can be represented by a feature of the Sonic Pi. It can even be used to teach more advanced coding topics such as concurrency or determinism by creating sound loops that play at the same time or by experimenting with random elements.

This educational example allows students to learn how to write code in order to produce music tracks using the Raspberry Pi. It facilitates learning basic computer coding concepts such as sequencing, iteration, conditionals, data structures, functions, algorithms, debugging and combining programming constructs to solve a problem. The immediate audio feedback can be complemented with visual feedback by connecting colored LEDs to the Raspberry Pi and using applications such as LightShow Pi (LightShow Pi, 2017) to synchronize the lights to music. The result is a programming environment that emphasizes a practical real-world application for coding, while teaching students basic programming concepts in an engaging, fast feedback, iterative way.

### Conclusions and further research

This article presented an analysis of using the Raspberry Pi as a means for explaining technical university studies in the electrical field to high school students. This simple device was used to illustrate how the theoretical and the practical knowledge are combined throughout the four years of studies in order to equip graduates with the knowledge and skills required to perform as electrical specialists on the labor market. Three projects were chosen to illustrate the specificities of the knowledge and skills acquired within the electrical field of university studies, namely: automation and computing science, electronics and telecommunications and electrical engineering. All three projects represent applications used on daily basis by most students, that solve real-world problems, that, when implemented on the Raspberry Pi, result in an immediate application of the theoretical knowledge. This approach has the potential to help high-school students better understand what choosing an undergraduate track in the electrical field implies and support them in selecting their studies track. We believe a better understanding of higher education in the electrical field can contribute to decreasing the drop-out rates among first year students in electrical higher education.

### References

- AARON, S., BARNES R (2017). Code music with Sonic Pi.  
<https://www.raspberrypi.org/magpi/issues/essentials-sonic-pi-v1/>
- ANOSR. 2013. Învățământul superior în cifre: abandon și taxe în creștere, finanțare redusă.  
<http://edu-news.ro/analiza-invatamantul-superior-in-cifre-abandon-si-taxe-in-crestere-finantare-reduca/> [10 April 2017].
- BURNETT J. (2016). Owncloud 9.0.1 on Raspberry Pi 3 – Step by Step.  
<https://normally.online/2016/04/29/owncloud-9-0-1-on-raspberry-pi-3-step-by-step/>
- DIGIUM INC. .2017. Asterisk as VoIP Gateway. Whitepaper.  
<https://www.digium.com/sites/digium/files/digium-voip-gateways-white-paper.pdf>
- EMMESHOP ELECTRONICS. 2014. Raspberry Pi Web Server --- Nginx - PHP – MySQL.  
<http://www.instructables.com/id/Raspberry-Pi-Web-Server-Nginx-PHP-MySQL/>
- EUROPEAN COMMISSION. 2015. Dropout and Completion in Higher Education in Europe. Education and Culture. [http://publications.europa.eu/resource/cellar/d9de3b17-0dcf-11e6-ba9a-01aa75ed71a1.0001.01/DOC\\_1](http://publications.europa.eu/resource/cellar/d9de3b17-0dcf-11e6-ba9a-01aa75ed71a1.0001.01/DOC_1)
- KÖLLING, M. 2016. Educational Programming on the Raspberry Pi. Electronics. Vol. 16. No. 33.
- LETSENCRYPT. 2017. Let's Encrypt Documentation.  
<https://media.readthedocs.org/pdf/letsencrypt/stable/letsencrypt.pdf>
- LIGHTSHOW PI. 2017. <http://lightshowpi.org/>
- NGINX Inc. 2017. NGINIX. <https://www.nginx.com/>
- OWNCLOUD INC. 2017. OwnCloud Architecture Overview. Whitepaper.  
<https://owncloud.com/whitepapers/>

- PROJECT PI. 2017. RASPBERRY PI OWNCLOUD 9. <http://projpi.com/diy-home-projects-with-a-raspberry-pi/pi-owncloud-drop-box-clone/>
- QUINN, J. 2013. Drop-out and completion in higher education in Europe among students from under-represented groups. European Commission by the Network of Experts on Social Aspects of Education and Training NESET. European Union.
- RASPBIAN FRANCE. 2017. Install Nginx Raspbian, and accelerate your Raspberry web server. <https://howtoraspberrypi.com/install-nginx-raspbian-and-accelerate-your-raspbian-web-server/>
- RASPBX. 2017. Asterisk for Raspberry Pi. <http://www.raspberry-asterisk.org/>
- RIVERS, K. 2014. Getting started with Raspberry Pi in the classroom. <http://www.classthink.com/2014/08/24/getting-started-with-raspberry-pi-in-the-classroom/>
- SIMÃO, J.P.S.; de Lima, J.P.C. ; Rochadel W. ; da Silva, J. B. 2014. Remote Labs in Developing Countries. An experience in Brazilian public education. IEEE 2014 Global Humanitarian Technology Conference, <https://ieeexplore.ieee.org/document/6970267?section=abstract>
- SOBOTA, J. PIŠL, R., BALDA, P., SCHLEGEL, M. 2013. Raspberry Pi and Arduino boards in control education. 10th IFAC Symposium Advances in Control Education The International Federation of Automatic Control August 28-30. Sheffield, UK
- STATCOUNTER. 2016. Mobile and tablet internet usage exceeds desktop for first time worldwide. <http://gs.statcounter.com/press/mobile-and-tablet-internet-usage-exceeds-desktop-for-first-time-worldwide>
- THE RASPBERRY PI FOUNDATION. (2017). The Raspberry Pi. <https://www.raspberrypi.org/>

## **The Role of Digital Entrepreneurial Platforms and Bricolage Entrepreneurial Processes in Rural Transformation**

**Cranmer RUTIHINDA**

Bishop's University

crutihin@ubishops.ca

### **Abstract**

Building on current developments of digital platform technologies and the emerging entrepreneurship theory of bricolage entrepreneurial processes, this paper develops a framework for economic and social transformation of rural communities using digital platform technologies. It argues that digital platform technologies when combined with bricolage entrepreneurial processes can empower rural entrepreneurs to overcome the liabilities and constraints commonly found in rural communities. In resource poor rural communities social entrepreneurial process are found to be necessary to mobilize the social capital and fill in the gaps caused by government and market failure. The findings of this study provide an insight into how new digital platforms can help isolated rural communities to overcome the barriers common to most rural communities including limited access to key resources, talent, investors and market access. The significance of this study is made by its three main contributions. First, it contributes to the social entrepreneurship literature by providing a conceptual framework that combines social entrepreneurial process and digital platform strategies as drivers of social innovation and social change. Secondly, by amplifying the role of social entrepreneurial processes in regional transformation this study contributes to the literature on regional revitalization which has often taken a top down approach by emphasizing large multinational corporations as the main driver for revitalizing regional economies. By having social entrepreneurial processes at the center of regional transformation, especially in rural communities where market conditions do not provide a return on investment that is large enough to attract large investors, this study provides a bottom-up approach that is more inclusive, practical and sustainable. Thirdly, this study brings to light the game changing role that digital platform technologies can play to advance economic and social change in isolated rural communities.

**Keywords:** bricolage entrepreneurial processes, digital entrepreneurial platforms, rural transformation, social entrepreneurship.

**JEL classification:** O3, L3, R1, F6.

### **1. Introduction**

The acceleration of globalization and demographic changes in industrial economies has caused adverse effects on rural communities especially in the advanced economies. As global competition intensified, to stay competitive, multinational enterprises automated and offshored their manufacturing operations to less developed countries to reduce production costs. This trend of increased offshoring and automation led to massive unemployment in regional communities where manufacturing clusters were located, causing regional residents to migrate to urban centers where service sector jobs were increasingly being made available as the service sector was expanding in advanced economies. Migration from rural to urban centers is also driven by economic structures and education systems that concentrated economic activities and education facilities in large city centers.

Although there has been an increase of academic research on this subject of regional revitalization, most of this research has been dominated by the new economic geography paradigm that seeks to explain the concentration of economic activities in particular geographic locations (Fujita, Krugman and Venables, 2001). Regional locational advantages such as natural resources, concentration of talent, government policies, and historical developments have been found to be major magnets for clustering economic activities. Similar arguments are made by the strategic management of place paradigm (Porter, 1990; Katz and Wagner, 2014).

Building on the same economic assumptions is the place marketing literature that puts emphasis on the branding and promotion of a location's unique specific advantages to attract investments and tourism to create jobs and economic growth (Barca et al, 2012). This framework of marketing locations often involves a targeted investment promotion strategy where initial efforts are made by regional policy makers to specify a sector that will be suitable to drive economic growth for that location after considering a location's natural and human resources. Location branding strategies are then employed to attract investors to that location. To build industry clusters, government incentives are offered to leading global multinational enterprises. The goal is to have the leading investors who once located will pull their suppliers and other supporting industries to follow up with their operations into that location and build industry clusters.

All the above-mentioned approaches have contributed a great deal towards our understanding of factors leading to economic disparities between regions and what it takes to create industry clusters that will drive economic growth and employment. However, these theories have been criticized for overemphasizing the importance of the multinational enterprise (MNE) to regional development. Even when implemented they have resulted in short-term prosperity with negative long-term effects. When incentives dry out or global industry trends change and profit margins fall, the leading multinational firms leave. Once they leave the community to alternative low-cost locations, they leave behind a degraded environment, rising unemployment accompanied with related social problems that are now common in locations abandoned by MNE. This is what happened to many of the ghost towns that were abandoned as the manufacturing sector was replaced by the high technology information industry. Even in places where this approach has been successful in creating economic change, this change has often come at a high social cost with indigenous residents being crowded out as the cost of living goes up and their traditional livelihood is replaced jobs they cannot access. The older population in particular is often the first group to be laid off due to their relatively higher salaries. They are also the ones who are less likely to be offered training programs to fit into the new economic system, which leaves them with very few options but to take early retirement against their wishes.

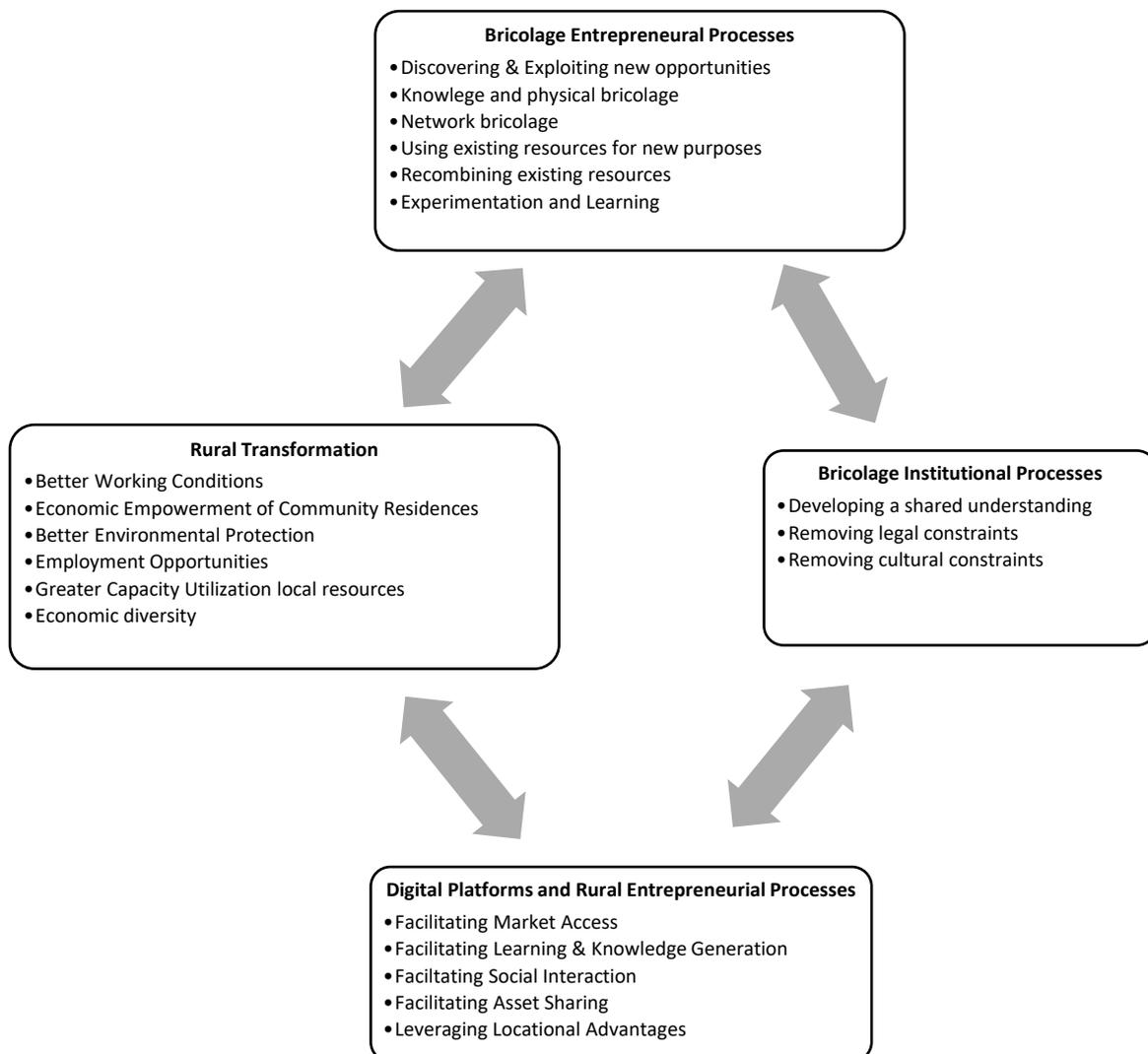
On the other hand, a new pattern of non-manufacturing clusters is emerging in some city centers of industrialized countries. Unlike the manufacturing industry clusters, these emerging clusters, known as 'innovative districts' are geared towards creating an inclusive, sustainable and knowledge-based economies (Katz and Wagner, 2014). According to Katz and Wagner (2014, p.1) innovative districts are defined as "geographic areas where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators, and accelerators". A key characteristic of innovative districts is their linkages with major research universities that bring in high-quality research faculty pursuing basic research who provide an opportunity for start-ups to convert basic research findings into innovations. However, innovative districts are not able to address rural communities that often lack the key drivers of innovative districts such as proximity to high-quality research institutions.

The aim of this study is to contribute towards filling in this gap by focusing on the economic and social revitalization of rural communities in industrialized countries with the specific intention of finding long-term solutions that will benefit local residents in a responsible manner without destroying the environment, and provides a path towards a more inclusive local community where no one is left behind. To achieve that objective, a framework that addresses both market failure and government failure is proposed. The proposed conceptual framework draws on the emerging theory of bricolage entrepreneurship which helps explain entrepreneurial processes in resource constrained environment such as those in rural regions. We use social entrepreneurship to address market and government failures. Digital

entrepreneurial platforms are used to overcome transactions costs that are typical for isolated rural locations with high infrastructure costs and limited market access. In the next section we first present the conceptual framework to explaining the role of digital platforms and bricolage entrepreneurial processes as key drivers of rural transformation. We later provide practical evidence of how our conceptual framework applies using a case study from one of Japan's most successful social enterprise, Irodori.

## 2. Conceptual Framework

Figure 1., illustrates the conceptual model for explaining how bricolage entrepreneurial processes and bricolage institutional processes interact with digital platforms to create social change in regional communities.



*Figure 1. Digital Entrepreneurial Platforms and Bricolage Entrepreneurial Processes for Rural Transformation*

Source: Author

### 2.2 Bricolage Entrepreneurial Processes

Entrepreneurial bricolage theory assumes that resource environments are socially constructed, suggesting that entrepreneurs in locations with significant resource constraints can

work with the limited resources they have at hand to create the resources they need (Fisher, 2012). Bricolage entrepreneurial processes are value creating processes that involve exploration and exploitation of entrepreneurial opportunities while refusing to be discouraged by existing resource constraints and institutional barriers (Baker and Nelson, 2005; Vanevenhoven et al., 2011). Bricolage resources can be distinguished as internal bricolage and external bricolage (Vanevenhoven et al., 2011, p.54). It is the entrepreneur's internal resources such as accumulated knowledge that determine the entrepreneur's ability to recognize emerging opportunities, while the entrepreneur's adaptive capabilities such as improvisation, critical thinking, integrative thinking and active engagement determine the entrepreneur's ability to exploit that opportunity. On the other hand, external bricolage refers to resources that are within the entrepreneur's external environment especially the established network of relationships with various stakeholders (Vanevenhoven et al., 2011). For social entrepreneurs, especially in rural areas successful entrepreneurs need to have networking skills required to create social value. Due to market failures and government failure, social value creation becomes a community endeavor that pulls resources from an extended network of stakeholders that includes local and central government agencies, private corporations, non-profit organizations, consumers, suppliers, multinational enterprises, financial institutions, schools, universities, hospitals, and other private and public institutions (Alvord et. al., 2004). Successful exploitation of entrepreneurial opportunities from the network depends on the entrepreneurs own internal resource capabilities to extract resources from stakeholders, that is, the entrepreneur's absorptive capacity and the willingness of stakeholders to share their resources and their resource capabilities. Access to network partners with sound complimentary resources brings more value enhancing capabilities to the entrepreneurial process.

*Hypothesis 1: Bricolage entrepreneurs in rural communities are likely to overcome resource limitations by repurposing their internal resources and leverage their established networks.*

### **2.3 Bricolage Institutional Processes**

Existing regulations or cultural norms can be a barrier to entrepreneurial processes. The behaviour between community members and the way they interaction and exchange of resources is highly influenced by institutional forces. Institutional forces are distinguished as formal and informal rules and regulations that govern individual behaviour (North, 1990). According to Scott (2014) institutions are distinguished into three systems, that is, as regulative systems made of rules and regulations issued by authorities, or normative systems made of informal networks, or cultural-cognitive systems which determines the society's shared values and meanings. In a regional community, formal institutions are set up by the local government laws and regulations, while informal institutions are shaped by local cultural norms and values (Cleaver 2002). Cultural norms and values are often taken for granted by local community members who through their interactions and knowledge of customs and traditions shape their attitude and behaviour in a manner that is acceptable in that community. In this paper we refer to bricolage institutional processes as the changes in a society's formal and informal institutional arrangements to accommodate social innovations that create positive social change. It is based on, institutional bricolage which is a concept emphasising the need to consider the nature and process of institutional formation and adaptation at the local level, recognizing that institutions change in response to the external environment and internal views (Cleaver 2002). The need to overcome institutional constraints is a requirement for entrepreneurship, especially in rural communities where rules and cultures are much stronger due the cultural proximity and isolation from multicultural interactions found in large cities.

*Hypothesis 2: Bricolage entrepreneurs in rural communities are likely to overcome local cultural and regulatory constraints by using their established relationships with various stakeholders to communicate the social value of institutional change.*

## **2.4 Digital Platform Entrepreneurial Processes**

A digital platform is an internet-based software that is designed to create a digital market place to facilitate interactions between producers and consumers (Parker, 2017). Digital platform entrepreneurial processes are entrepreneurial ecosystems that leverage on digital platform technological resource capabilities by matching users with producers ((Parker, 2017). To facilitate exchange, digital platforms often use internet-based algorithms that can be combined with emerging technologies such as, cloud computing, data analytics, artificial intelligence, blockchain technologies, internet of things, additive manufacturing, drones, or robots to create capabilities that can significantly reduce most of the institutional market failures that are characteristics of rural locations. Rural locations are often located at long distances away from market center that lead to higher costs of doing businesses. Through digital platforms rural producers can find buyers who are located anywhere in the world who have been directed to the platform marketplace based on their search criteria and platform filters. Products can be delivered at a relatively lower cost to rural locations by using drones or driverless trucks. Digital platforms using blockchain technologies can link rural producers directly with consumers (regardless their location) without the need of intermediaries. Through blockchain technologies rural producers do not have to go through the complicated process of export financing transactions without a letter of credit. With internet of things, rural producers can trace and control their products regardless where they are located in the value chain. Equipment and machines located in remote rural areas can be updated, repaired and maintained by the manufacturer using internet of things technologies without the need of traveling. These 3D digital platforms allow rural entrepreneurs to adapt the product and tailor-make it to specific locational needs using locally accessed materials and local labor input. It also gives rural locations greater autonomy and less market dependence on mass manufactured goods and tools, especially for pharmaceutical and health care products.

*Hypothesis 3: Bricolage entrepreneurs in rural communities are more likely to overcome the liability of geographic isolation by using digital platform technologies to gain greater access to external market opportunities.*

The concentration of prestigious schools and universities in Tokyo was one of the key drivers of rural migration for rural Japan to Tokyo. Digital education platforms with content delivered by prestigious schools with global recognition in such a way that credentials offered through the platform are recognized in the same way as residentially earned credentials reduce the need for students migrating to urban centres for quality education. With state-of-the-art quality education delivered to rural communities on location, rural communities will be able to gain knowledge that can be used to develop local talent. Such knowledge will empower local entrepreneurs' internal bricolage that can be used to develop economic and social value to the local community and beyond. Local rural entrepreneurs can be linked with research university to collaborate with university research that can be applied and commercialized as a collaborative project. Digital platform technologies will therefore reduce knowledge gaps between rural and urban centers, reduce rural migration, develop local talent, and empower local entrepreneurs with knowledge to accelerate entrepreneurial processes. Rural communities can also actively generate local knowledge that can be monetized as patents or copyrights facilitated through digital platforms.

*Hypothesis 4: Bricolage entrepreneurs in rural communities are more likely to overcome knowledge and learning constraints by using digital technologies to gain access to knowledge located elsewhere.*

Digital platform technologies can be used to facilitate social interactions to reduce social isolation. By using digital platforms, community members can learn more about their neighbors which can accelerate information sharing between community members who share common interests build relationship and strengthen community cohesion and social capital. The boundary of network social relationships expands beyond local residents to include other communities connected on that digital platform. Low birth rates common in developed economies are often caused by search costs that make it hard for singles to meet their right match. By using digital filters one can reduce the search on a digital platform to a select few that can then be tested to find the right match and hopefully raise a family together. Digital platform can facilitate social interactions that can help local entrepreneurs develop their network bricolage that can be leveraged for local economic and social value creation.

*Hypothesis 5: Bricolage entrepreneurs in isolated communities with limited social interactions are more likely to leverage digital platform technologies to facilitate social interactions between local and external residents.*

Asset sharing through digital platforms can maximize the exploitation of abundant or idle rural resources. Asset sharing between community members or between community members and the external community across the world has shown rural residents with underutilized resources can trade those resources through digital platforms. Facilitating asset sharing through digital platform technologies in rural communities will also help to reduce waste and landfills.

Digital platforms can facilitate the development of new ways for labour arrangements to allow greater utilization of talent located in rural areas. In rural areas there are unemployed or retired residents who are talented but cannot find work or can only work in flexible time schedules. Digital platforms enable individuals to work virtually online with flexible work schedules from their own rural homes. The reverse is also true local communities lacking talent, can source talent through digital networks from anywhere in the world. Adoption of digital technologies in the healthcare sector can provide a wider range of health care coverage to larger number of people regardless of their geographic location. In rural remote locations where households live far from hospitals mobile medicine technologies can reduce hospital visits. Digital platforms dedicated for electronic health care services that use mobile devices and visual communication technologies allows the limited number of health care providers in rural areas to share their services to a wider range of rural members who are often located further away from rural hospitals. Doctors can visually be able to see the patient while the patient through interactive visual technologies can reduce the need for frequent hospital visits especially for the elder community members who may be physically constrained.

*Hypothesis 6: Bricolage entrepreneurs in rural communities are more likely to leverage digital platform technologies to facilitate greater local resource utilization.*

Digital platforms have the ability to link an infinite number of stakeholders on one digital place making it easier to exchange resources and innovation without the limitation of distance that puts many of the remote locations at a disadvantage. Through digital platforms investors can find their desired project regardless of location, the unemployed can find work without having to leave their home. Local enterprises can virtually collaborate with other enterprises across the world to fill in their resource shortages. Rural start-ups can leverage digital platform technologies to source funding for their entrepreneurial start-ups using crowd sourcing

platforms to kick off their project. Opening up sources of funding through digital platform can open up financial resource for entrepreneurial development in rural communities.

*Hypothesis 7: Bricolage entrepreneurs in rural communities can overcome capital resources limitation by leveraging digital platform technologies to generate external capital.*

## **2.5 Rural Transformation**

Bricolage entrepreneurial processes bring economic and social change to communities by transforming the quality of their lives as individuals and improved social relations among the entire community. For example, entrepreneurial processes create jobs that reduce unemployment raising the standard of living for those individuals. Employment created to women can improve the social standing of women in rural society providing greater self-esteem and empowerment. Rural transformation that leads to a shift from polluting industries such as coal mines to cleaner energies such as solar power creates a better natural environment and better working conditions for workers who shift from dangerous coal mines to safer and less physical harm. Through local entrepreneurial processes residents are in charge of their value creating processes which bring greater economic empowerment of community residences. Unlike foreign investors that come and leave based on profitability of their ventures and can pollute the environment and leave, rural resident entrepreneurs are in their own homeland and therefore have greater interest for preserving their environment for their future generations to enjoy. Bricolage entrepreneurial processes in rural areas encourage entrepreneurs to be more creative and are more mindful of how they use their resources and are more creative with innovations for greater utilization of their existing resources. This attitude leads to less resource waste and hence less landfill and pollution.

## **3. Research Method**

Following Yin (2009) we use the case study method guided by the above conceptual framework for data collection and data analysis. The case study examines the social enterprise Irodori, which is located in the rural township of Kamakatsu, Tokushima Prefecture, Japan. This case was selected after an initial search from a list of registered social enterprises in Japan and found this to be one of the best success story that fits the conceptual model and data access. Data was also collected from company documents offered to us during our visit as well as other online and paper publications. We made several visits to Kamikatsu, and met with Irodori's employees, the main entrepreneur Mr. Tomoji Yokoishi now president of Irodori Co. Ltd. We had a tour around Kamikatsu, visiting local businesses, other non-profit organizations, and other Kamikatsu residents. Secondary data was collected from internal company documents that were made available to us when we visited, as well as, other online publicly available documents and publications on Irodori and Kamikatsu.

We used our conceptual framework as a guide for data collection. From our interviews with Irodori company employees we were able to gather information on the bricolage entrepreneurial processes that Irodori went through and the design and resource capabilities of Irodori's digital platform technologies. Through internal and public documents and our first hand contact with key actors in Kamikatsu, we were able to gather information related to institutional bricolage and the economic impact that Irodori has made to the rural community of Kamikatsu.

## **4. Case Analysis**

Mr. Tomoji Yokoishi is a bricolage entrepreneur who transformed a struggling rural agricultural cooperative into Japan's market leader of the leaf business. It was not until 1986 that Mr. Tomoji began contemplating the idea of establishing a leaf business to overcome the

falling agricultural activities at Kamikatsu. This idea of a leaf business first emerged when Mr. Yokoishi was dining at a restaurant in Osaka, where he noticed how high-end restaurant customers were attracted by garnish of beautifully arranged leaves that came along with meals served. His entrepreneurial mindset quickly recognized the value of the leaves to the dinner and the role it played in branding high end restaurants of Japan's major cities. His knowledge of Kamikatsu's rich forests with a wide varieties of leaf species prompted him to start exploring the opportunities for developing a business model for creating value to the high-end Japanese restaurants.

His first major barrier was tied to institutional barriers coming from cultural norms where farmers resisted to sell leaves, because it was culturally inappropriate. They were afraid that their neighbors would look down up on them because leaves were considered trash. Farmers were also hesitant to switch to leaves due to the fear of not being able to raise enough revenue. However, Mr. Yokoishi did not give up, he made several attempts convincing farmers by taking them to city restaurants so that they can appreciate the value that leaves can create. Another major barrier he faced was getting market access. High end Japanese restaurant chefs were difficult to reach unless you have established networks, that is network bricolage. It was hard to reach a chef unless you are connected with someone who knows the chef. He spent a lot of his hard-earned cash visiting expensive restaurants, until finally one chef invited him into the kitchen. When he finally was given the opportunity to supply to leaves, the clients rejected them because they could not meet the high standards required by that market. It took several attempts, visits and negotiations with restaurants and wholesalers before Kamikatsu leaves would be accepted into the distribution system. Once wholesalers were convinced and began handling Kamikatsu leave supplies, restaurants began ordering their leaves from wholesales and that's when the leaf business became a viable alternative for Kamikatsu farmers. According to company documents, today the leaf business has grown to become a major source of income for many of the Kamikatsu residents with an average annual turnover of more than 260 million yen (Irodori Company documents). Some women have an annual income of up to 10 million yen a year (Irodori Company documents).

At the heart of the Irodori business model is the digital platform technology known as the "Kamikatsu Information Network". This digital platform serves as a market-place connecting all Kamikatsu farmers to the network of suppliers across Japan with real time market demand information. All market information about the leaf market across the country is made available to all individual farmers on this platform. There are more than 320 types of leaf products to choose from. Demand changes every day. Prices are determined based on the market needs and availability of supplies from farmers. Irodori has more than 90 percent of the market share which gives them the power to control market prices. Apart from the digital platform, Irodori uses representatives in major wholesale markets across Japan who feed market information shared through the Kamikatsu Information Network to local farmers. Apart from the computer network, Irodori farmers also receive information by email or fax at 10.30 a. m. Based on this information farmers have to quickly lock in their orders and quickly process, pack and deliver the packed leaves to Irodori by noon on the same day. When the system was first created in the early 1990's there was no computer network infrastructure in Kamikatsu, so to ensure fairness that all farmers received market information at the same time using a radio communications system designed for disasters which every household had. It was against government regulation to use the disaster prevention radio communications system for other purposes than emergency evacuation. However, using institutional bricolage, Kamikatsu township made an exception to Irodori to support the successful operation of its market operations. Since 2005 the entire township of Kamikatsu has fibre optics installed, allowing computers to be connected on the internet. Individual farmers now monitor the market trends

from their own desk top computer and tablets to get information of daily sales and market prices from wholesaler across the country. To track and monitor the sources of each leaf, Irodori provides barcode labels that have an identification number for each farmer. Farmers place these labels for every package they send to help identify the source and track each item across the value chain.

### **Conclusion**

This study has made three main contributions. First, it contributes to the social entrepreneurship literature by providing a conceptual framework that combines social entrepreneurial process and digital platform strategies as drivers of social innovation and social change. Secondly, by amplifying the role of social entrepreneurial processes in regional transformation this study contributes to the literature on regional revitalization which has often taken a top down approach by emphasizing large multinational corporations as the main driver for revitalizing communities. By having social entrepreneurial processes at the center of regional transformation, especially in rural communities where market conditions do not provide a return on investment that is large enough to attract large investors, this study provides a bottom-up approach that is more inclusive, practical and sustainable. Thirdly, this study brings to light the game changing role that digital platform technologies can play to advance economic and social change in isolated rural communities.

Using the case study of Irodori this study has demonstrated how digital entrepreneurial processes and bricolage entrepreneurial process can drive the transformation of rural communities. Previous research on bricolage entrepreneurial process has often been used in developing countries to address bottom of the pyramid societies. The current digital platform at Irodori has a lot more potential to be expanded to reach other business ecosystems that can benefit from Kamikastu's unique resources and locational advantages. The system can be used to increase Kamikastu's potential for the sharing economy to unlock unused asset capacities residing at Kamikatsu. Policy makers and entrepreneurs can learn from the Irodori business to identify opportunities and the potential of exploiting emerging digital technologies such as block chain, internet of things, artificial intelligence, drones and robots to bring social and economic change that takes advantage of local resources and improves the quality of life for it rural communities. Both electronic tools, human skills, and physical tools will have to be innovated and redesigned to address rural demographic challenges as well economic and social needs. Future academic research can build on this framework, refine the concepts to test hypothesis using quantitative methods such as regression analysis or structural equation modeling from large survey data.

### **Acknowledgments**

I would like to extend my gratitude to Professor Hiroshi Takubo of Tokushima University, Japan for his endless support and his translation of documents and interviews from Japanese to English and Professor Katsunori Hizawa of Bishop's University, as well as Bishop's University and Tokushima University that supported my sabbatical leave that made this study possible.

### **References**

- ALVORD, S. H., BROWN, L. D., & LETTS, C. W. (2004) Social Entrepreneurship and Societal Transformation: An Exploratory Study, *Journal of Applied Behavioral Science*, 40 (3) 260-282 <https://journals.sagepub.com/doi/pdf/10.1177/0021886304266847>
- BAKER, T & NELSON, R. E. (2005). "Creating Something from Nothing: Resource Construction through Entrepreneurial Bricolage," *Administrative Science Quarterly*, 50,

- (3), 329-366. doi:10.2189/asqu.2005.50.3.329
- BARCA, F., MCCANN, P. & RODRIGUEZ-POSE, A. (2012). The case for Regional interventions the case of place-based versus place-neutral *Journal of Regional Science*, 52 (22), 134-152
- BARNEY, J. (1991). "Firm Resources and Sustained Competitive Advantage." *Journal of Management* 17 (1) 99–120.
- BATISSI, S. (2019). Digital Social Entrepreneurs as Bridges in Public–Private Partnerships, *Journal of Social Entrepreneurship* 10(2),135–158 <https://doi.org/10.1080/19420676.2018.1541006>.
- BATTILANA, J. AND LEE, M. (2014). Advancing research on hybrid organizing – Insights from the study of social enterprises, *Academy of Management Annals* 8 (1), 397-441
- BITENCOURT DA SILVA, S., & BITENCOURT, C. C. 2018. "Towards a Social-Resource-Based View (SRBV)." *Mega Journal of Business Research* 1:1–15.
- CAI, L. (2002). 'Cooperative branding for rural destinations', *Annals of Tourism Research*, 29,720–742.<https://www.sciencedirect.com/science/article/pii/S0160738301000809>
- CLEAVER, F. (2002). Reinventing institutions: bricolage and the social embeddedness of natural resource management. *European Journal of Development Research* 14(2): 11-30.
- DAVIES, A. (2014) Social Innovation and Social Entrepreneurship in Howaldt, J., Butzin, A., Domanski, D., & Kaletka, C. (eds). *Theoretical Approaches to Social Innovation - A Critical Literature Review*. SI-DRIVE). Dortmund: Sozialforschungsstelle.
- FISHER, G. (2012) Effectuation, Causation, and Bricolage: A Behavioral Comparison of Emerging Theories in Entrepreneurship Research, *Entrepreneurship Theory and Practice* 9, 1019-1051 doi: 10.1111/j.1540-6520.2012.00537.
- FRITSCH, M., & STOREY, D. J. (2014). Entrepreneurship in a regional context: Historical roots, recent developments and future challenges. *Regional Studies*, 48, 939–954.doi:10.1080/00343404.2014.892574
- FUJITA, KRUGMAN, P. R., & VENABLES, A. J. (2001). *The spatial economy: Cities, regions, and international trade*, MIT Press
- KATZ, B. AND WAGNER, J. (2014). The Rise of Innovation Districts: A New Geography of Innovation in America Brookings Institute. <https://www.brookings.edu/wpcontent/uploads/2016/07/InnovationDistricts1.pdf>
- KIRZNER, I. M. (1973). *Competition and entrepreneurship*. Chicago: University of Chicago Press.
- NORTH, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press
- OBSCHONKA, M., STUETZER, M., GOSLING, S. D., RENTFROW, P. J., LAMB, M. E., POTTER, J., & AUDRETSCH, D. B. (2015). Entrepreneurial regions: Do macro-psychological cultural characteristics of regions help solve the "knowledge paradox" of economics? *PLoS ONE*, 10(6). Article ID e0129332.
- PARKER, GEOFFREY G. (2017). *Platform Revolution: How Networked Markets Are Transforming the Economy and How to Make Them Work for You*. W. W. Norton & Company. Kindle Edition.
- PORTER, M. E. (1990). "The Competitive Advantage of Nations." *Harvard Business Review* 68, (2)73–93.
- SCOTT, W.R. (2014) *Institutions and Organizations: Ideas, Interests and Identities*, 4th ed. SAGE Publications: Thousand Oaks, CA, USA.
- SPIGEL, B. (2017). The relational organization of entrepreneurial eco-systems. *Entrepreneurship Theory and Practice*, 41, 49–72. doi:10.1111/etap.12167
- STAM, E. (2015). Entrepreneurial ecosystems and regional policy: A sympathetic critique.

- European Planning Studies*, 23, 1759– 1769. doi:10.1080/09654313.2015.1061484
- STAM, E., & SPIGEL, B. (2017). *Entrepreneurial ecosystems*. In R. Blackburn, D. De Clercq, J. Heinonen, & Z. Wang (Eds.), *The SAGE handbook of small business and entrepreneurship* (pp. 411–432). London: SAGE.
- VANEVENHOVEN, J., WINKEL, D., MALEWICKI, D., DOUGAN, W. AND BRONSON, J. (2011). "Varieties of bricolage and the process of entrepreneurship", *New England Journal of Entrepreneurship*, 14 (2). 53-66. <https://doi.org/10.1108/NEJE-14-02-2011-B005>
- YIN, R. K. (2009). *Case study research: Design and methods*. Thousand Oaks, CA: Sage.
- YOUNG, D. & LECY, J. D. (2012). *Defining the Universe of Social Enterprise: Competing Metaphors*. Andrew Young School of Policy Studies Research Paper No. 12-25. Available at SSRN: <https://ssrn.com/abstract=2166459> or <http://dx.doi.org/10.2139/ssrn.2166459>
- ZHU, H., CHEN, Y. 2 & CHEN, K. (2019) Vitalizing Rural Communities: China's Rural Entrepreneurial Activities from Perspective of Mixed Embeddedness. *Sustainability*, 11, 1609 doi:10.3390/su11061609

## **Branding in Higher Education**

**Laura Raluca ȘTEFAN**

The Bucharest University of Economic Studies

dr.psih.laurastefan@gmail.com

### **Abstract**

This study generates a new perspective on the subject of branding in higher education and it is based on a large number of research studies from different countries on several continents. The aim of the study is to look at the Romanian university's image as the outcome of their branding efforts, and to assess differentiation and positioning strategies deployed by high education institutions in our country. The study focuses on the most important components of universities' brands, logos and straplines (tagline), welcome addresses and how they present their own academic performance. We have taken a sample of Romanian universities and looked at the colours of their logos and the content and style of their straplines or welcome addresses. Based on Searle's Speech Act Theory (1969, 1979), three types of speech acts have been identified in the context of Romanian higher education branding: assertives, directives and commissives. We have analysed some other components of the university brand, which were identified in previous studies: the social identity of the university, the placement of the educational institution, the employability of its graduates and its general climate. Reputation, extracurricular activities, sports and social facilities, learning environment, courses offered and community links were also assumed to represent important factors of a university's brand. Higher education institutions can obtain responses to questions of how they should represent their image in the public perception and how they can build a strong brand. We have found that Romanian universities have similar brands and our conclusion is that a better differentiation and positioning is required in higher education.

**Keywords:** Marketing, Brand, Higher education, Logo, Strapline.

**JEL classification:** M31.

### **1. Introduction**

This article describes a piece of qualitative research on the branding efforts several higher education institutions in Romania. The article also includes a theoretical background on the subject of marketing and branding in higher education.

The target group is composed of 10 Romanian universities, five of which are large (over 20.000 students) and well-known, and five are small or new faculties, with 3000-4000 students. The aim of this study is to find out if there are any differences between the large and small universities in terms of strapline, logo or welcome addresses and the way they present their academic performance on their websites. The logo and the strapline are very important branding instruments. We have studied the logos' colors and the content and style of the straplines.

The study analyzes the content and form of expression of the strapline message with reference to J.R. Searle's Speech-Act Theory, the dominant colors found in logos, and the presentation of academic performance. Our conclusion is that there are marked similarities between the brands of Romanian universities, and a better differentiation and positioning is required for Romanian higher education institutions.

### **2. Marketing in higher education**

There are many debates about marketing and branding in universities and colleges. In this paper I will focus on branding. The marketing of Higher Education Institutions has been discussed in the scientific literature for some decades, at least since the late 1970s and the early 1980s by Riesman and Keller. Like businesses competing for talented staff, universities

compete strongly for talented students and teachers and are striving to find ways to increase the number of enrolled students and to keep stakeholders engaged.

The last decade has been a difficult time for Higher Education Institutions in the USA. After the “Golden Age” of the 1950s and 60s, when those institutions developed at a quick pace, the 1980s saw a reduction in governmental financial funding for higher education. Enrollment projections for the ensuing decade also decreased due to lower post-baby boom birth rates. Significant demographic changes led to a decline in student population, resulting in stronger competition between universities. This led to the publication of several papers about the kind of consumer marketing previously seen only in industry (Riesman, 1998; Keller, 1983). In that period of time, Keller listed various major forces impacting higher education: “the changing student clientele; the disintegration of the liberal arts curriculum; imperative technological changes and the increase of external control of higher education” (Keller, 1983, p. 12-25).

Riesman suggested some solutions for universities: decreasing, and in some cases even eliminating admission requirements; increasing marketing efforts towards better enrollment and taking steps to decrease attrition rates. “Potential students were barraged by mailings, recruiters, phone calls from alumni and others” (Riesman, 1998, p.108-109). Higher education institutions had to develop a better understanding of marketing techniques, which meant that they had to begin engaging in branding strategy and stepping up their marketing activity. According to G. Roshental, the need for marketing was reiterated by studies conducted at the Institute of Research on Higher Education (IRHE) of the University of Pennsylvania.

The challenges facing U.S. universities is shown by several studies published over the last few decades. For example, a Kellogg Commission report pinpoints institutional engagement as a necessary condition for improving higher education. Another commission reported: “As other nations rapidly improve their higher education systems, we are disturbed by evidence that the quality of student learning at U.S. colleges and universities is inadequate and, in some cases, declining.” (Lockwood R.C. and Hadd J, 2007)

Financial pressure has become a typical challenge for higher education in many countries, including the Nordic countries, along with expansion and diversification of enrolments, participation rates, types and numbers of institutions, as it is shown in an Unesco study (Fagerling, I./Stromqvist, G (ed.) (2004). This has resulted in low and declining university financial income, overcrowding, low-paid, unpaid faculty, lack of equipment or libraries. “Higher education institutions have experienced pressures for increased market orientation, to compete for students and obtain additional non-governmental resources.” (Unesco)

More recently, “European higher education has been transforming into a competitive environment, in which those institutions are forced to compete for resources” (Molesworth/Nixon/Scullion, 2011).

In this complex situation, there are debates about marketization in higher education, and the subject is still current. One very important component in universities’ marketing is the brand, because the brand helps universities differentiate from competitors, reduce competition and get access to resources. Consequently, branding and differentiation are becoming increasingly relevant (Chapleo, 2010).

### **3. Branding in universities**

Definitions of brand concept are numerous. I will present some of those brand definitions found in prominent dictionaries and papers, which are applicable to higher education.

Oxford Dictionary defines brand as:

"A type of product manufactured by a particular company under a particular name. "

A brand name.

A particular identity or image regarded as an asset.

A particular type or kind of something.

In Merriam –Webster dictionary a brand name is defined as:

1: "an arbitrarily adopted name that is given by a manufacturer or merchant to an article or service to distinguish it as produced or sold by that manufacturer or merchant and that may be used and protected as a trademark"

2: "one having a well-known and usually highly regarded or marketable name"

There are many perspectives on brands. As Aaker says, a product can be copied by a competitor, a brand is unique. "A product can be quickly outdated; a successful brand is timeless" (Aaker, 1991).

The following table presents the various brand themes found in literature:

*Table 1. Synthesis of Thematic twelve themes of brand definitions*

| Classification | Firm's perspective                                                                                                                                                                                                                                                                      | Consumer's Perspective                                                                                                                                                          |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Themes         | Brand as a logo;<br>Brand as a legal instrument;<br>Brand as a company;<br>Brand as a Identity system;<br>Brand as a image in consumer's mind;<br>Brand as value system;<br>Brand as a personality;<br>Brand as relationship;<br>Brand as adding value;<br>Brand as an evolving entity. | Brand as a shorthand;<br>Brand as a risk reducer;<br>Brand as an image in consumer's mind;<br>Brand as a personality;<br>Brand as relationship;<br>Brand as an evolving entity. |

Source: Maurya U.K., Mishra,P. 2012, p. 133

For a university, the name and all the symbolism attached to it, either through longevity, reputation, quality, the placement of the educational institution, the employability of its graduates, the image of the institution and its general climate represents its brand. An Indian study identifies six fundamental factors that intervene in the selection of universities by students and those factors represent the components of the brand: service, external exposure, image, price, quality and innovation. (John, F.S/Senith, S., 2003)

A brand may include new courses or new organizational culture, for example an entrepreneurial culture in universities. "A lot of reasons stayed at the foundation of turning universities to an entrepreneurial culture or attitude: the growing competition in a more globalized world, the shortage of governmental resources oriented to research university, an increasing demand coming from students not only for a longer employability, but rather for an attitude that permit to enter in the world of business." (Zaharia, R., Grundey, D., 2009). In order to succeed, higher education institutions must create a consistent, strong identity. Their identity gives them a competitive advantage. The university brand must show to the public what unique qualities the university has.

In theory, established universities have well defined and strong brands. However, being complex and flexible organisations, higher education institutions are sometimes inconsistent when it comes to their identity. It has even been argued that, in this type of organization, image is more important than substance (Alvesson, 1990) or that "looking good" is more important than "being good" (Gioia/Corley, 2002). (Mampaey, J., Huisman, J, 2016). Therefore, branding is an image, a symbolic strategy that does not necessarily represent the substantive, organizational culture, rules, internal activities or the identity of the universities.

"It has been argued that brand differentiation is especially important for lowly reputed

HEIs in that they need to develop unique brands to attract specific market segments, whereas highly reputed HEIs have no need to differentiate for they can build on their reputation (Brown/Mazzarol, 2009)” (Mampaey, J., Huisman, J, 2016).

#### **4. Qualitative research on branding in higher education Romanian institutions**

We have conducted a qualitative study on branding in Romanian higher education. We have empirically analyzed the brands of ten universities in the Romanian higher education system. The universities’ straplines are used as our unit of analysis. The straplines are part of the universities’ logos, so they are very visible to website visitors. The logo and the strapline are very important branding instruments. We have studied the logos’ colours and the straplines’ content and style.

The study includes ten universities chosen based on the number of students enrolled in all programs and all forms of education: the first 5 Romanian universities, with 20,000-36,000 students each, and 5 smaller universities in terms of number of students: 2000-4000.

We analyzed the content and form of expression of the strapline message by reference to the Speech-Act Theory created by J.R. Searle, the dominant colors found in logos, and the presentation of academic performance.

Two thirds of the large universities have straplines, and for those that do not, we analyzed the values expressed in the most visible presentation of the university on the dedicated website, like welcome addresses. All straplines are in Latin. All major universities have logos. All major universities refer to their academic performance and their place in international and national rankings.

The content analysis reveals the following terms used in straplines, in order of frequency: tradition, virtue, performance, with at least two occurrences, followed by the terms with a single occurrence: values, creativity, wisdom, truth, freedom. Content analysis reveals the following categories:

Axiology / character (values, virtue, freedom - 4 uses),

Temporality / history (tradition - 3 uses),

Rational / cognitive (truth, creativity, wisdom - 3)

Action / praxis (performance - 2)

The colors that appear in the logos are, in order of frequency, the following: blue, white, yellow, red and cream.

The form of expression of the message is analyzed by reference to the word-action theory created by J.R. Searle, according to which the communication can be:

"Assertive - states things that exist as they exist

Commission - states things they want to do

Directive - states things that others want to do

Statement - when they do things in the world at the time of utterance only by virtue of saying that they do so

Expressive - the expression of the attitude about objects and facts of the world."

Within prestigious universities, the strapline’s style is assertive and commissive. By using assertive communication, universities present their organizational values as objective facts and this contributes to their perceived legitimacy and attractiveness.

Of the 5 smaller and newer universities, only one has a strapline (“Wisdom and Virtue”). The content analysis reveals two areas: first, rational / cognitive and second, the axiological / moral-characteristic. For the universities that do not have straplines, we performed the analysis of their welcome address. The style of the welcome address is directive, future-oriented and rather vague ("We are the best choice.", "Your life journey begins here" etc.). The predominant colors in the logos are white, blue and yellow. In their presentation, the universities refer to the

geographic area where they operate and do not refer to national or international university rankings.

The colours in the logos of small universities are the same as those of the larger high education institutions; therefore it is possible that the small ones were inspired by the image and brand of large, prestigious universities.

## Conclusion

The large, prestigious Romanian universities have brands that relate to the past, history, traditions, while the brands of the smallest and newest universities relate to the future. All universities have logos, but their colors are very similar. Almost the same colors are used by both large and small universities. The colors that appear in the logos of Romanian universities are: blue, white, yellow, red. Cream appears only in one logo of a prestigious university.

Universities operate in an environment with many constraints related to educational policies, demographics, the national economy and culture, etc, which is why there are many similarities within higher education brands. But a certain brand differentiation can be noticed, for example in terms of the message and the image they convey.

Universities have similar brands, in conclusion, a better differentiation and positioning is required in higher education in Romania and that is an important issue for universities management.

This study can be continue with qualitative and quantitative researches in high education institution from Romanian and other countries.

## References

- AAKER, D. (1991). *Managing brand equity: Capitalizing on the value of a brand name*. New York: The Free Press.
- AAKER, D. (1996). *Building strong brands*. New York: The Free Press.
- CHAPLEO, C.(2010) What defines ‘successful’ university brands? In *The International Journal of Public Sector Management*, Vol. 23, No. 2, 2010, p. 169-183.  
[https://researchportal.port.ac.uk/portal/en/publications/what-defines-successful-university-brands\(3c8ac593-a9bd-48fc-88f9-f7597939f140\).html](https://researchportal.port.ac.uk/portal/en/publications/what-defines-successful-university-brands(3c8ac593-a9bd-48fc-88f9-f7597939f140).html)
- FAGERLING, I., STROMQVIST, G (ed.) (2004) *Reforming higher education in the Nordic countries – studies of change in Denmark, Finland, Iceland, Norway and Sweden*, International Institute for Education Planning, Paris, Unesco  
<https://unesdoc.unesco.org/ark:/48223/pf0000139015>
- JOHN, F.S/SENITH, S., (2013), Factor Branding in Selection of Higher Educational Institution in India, *IOSR Journal of Business and Management (IOSR-JBM)*e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 9, Issue 5 (Mar. - Apr. 2013), PP 45-50  
<https://pdfs.semanticscholar.org/7f2d/268d5ed42b957dfac0c9ecddff74531e0550.pdf>
- LOCKWOOD, C.R., Hadd, L., (2007), Building a Brand in Higher Education. Why business practices -- particularly brand strategies -- are becoming essential in today's universities, *Business Journal*, July 12 [https://link.springer.com/chapter/10.1007/978-3-319-50008-9\\_101](https://link.springer.com/chapter/10.1007/978-3-319-50008-9_101)
- MAMPAEY. J., HUISMAN. J., (2016), Branding of UK Higher Education Institutions, an Integrated Perspective on the Content and Style of Welcome Addresses, *Recherces Sociologiques et antropologiques* p. 133-148 <https://doi.org/10.4000/rsa.1636>
- MOLESWORTH M., NIXON E., SCULLION. R.,(2011) *The Marketization of Higher Education and the Student as Consumer*, Abingdong,
- RIESMAN, D. (1998). *On higher education: The academic enterprise in an era of rising student consumerism* (2nd ed.). New Jersey: Transaction Publications.

- ROSENTHAL, G., (2001) Increasing role of marketing in higher education, dissertation in University of Pennsylvania, U.S. <https://repository.upenn.edu/dissertations/AAI3092046/>
- SEARLE, J., (1969) *Speech Acts*, Cambridge, Cambridge University Press.
- SEARLE, J., (1979) *Expression and Meaning*, Cambridge, Cambridge University Press.  
<https://doi.org/10.1017/CBO9781139173438>
- UPENDRA KUMAR MAURYA, Mishra, P., (2012) What is a Brand? A Perspective of a Brand Meaning *European Journal of Business and Management*, vol. 4 no.3, 2012  
<https://www.iiste.org/Journals/index.php/EJBM/article/view/1322>
- ZAHARIA, R., GRUNEY, D. (2009). Challenges and opportunities faced by entrepreneurial university. Some lessons from Romania and Lithuania. *Annals of the University of Oradea, Economic Science Series 18 (4)*, 874-876 vol18, issu 4, pp 874-876

#### Websites

- <https://ase.ro/>
- [https://link.springer.com/chapter/10.1007%2F978-3-319-58527-7\\_4](https://link.springer.com/chapter/10.1007%2F978-3-319-58527-7_4)
- <https://www.thoughtco.com/speech-act-theory-1691986>
- <https://www.ubbcluj.ro/ro/>
- <https://unibuc.ro/>
- <http://www.uaic.ro/>
- <https://upb.ro/>
- <https://www.upet.ro/>
- <https://www.utgjiu.ro/>
- <http://www.uab.ro/>
- <https://www.valahia.ro/>
- <https://www.zf.ro/zf-24/harta-studentilor-din-romania-centrele-universitare-au-atras-cei-mai-multi-investitori-mai-bine-de-50-dintre-studentii-romani-invata-in-doar-trei-orase-din-romania-16333898>

## **Studying the Evolution of Business in the field of Nutrition using Instruments Specific to Online Social Networks in the Context of the New Covid-19**

**David-Florin CIOCODEICĂ**

The Bucharest University of Economic Studies  
ciocodeicadavid@yahoo.com

**Raluca-Giorgiana CHIVU**

The Bucharest University of Economic Studies  
raluca.chivu0126@gmail.com

**Ionuț-Claudiu POPA**

The Bucharest University of Economic Studies  
popa.claudiu3@yahoo.com

**Adrian MOCIU**

The Bucharest University of Economic Studies  
adrianmociu@gmail.com

### **Abstract**

Entrepreneurship is the most widespread process in the economy today. A large part of the young people who complete their university studies in a particular field, decide at the end of their studies to open their own business, applying the accumulated information. Most choose this opportunity out of a desire for independence and individualization. One area that has expanded quite a bit is that of nutrition and dietetics. Because of the chaotic lifestyle of the population, most of them choose to turn to a nutrition expert for advice on nutrition. The main reason why they turn to such an expert is the lack of time and the fact that, due to the busy schedule, they fail to have a proper and consistent diet for the health of the body. In 2020, a global pandemic caused by COVID-19 broke out, which automatically generated the closure of many institutions and companies, predicting a drastic decline in the economy. In this article, we will present how the nutrition and dietary companies in Romania coped with the current situation and how they managed to keep their business active and profitable.

**Keywords:** nutrition, entrepreneurship, online social networks, mobile networks, economy, marketing, promotion.

**JEL classification:** L26, M31, I12.

### **Introduction**

"It is confirmed worldwide that entrepreneurs influence both economic development and evolution. They are the ones who try to create and make available to consumers the requested products and services, thus contributing to a better life, increasing labour productivity and helping to improve health. Therefore, the presence of entrepreneurship and entrepreneurs contributes to encouraging and initiating changes in society,, (Borza et al., 2009).

So, entrepreneurship is what contributes significantly to the whole of economic growth, entrepreneurs being the ones who create new businesses. Subsequently, new jobs are created in newly established businesses, various goods and services are made available to consumers, competitiveness is increased, and a positive impact on the lives of individuals is highlighted. (Amorós&Bosma, 2014).

The technological evolution characteristic for the contemporary society produces and supplies new products/services, thus determining the appearance of new needs at the level of consumers, who are no longer satisfied with the existing goods/services. (Audretsch&Thurik, 2004). Thus, it is entrepreneurship that brings innovations that help meet the ever-changing demand.

Entrepreneurs are people in the economic field who can combine the results of research and development with various factors of production, to generate the desired economic growth then, thus transforming the knowledge held into economic growth. That is why it is essential to remember that it is not knowledge that generates economic growth, but how it is applied in the current economy. (Landström, 2008 p.302).

### Entrepreneurship in Romania

Entrepreneurship is first and foremost a way of thinking and then an economic process that is vital in the new knowledge-based economy. It needs to be encouraged as it generates future economic development and rising living standards. Entrepreneurial information is generally valid and available to all individuals worldwide. Despite this transparency, the economic index regarding entrepreneurship varies depending on the position on the globe, the culture and the development of the countries. (Rusu, 2015)

In order to analyze the study of the evolution of the entrepreneurial environment, the project called “Global Entrepreneurship Monitor - GEM” was initiated. The project has a significant contribution in increasing the representative information for the field of entrepreneurship, annually updating the relevant international data in this field, but also in assessing the intensity of entrepreneurship felt in the adult population according to international scientific criteria specific to this field.

The 2015 GEM global report covers 62 countries, 70% of the world's population and 83% of GDP. In Romania, the study is led by Babeş-Bolyai University Cluj-Napoca, FSEGA.

According to GEM 2015, Romania is among the countries with the highest rates of medium-high growth entrepreneurs along with countries such as Colombia, Chile, Taiwan, China, Kazakhstan, Tunisia and Ireland.

The figure below shows the evolution of Romania presented in this report.



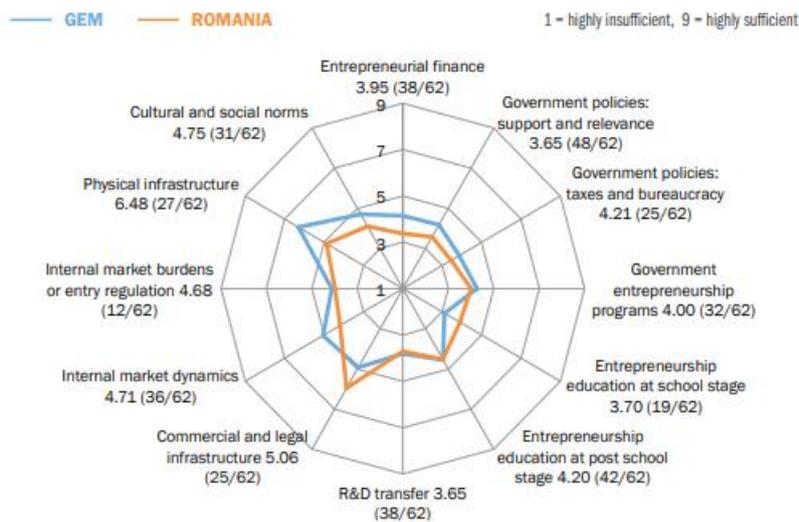
**Population:** 19.9 million (2014)  
**GDP:** \$200.0 billion (2014)  
**GDP per capita:** \$10,035 (2014)  
**SME contribution to GDP:** 50% (2014)  
**World Bank Doing Business Rating:** 74/100; **Rank:** 37/189  
**World Bank Starting a Business Rating:** 92/100; **Rank:** 45/189  
**World Economic Forum Global Competitiveness Rating:** 4.3/7; **Rank:** 53/140  
**Economic Development Phase:** Efficiency-Driven

| Gender Equity                 |       |         |
|-------------------------------|-------|---------|
|                               | Value | Rank/60 |
| Female/Male TEA Ratio         | 0.5   | 38T     |
| Female/Male Opportunity Ratio | 1.1   | 3T      |

| Entrepreneurship Impact                  |         |         |
|------------------------------------------|---------|---------|
|                                          | Value % | Rank/60 |
| Job expectations (6+)                    | 39.8    | 4       |
| Innovation                               | 3.2     | 27T     |
| Industry (% in Business Services Sector) | 17.6    | 29      |

| Societal Value %s About Entrepreneurship |         |         |
|------------------------------------------|---------|---------|
|                                          | Value % | Rank/60 |
| High status to entrepreneurs             | 75.1    | 18      |
| Entrepreneurship a good career choice    | 72.4    | 12      |

**Expert Ratings of the Entrepreneurial Eco-system** (rank out of 62 recorded in brackets)



**Figure 1 - Entrepreneurship in Romania**

Adaptation by: <https://www.gemconsortium.org/economy-profiles/romania>

### Online social networks

The online environment, also known as the virtual society, generates a social impact, it represents the phenomena and relationships in the online environment to the entire society. Within it are found several numerous interpersonal, societal, communication, economic and cultural interactions (Grosseck, 2006, p. 93).

Globally, this phenomenon of social networks has significantly expanded in recent years, reaching almost half of the current population.

Online social networks are a channel of communication with all Internet users and are often used as a marketing channel, offering the possibility of inserting messages, distributing them and accessibility.

In conclusion, online social networks are the ones that provide the basis for maintaining social relationships, communication between TEA individuals and the exchange of information in real-time, thus managing to identify users with common interests. (Iordache&Petre, 2017, p.25).

### Entrepreneurship in the context of COVID-19

At the beginning of 2020, a pandemic caused by the COVID-19 virus appeared worldwide, which affected the entire population, both psychologically and financially. In March 2020, this virus also reached Romania, affecting the entire system, even if the population expected it. The immediate effects of this crisis were observed at the economic level, requiring the closure of several companies, or the transfer of activities to the homes of employees.

Along with these measures, the restaurants and shops specializing in food preparation were closed, which were mostly used by people working in multinationals and other companies. Thus, from a precisely established meal schedule, at fixed hours, according to the work schedule and break hours, they quickly switched to an irregular schedule, being tempted due to lack of activity and the obligation to stay at home, to eat several times a day and regardless of the health of their body.

The only ones which could have helped those in this situation are the nutritionists who, unfortunately, were also affected by the COVID-19 crisis which created an economic imbalance, being quite dangerous for them to interact with customers.

Thus, in order to overcome this crisis, but also to come to the aid of isolated or self-isolated people at home, they chose to move their business to the online environment and continue to advise on various methods in the virtual environment.

### Research methodology

In the context of COVID-19, it has been quite difficult for many companies to continue to grow and prosper. Thus, many of them have chosen to move their businesses on various online social networks.

These companies include companies in the field of nutrition and dietetics, companies that have also had real success with this method.

The purpose of this research is to study the specific tools of online social networks used by nutrition and dietetics companies to develop and function in the current conditions.

The main objectives pursued were:

O1. Identify the main tools used by nutrition companies to interact with customers

O2. Determining the degree of adaptation of nutrition companies to the current situation

O3. Identifying the impact of using specific tools on online social networks to attract new customers.

O4. Determining the degree of interest at the level of nutrition companies that have resorted to such tools for their use in the future.

For the analysis and interpretation of the results obtained, the information was organized in the form of graphs and tables, being more comfortable with highlighting the main distinctive elements of the tools specific to online social networks used by nutrition and dietetics companies to develop and function in current conditions.

The research was conducted online, through a questionnaire distributed to nutrition companies, the sampling method being an unlikely one, the snowballs. The sample consisted of several 150 respondents, nutritionists, aged between 30 and 45, who have companies operating in Romania.

### Analysis and interpretation of research results

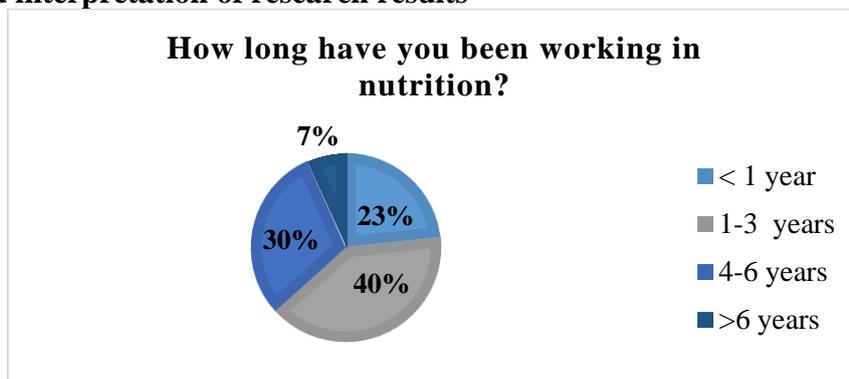
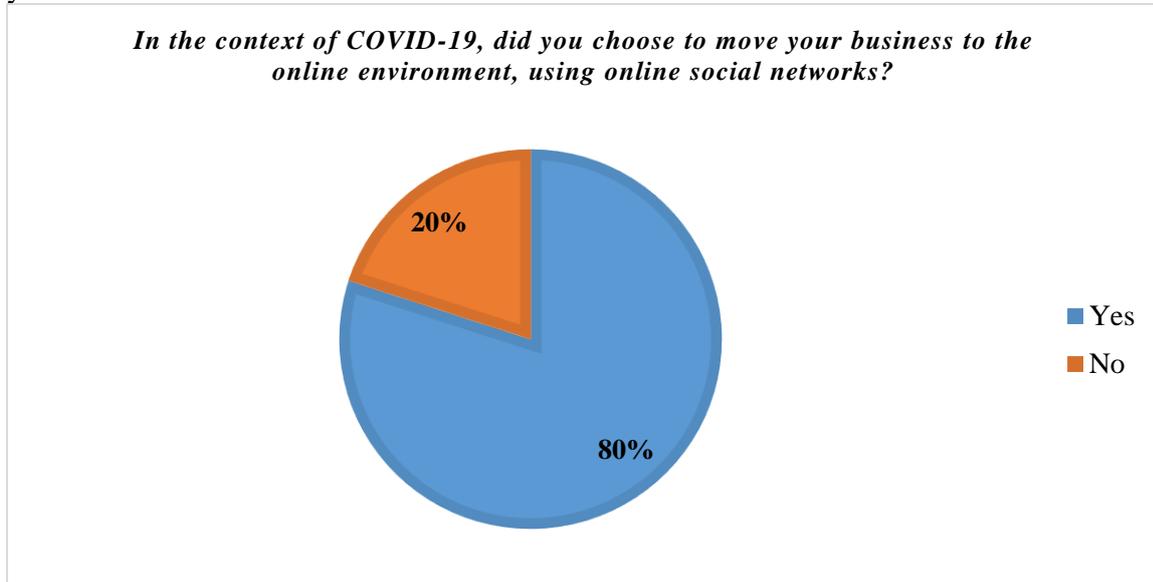


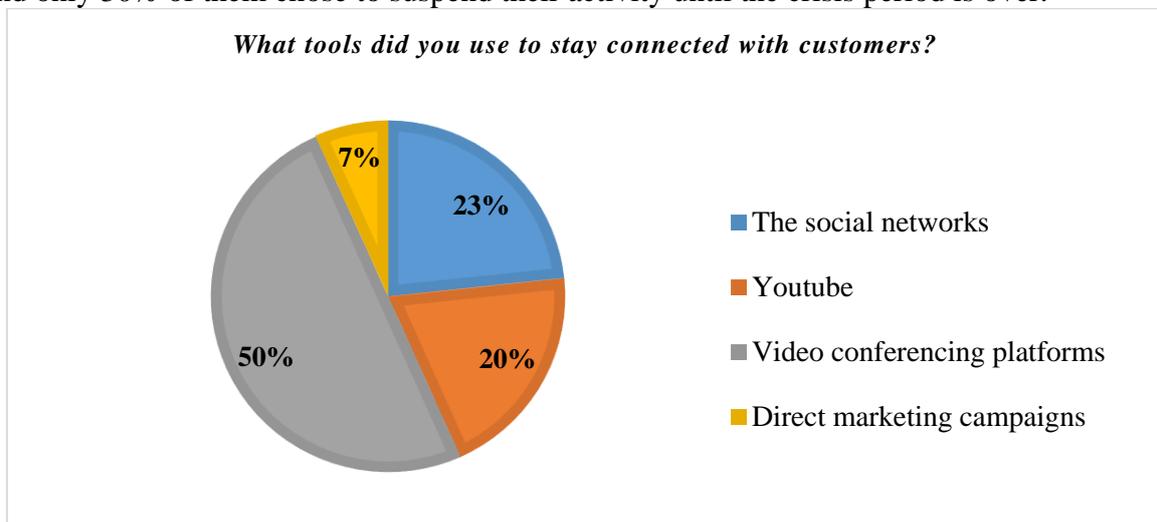
Figure 2 - Nutrition seniority

Most of the respondents were people working in the field of nutrition for 1-3 years (40%), a percentage of 30% are 4-6 years old, 23% of those who answered are less than a year old in the field, and the remaining 7% are veterans in this field, with a seniority of more than six years.



*Figure 3 - Choosing the online environment for business development*

80% of the respondents moved to the online environment, using online social networks, and only 30% of them chose to suspend their activity until the crisis period is over.



*Figure 4 - Tools used*

The questionnaire concluded that most nutritionists used video conferencing platforms because they wanted to make their information available only to people who paid for a subscription or a meeting. 23% of respondents specified that they chose to present information by keeping in touch with customers through social networks, free of charge, thus attracting potential future customers. A percentage of 20% chose to use YouTube to keep in touch with customers, through live videos, thus leaving the information available to other people for an indefinite period, being easy to access. However, only 7% chose direct marketing campaigns to retain customers.

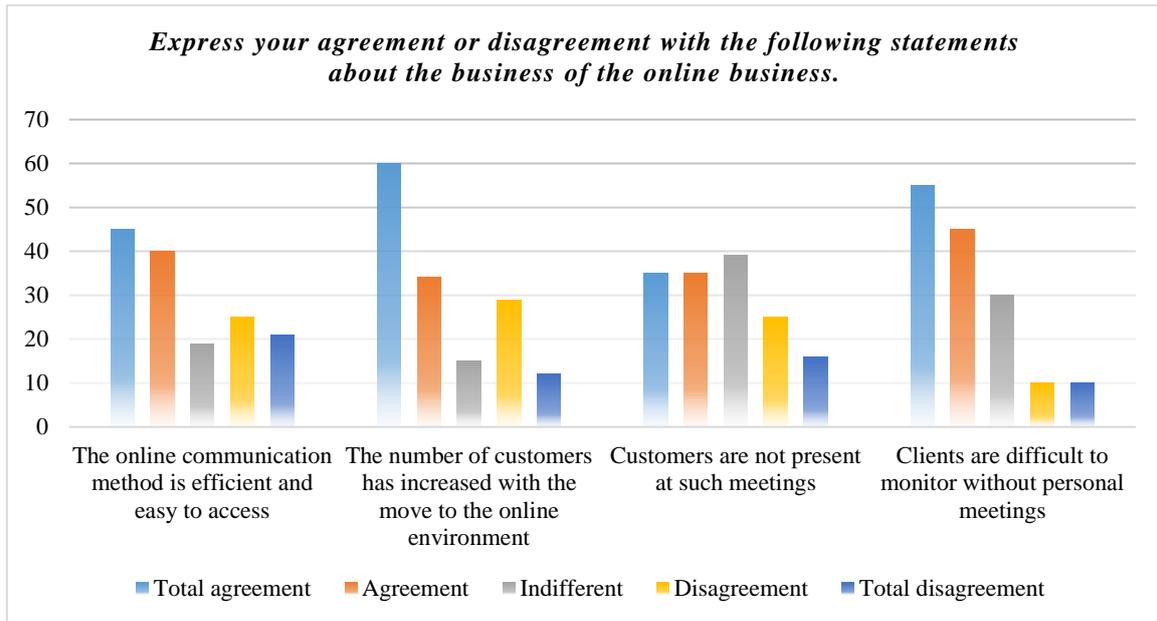
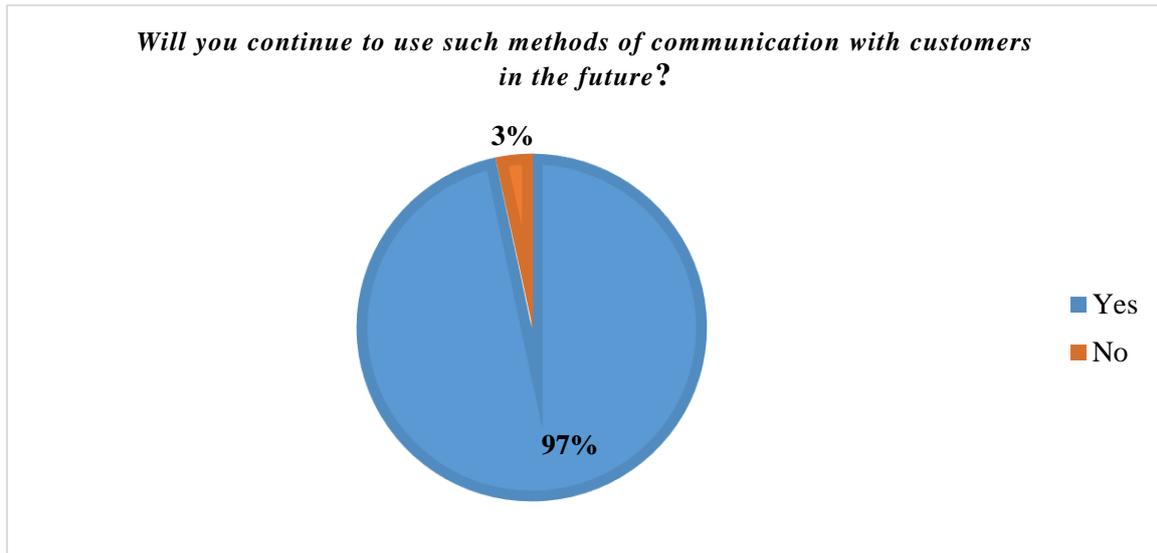


Figure 5 - Carrying out the online activity

Table 1 - Compared statements regarding the meetings with clients

| positive statement                                                            | 2               | 1         | 0           | -1           | -2                 |                      |                  |
|-------------------------------------------------------------------------------|-----------------|-----------|-------------|--------------|--------------------|----------------------|------------------|
| affirmations                                                                  | Total agreement | Agreement | Indifferent | Disagreement | Total disagreement |                      | Individual score |
| The online communication method is efficient and easy to access               | 45              | 40        | 19          | 25           | 21                 | 63                   | 0.42             |
| The number of customers has increased with the move to the online environment | 60              | 34        | 15          | 29           | 12                 | 101                  | 0.67             |
| Customers are not present at such meetings                                    | 35              | 35        | 39          | 25           | 16                 | -48                  | -0.32            |
| Clients are difficult to monitor without personal meetings                    | 55              | 45        | 30          | 10           | 10                 | -125                 | -0.83            |
| negative statement                                                            | -2              | -1        | 0           | 1            | 2                  | <b>Overall score</b> | <b>-0.015</b>    |

Compared to the four statements regarding the meetings with clients in the online environment, the distribution of the opinions of the 150 interviewed subjects was the above. After calculating the individual score on the statement, on a scale from -2 to +2, the conclusion is that the number of customers increased with the move to the online environment, because it is much easier to take part in such a meeting from the comfort home, but also that online communication is more comfortable to access and efficient. It is considered that clients cannot be monitored at all in this method of education, but also that some are quite reluctant about these methods of meeting.



**Figure 6 - Choosing the online environment for the future**

A percentage of 97% of the respondents stated that they would use this method of communication with customers in the future, while only 3% chose to stay with the classic method in the future.

### Conclusions

Following the realization of this research at the level of nutritionists in Romania, with experience from 1 to 6 years in the field, we concluded that most chose to move to the online environment during the crisis.

Their favourite tools are video conferencing platforms because they wanted to make their information available only to people who paid a subscription or a meeting, social networks, for free, thus attracting potential customers or YouTube to keep the connection with the clients, through live videos, thus leaving the information available to other people for an indefinite period.

Moreover, the most important thing is that almost everyone would prefer to stay with the business in the online environment, through these tools and in the future.

### Acknowledgements

This paper was co-financed from the Human Capital Operational Program 2014-2020, project number POCU / 380/6/13/125245 no. 36482 / 23.05.2019 "Excellence in interdisciplinary PhD and post-PhD research, career alternatives through entrepreneurial initiative (EXCIA)", coordinator The Bucharest University of Economic Studies.

This work was supported by a grant of the Romanian Ministry of Research and Innovation, UEFISCDI, project number PN-III-P1-1.2-PCCDI-2017-0800 / 86PCCDI/2018 - FutureWeb, within PNCDI III.

### References

- AMORÓS, JE AND BOSMA, N., 2014. Global Entrepreneurship Monitor 2013 Global Report. [pdf] Available online at <[www.gemconsortium.org/docs/download/3106](http://www.gemconsortium.org/docs/download/3106)>, [Accessed 23 April 2020].
- AUDRETSCH, DB AND THURIK, AR, 2004. A Model of the Entrepreneurial Economy, Discussion Papers on Entrepreneurship, Growth and Public Policy.

- BORZA, A., MITRA, C., BORDEAN, O., MUREȘAN, A. AND SUPURAN, R., 2009. Entrepreneurship. Management of small and medium enterprises. Risoprint Publishing House: Cluj-Napoca.
- GROSSECK, G., 2006. Internet marketing and communication. Lumen Publishing House: Iasi.
- IORDACHE, DD AND PETRE, I., 2017. Online social networks in the context of Big Data. Romanian Journal of Informatics and Automatics [specialized journal in electronic format], 27 (1): 25. Available online at <<https://rria.ici.ro/art-03-vol-27-nr-1-2017/>> [Accessed on April 20, 2020].
- LANDSTRÖM, H., 2008. Entrepreneurship Research A Missing Link in Our Understanding of the Knowledge Economy, Journal of Intellectual Capital, 9 (2), pp. 301-322.
- RUSU, RC, 2015. Improving entrepreneurial education in Romania by using non-formal methods in the lower cycle of high school. [pdf] Available online at <[https://econ.ubbcluj.ro/Scoala\\_Doctorala/rezumate/RUSU%20Carmen%20Ramona.pdf](https://econ.ubbcluj.ro/Scoala_Doctorala/rezumate/RUSU%20Carmen%20Ramona.pdf)> [Accessed on April 23, 2020].
- \*\*\* <https://www.gemconsortium.org/economy-profiles/romania>

## **The impact of Online Platforms on Reducing the Shortage of Staff in the Air Transport Industry: An Entrepreneurial Approach**

**Ionuț-Claudiu POPA**

The Bucharest University of Economic Studies  
popa.claudiu3@yahoo.com

**Adrian Ionuț MOȘESCU**

The Bucharest University of Economic Studies  
ionutbz@yahoo.com

**Raluca Giorgiana CHIVU**

The Bucharest University of Economic Studies  
raluca.chivu0126@gmail.com

### **Abstract**

The branch of air transport services is an industry in which innovative ideas can be successfully integrated in short periods. Given that air transport is a relatively new and growing business, changes and innovative ideas can be successfully integrated in a short period. This article aimed to highlight the need to create a platform that provides transparent information about the career in air transport, its implications, benefits and how a person can work "at height" every day. The platform meant to bring together interested persons, employers, and public education institutions is to be created in Romania, a country with a vast history in the airline industry.

**Keywords:** entrepreneurship, air transport, education.

**JEL classification:** L93, M31.

### **1. Introduction**

Air transport services represent a booming industry through which in 2019 no less than 1.8 billion passengers were transported globally. Hundreds of thousands of people from various fields worked 24/7 to facilitate this service, such as pilots, aviation technicians, traffic controllers, flight attendants or auxiliary personnel. Globally, more than 370,000 aircraft are registered, of which approximately 170,000 are used for passenger transport and 200,000 for cargo or charter transport. Therefore, globally air transport is a significant activity, complementing other forms of transport that support the needs of people. A wide range of small, four-seater, single-engine, piston-engined aircraft is used in air transport.

The operational flight and human resources departments develop close relationships due to the way air operators are organized. In terms of human resources, the flight department can work from an outsourced, often remote location and transmit limited information about its activities.

The uniqueness of the personnel who carry out their activity in aviation, as well as the classification of jobs and the administration of salaries, create a series of problems for human resources. Pilots are not ethnic personnel or managers, but they are forced to take action in their sphere of responsibility. The technical personnel who ensure the maintenance of the aircraft are catalogued like car mechanics, an aspect that is not always an eloquent classification. Unfortunately, this defiance also comes from the company's staff, such as the receptionist/secretary/programmer/accounting officer who does not have a thorough knowledge of the flight activity. All this leads to a lack of fair compensation for department

staff. Through interconnection, much of these problems can disappear (Sheehan, 2003, pp.25-32).

A link must be established between the director of the flight department and the director of human resources in order to solve the problem related to the staffing of the structures. The human resources structure must also be challenged to conduct salary comparability surveys for flight department staff or to participate in industry wage surveys.

## **2. Perspectives on the evolution of the air transport industry**

According to studies, the air transport services market is experiencing a significant labour shortage. It is estimated that by 2030, there will be a global need for approximately 1,000,000 new pilots. If at the beginning of 2020, all the military and civilian entities worldwide would develop the process of training pilots at full capacity, it would not reach the number that will be needed in 2030, also, due to the growing demand. On the part of the airlines, at the level of the profile educational institutions, a significant deficit of instructors specialized in pilot training is foreshadowed, pilots (Nițu,2020).

In Romania, at present there are the following institutions (civil and military) that train specialized personnel for air transport:

- Pilots: Higher School of Civil Aviation and Air Force Academy;
- Technical staff (engineers and foremen): Polytechnic University, Military Technical Academy, School of Military Foremen of the Air Force;
- Air traffic controllers: Higher School of Civil Aviation and Air Force Academy;
- Flight attendants: Higher School of Civil Aviation and other private entities (Cursuri piloti avion, 2020).

After graduating from these educational institutions, there are several companies where new specialists can be hired. In Romania, there are both local and foreign employers such as BlueAir, Tarom, WizzAir, Ryanair, Lufthansa, KLM. These airline operators also have their training and continuing education programs, but even so, the shortage of specialists is still high.

Analyzing the situation in this branch of the economy, both in Romania and in other states, I consider that the development of a platform meant to interconnect people interested in a career in aviation, local and international educational institutions and final beneficiaries (airlines), represents an idea with entrepreneurial potential, suitable to be implemented both in Romania and internationally. From an entrepreneurial point of view, it can be a solution to reduce the global shortage of specialized personnel in the airline industry (Faur, 2019).

One of The solutions that an entrepreneur can approach for the interconnection mentioned above refers to a platform that uses an ERP (Enterprise Resource Planning) strategy because the sales structures, business processes and IT infrastructures are interconnected and can thus be standardized and implemented using an appropriate strategy. Operatively analyzed an ERP system can accept all business processes of a company, in this case, one of the training providers, as it contains modules for procurement, production, sales, financing possibilities integrated through a single database. Also, the process of standardizing business processes beyond organizational boundaries can have significant synergistic effects in order to design long-term sustainable policies (Shields, 2004, p. 84).

The ERP system is perceived as a business tool, rather than a simple IT tool. Through the interconnection platform of the beneficiaries, the aviation educational institutions and the person interested in a career in the air transport industry, three essential objectives are pursued:

- Generating a standardized process architecture meant to bring together the three stakeholders;
- Standardization of internal and external data for the processes related to data storage, their transmission and efficient organization;

- Standardization of IT infrastructure;

*Table 1. Benefits of using ERP system*

| Benefits                                   | Application method                                                                                   |
|--------------------------------------------|------------------------------------------------------------------------------------------------------|
| Providing quality information              | Unique database for all entities involved                                                            |
| Avoiding redundancy of data and operations | Due to the unique database, modification operations are avoided                                      |
| Short response time                        | The system can provide instant reports and information                                               |
| Adaptability                               | Economic changes are changing rapidly through ERP                                                    |
| Scalability                                | The structure of the platform may allow the addition of new components (institutions, beneficiaries) |
| Facilitating the e-business concept        | The architecture of ERP systems allows the integration of e-business applications                    |

Within the interconnection platform in the educational system, air operators and future students, the entity that will develop it, can also implement a CRM (Customer Relationship Management) strategy, meant to streamline the relationship with the staff interested in a career in aviation (Gronwald, 2016, p 142).

Customer relationship management is defined as an entrepreneurial concept, which developed from a tactical marketing tool, becoming a strategic element used in most marketing decisions since the mid-1990s. Analyzed as a system, CRM is an integrated component that makes the connection between the provision of products or services and marketing campaigns. In the current situation, the integration of CRM in the interconnection platform can be used in order to maximize the potential of marketing campaigns developed by airlines, which transmit the opportunities offered by a career in the field and make a connection with stakeholders. The forecast is also used in the implementation, is defined as the link between CRM as a demand generator and SCM as a demand fulfilment method (Kurman & Reinartz, 2012, pp. 3-20).

The current changes take place in parallel with the evolution of customer-oriented thinking and entrepreneurial action. Also, a large-scale entrepreneurial project requires the integration of Business Intelligence (BI) and Big Data Analytics (Big Data) which are the technology-based methods that support this development. CRM, BI and Big Data systems can be developed together. After the completion of the internal optimization of the company's platform and the implementation of ERP and CRM, this customer-oriented evolution will dominate as this course evolves. Also, a large-scale entrepreneurial project requires the integration of Business Intelligence (BI) and Big Data Analytics (Big Data) which are the technology-based methods that support this development. CRM, BI and Big Data systems can be developed together. After the completion of the internal optimization of the company's platform and the implementation of ERP and CRM, this customer-oriented evolution will dominate as this course evolves. Also, a large-scale entrepreneurial project requires the integration of Business Intelligence (BI) and Big Data Analytics (Big Data) which are the technology-based methods that support this development. CRM, BI and Big Data systems can be developed together. After the completion of the internal optimization of the company's platform and the implementation of ERP and CRM, this customer-oriented evolution will dominate as this course evolves (Hardoon & Shmueli, 2015, pp. 96-114).

From an entrepreneurial point of view, a platform meant to support a business in the airline industry is, in my opinion, a real success idea. Implementing the most efficient standards for connecting and organizing the entity is a natural approach in the second decade of the 21st century. It is also noteworthy that due to the social distance involved in the pandemic with the new coronavirus COVID-19, a platform is the ideal meeting place for all interested actors, it

can offer including online courses, in order to continue training for the students of the educational institutions involved.

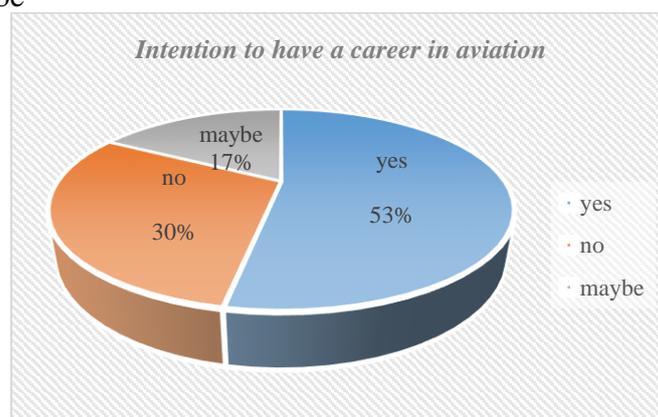
### 3. Research methodology

In this article, quantitative research was conducted that aimed to identify the attitude of the actors involved towards the implications brought by the implementation of EPM, CRM and BI services, through online information and networking platform. Among the research objectives were to demonstrate the usefulness of a platform for integrating the aeronautical education system in Romania, national and international airlines and people interested in a career in the field, as well as analyzing the most critical information noted by respondents in the test platform. The research was conducted between February and March 2020. Analyzing from the perspective of research limitations can be listed: lack of a similar platform, which does not allow a comparative analysis of potential advantages and disadvantages of the proposed concept, research results based only on assumptions issued depending on the answers of the respondents and not the pre-existing practical approach. Also, the relatively small number of respondents (100) indicates that this research was conducted in the form of a pilorus study and not as a representative study for the market, but a research limit may be considered, thus making the recommendation to develop research and to apply the questionnaire on more significant numbers of respondents to allow their division according to the interested players approached (educational institutions, airlines and interested persons)

In this online questionnaire, 100 respondents were interviewed, several 20 questions, of which six socio-demographic questions, two identification questions, and the answers to the questions were formulated based on the research objectives. The interviewees were offered access to an integrated platform, where information was uploaded from educational institutions with an aeronautical profile in Romania and job offers from local and international air operators. Also on this platform was ungrateful a virtual assistant, designed to facilitate access to the necessary information and improve the user experience. Among the interviewees are: entrepreneurs, high school students, students, freelancers and teachers.

1. Have you ever intended to have a career in the airline industry?

- Yes
- Not
- May be

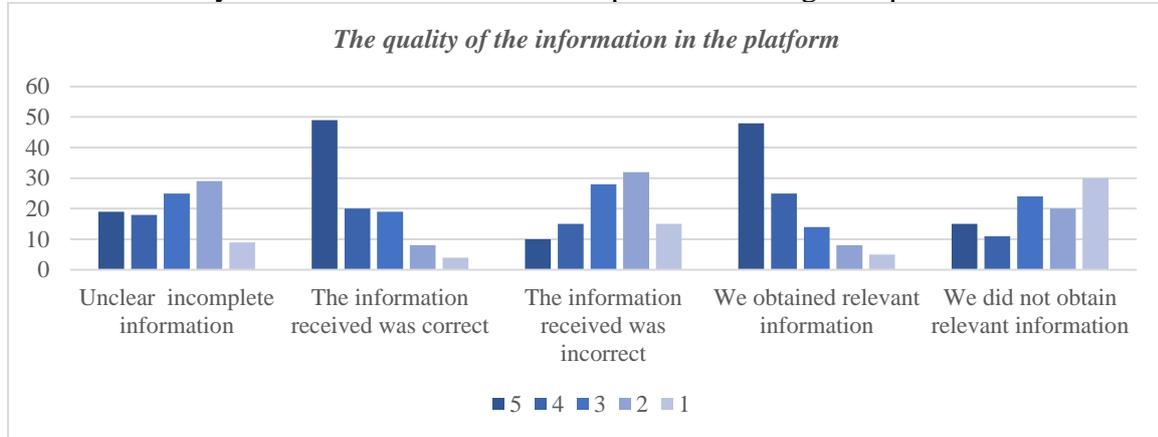


**Fig.1. Intention to have a career in aviation**

After asking this question, over 50% of the respondents answered that they wanted or want to pursue a career in aviation. Also, a third consider that this is not an area in which they wanted or want to work. About 20% of respondents were undecided, in most cases, because the volume of information in this area is low. Subsequently, the respondents were interviewed with an open-ended question, which was the reasons why they answered in a certain way. Those

who answered "yes" mentioned that they intend to pursue a career in this field and the additional information and answers to their questions would help them, the respondents who answered "no" stated that the field of aviation was not for them, but it was an option.

2. How do you think the information was provided through the platform?

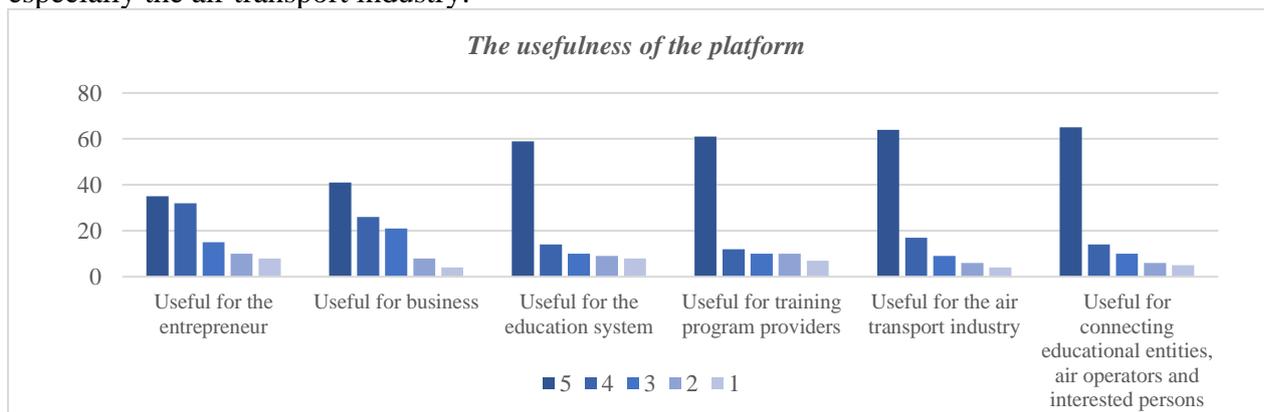


**Fig.2 The quality of informations in the platform**

The response variants were numerically coded for performing statistical analyzes as follows: depending on the measurement scale used (semantic differential) for the response variant "to a minimal extent" the value one was allocated, and for "to a considerable extent" the value of 5 was assigned. Most respondents appreciated that the information provided through the test platform was correct and relevant, also appreciating their consistency.

3 How do you appreciate the usefulness of a modern platform through which you can obtain information about educational institutions in Romania or about national and international airlines?

The usefulness of such a platform was one of the desiderata from which this project started. This aspect was also highlighted by the respondents of this questionnaire, over 60% of them considering that such a platform will bring added value by interconnecting everyone ". Also, 50% of the respondents appreciated that to a great extent they will benefit from the advantages of the platform, the educational system, the providers of the training programs and especially the air transport industry.



**Fig.3. The usefulness of the platform**

3. Why do you think you need an interconnection platform?

In this question, most people surveyed, over 30%, though that the most critical information refers to the benefits that a career in aviation can have. At the same time, the "reunion" of a large number of specialists in one place is an appreciated aspect.

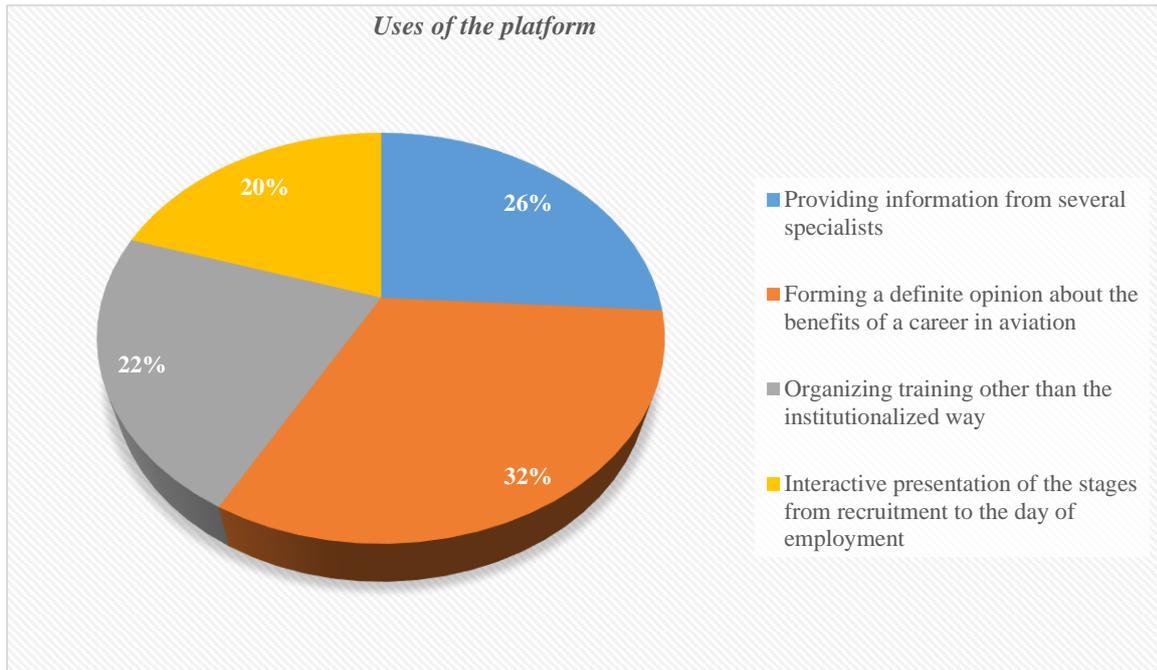


Fig.4. Uses of the platform

5. What are the characteristics of ERP, CRM or BI systems useful for providing and forming a coherent opinion about the air transport industry?

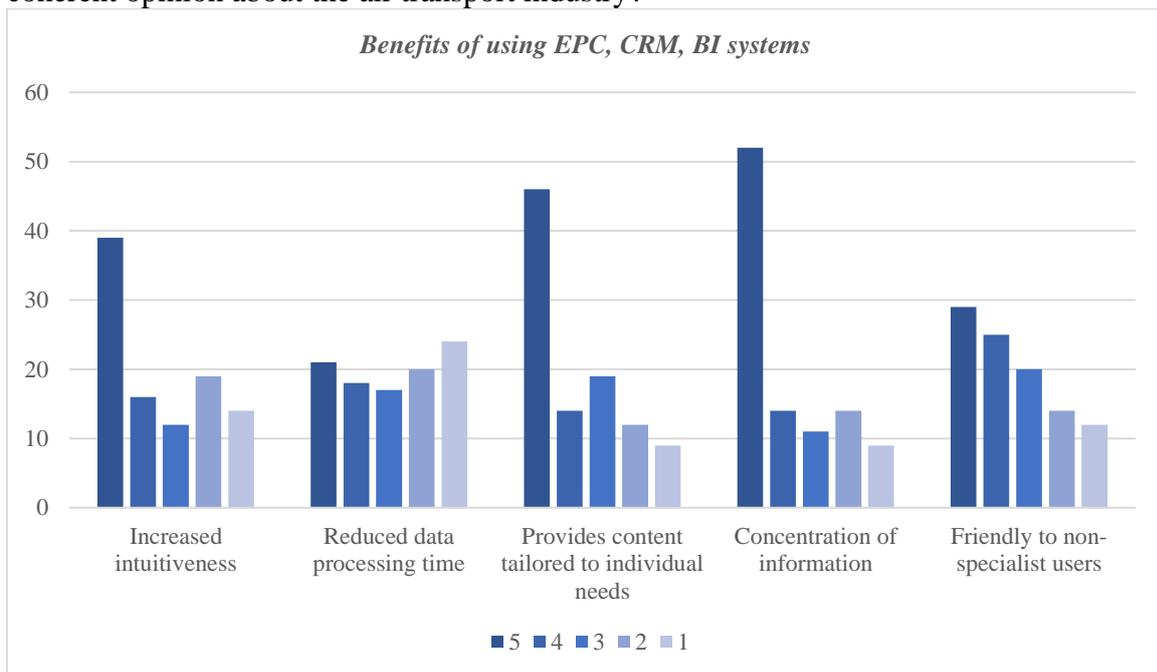


Fig.5. Benefits of using EPC, CRM, BI systems

The integration of systems such as ERP, CRM and BI, are beneficial in such an entrepreneurial project, and 50% of the respondents much appreciated the integration of information in one place. The provision of transparent information, in an attractive way and with a high degree of intuition, also represented the elements highly appreciated by the interviewed public.

### Conclusions

From an entrepreneurial point of view, creating a platform to bring together aeronautical education institutions in Romania, National and international airlines and people interested in

a career in aviation can be a successful business. Also, by integrating systems such as EPM, CRM and BI within it, the degree of attractiveness is increased, simultaneously with its potential. Through the questionnaire, it was highlighted that the interaction with this platform was a definite success, and people appreciated the idea of bringing all the actors involved in one place. It confirms the idea that the shortage of staff in the airline industry can be reduced through such platforms designed to provide accurate information on tuition, costs, specialization courses and precise job offers for all categories of staff interested.

From a managerial point of view, the construction of a meeting place for educational institutions with specific aeronautics, airlines and interested persons can generate considerable income, obtained from the promotion of the first two entities and by providing subscriptions to interested persons. Also, each contract signed between any two of the three parties can be commissioned through the platform.

### **Acknowledgments**

This work was cofinanced from the European Social Fund through Operational Programme Human Capital 2014-2020, project number POCU/380/6/13/125015 "Development of entrepreneurial skills for doctoral students and postdoctoral researchers in the field of economic sciences".

This work was supported by a grant of the Romanian Ministry of Research and Innovation, UEFISCDI, project number PN-III-P1-1.2-PCCDI-2017-0800 / 86PCCDI/2018 - FutureWeb, within PNCDI III.

### **References**

- FAUR LUCIAN, 2019 Școala Superioară de Aviație – Civilă Zborul către suflet  
<https://www.forbes.ro/scoala-superioara-de-aviatie-civila-zborul-catre-suflet-132530>
- GRONWALD, KD, 2016, Integrated Business Information Systems (Vol. 20), Editura Springer;
- HARDOON, DR, & SHMUELI, G. (2015). Getting started with business analytics: insightful decision-making. CRC Press;
- KUMAR, V., & REINARTZ, W., 2012, Strategic customer relationship management today. In Customer Relationship Management (pp. 3-20). Springer, Editura Berlin;
- NIȚU FLORENTINA, Afaceri de la zero, <https://www.zf.ro/afaceri-de-la-zero/afaceri-de-la-zero-patru-tineri-pasionati-de-aviatie-organizeaza-seminarii-de-60-70-de-persoane-pentru-invingerea-fricii-de-zbor-iar-in-2020-vor-sa-se-extinda-in-orasele-mari-din-tara-18705806>
- SHEEHAN, JJ, 2003, Business and Corporate Aviation Management: On-Demand Air Transportation;
- SHIELDS, MG. 2004, E-business and ERP: Rapid implementation and project planning. John Wiley & Sons;
- \*\*\*, 2020, Cursuri piloti avion, Scoala Superioara de Aviație Civila  
[http://www.aviationacademy.ro/piloti\\_avion.html](http://www.aviationacademy.ro/piloti_avion.html)

## **The Influence of the Cultural Factor in Eating Habits: An International Marketing Case Study**

**Raluca Giorgiana CHIVU**

The Bucharest University of Economic Studies  
raluca.chivu0126@gmail.com

**David-Florin CIOCODEICĂ**

The Bucharest University of Economic Studies  
ciocodeicadavid@yahoo.com

**Adrian MOCIU**

The Bucharest University of Economic Studies  
adrianmociu@gmail.com

### **Abstract**

The phrase "Marketing has always existed" is well known; but not as common is "Marketing exists everywhere in different forms." In this article, I will try to discuss the elements that any marketer must take into account. From geographical and implicitly cultural peculiarities to religious customs, tastes and preferences, any group of consumers has significant differences which, if not taken into account, can lead to failure or, worse, to the application of local legislation. Over the previous decades, our eating regimen has become heavier yet progressively adjusted. The accessibility of solid and nutritious nourishment has expanded across generally industrialized and creating nations, despite the troublesome access to this sort of food in some low-salary zones. Beside food gracefully, the plentiful research writing concerning dietary patterns explores various financial and segment factors. These are progressively hard to gauge as they rely upon numerous factors, including flighty individual conduct. Most fast choices for what item to pick from the rack depending on the transparency and straightforwardness of data gave by brands and retailers, following the supposed clean mark pattern. The introduced article centre around applicable nourishment inclinations and show how customers are keen on dietary habits, albeit just a restricted level of individuals follow a particular eating routine. The article investigates the explanations for the dietary move towards a plant-rich eating routine and what's in question for the world condition and worldwide human wellbeing

**Keywords:** international marketing, globalization, cultural differences.

**JEL classification:** M31.

### **1. Introduction**

Nowadays, marketing sells almost more than the quality of goods or services. It is well known that proper promotion and presentation can have significant sales results regardless of any other influencing factor in the market. Marketing is also known as the "art of selling" and thus becomes an indispensable factor in any activity of selling goods or services regardless of the field of business. However, despite this, there are significant differences both between the strategies applied and between the needs and desires of consumers.

### **2. International marketing**

The attention paid to these particularities had as its beginning the internationalization of the markets and until their globalization, due to the almost unlimited communication and the online traffic to the markets of the other countries. "Economic globalization is defined as an evolutionary process of integration of world markets, characterized by the liberalization of economic activities, investment and trade, the free movement of factors of production and

management. This calls for the unification of countries' markets, the elimination of trade barriers. " (Sibao, Huaer, 2009, p. 134) However, regardless of the physical and financial possibilities of distributing goods or services internationally or even globally, as obstacles there are specific factors of each market (geographical, cultural, religious and so on)

Some specialists also approach the idea as mentioned above: "Adherents of the micro-analytical approach have argued that some consumption characteristics influence people's out shopping behaviour. The most frequently used characteristics are demographic factors "(Hui, Lau, 2001, p.94) And this happens precisely because the demographic factor directly influences the cultural factor. For example, "If McDonald's seeks to sell a Big Mac with beef in Nepal, it will be hit not only by residents' refusal to buy it but also by legislation. The Nepalese state not only condemns the consumption of beef but also prohibits the operation of such an enterprise, its managers being assimilated to criminals who have committed a crime "(Pop Coord., 2011, p.15) On the other hand,

It is argued that "The most important cultural dimensions in each country lead to different styles of decision-making; although there are geographical and temporal limitations" (Correia, Kozak and Ferradeira, 2011, p. 39) However, it is well known that it is difficult to understand consumer behaviour, an element influenced by many factors more or less known to marketers, or more or less easy to process, interpret and put into practice. A definition of Consumer Behavior is presented in the book of the same name: "Consumer behaviour can be defined, in an overall approach, as representing all decision-making acts performed at individual or group level, directly related to obtaining and using goods and services. , to meet current and future needs, including the decision-making processes that precede and determine these acts. " (Cătoiu, Teodorescu, 2004, p. 14) Indeed "The development of contemporary marketing strategy includes concepts such as segmentation, targeting, and positioning. Determining a viable target market is the first step. " (Harcar, 2005, p. 74) but it is not well defined that segment that is below the minimum number of consumers for a certain good or service. "Specialists have shown that the study of consumer behaviour by taking into account subcultures responds very well to the need to know the differentiation of demand in the territorial profile." (Cătoiu, Teodorescu, 2004, p.83) 14) Indeed "The development of contemporary marketing strategy includes concepts such as segmentation, targeting, and positioning. Determining a viable target market is the first step. " (Harcar, 2005, p. 74) but it is not well defined that segment that is below the minimum number of consumers for a certain good or service. "Specialists have shown that the study of consumer behaviour by taking into account subcultures responds very well to the need to know the differentiation of demand in territorial profile." (Cătoiu, Teodorescu, 2004, p.83) 14) Indeed "The development of contemporary marketing strategy includes concepts such as segmentation, targeting, and positioning. Determining a viable target market is the first step. " (Harcar, 2005, p. 74) but it is not well defined that segment that is below the minimum number of consumers for a certain good or service. "Specialists have shown that the study of consumer behaviour by taking into account subcultures responds very well to the need to know the differentiation of demand in territorial profile." (Cătoiu, Teodorescu, 2004, p.83)

And this does not only refer to a particular sector, such as the food market but all existing markets at the level of a crop. A good example is the U.S. market: "As the population and purchasing power of U.S. ethnic minority customers continue to grow, more and more marketers are using subcultural segmentation and targeted marketing to reach these consumers." (Choudhury, 2002, p.54)) And this is precisely because, in the U.S. market, there are several secondary cultures (Hispanic culture, black population, etc.), some of them larger than many national markets. (processing after Tănase, 2013, p. 97) "In the context of increasing cultural diversity, consumers negotiate their identity and subsequent behaviours in several

cultures and subcultures. Multicultural markets include consumers from various ethnic groups, religious groups, nationalities, people living in certain geographical regions or groups who share common beliefs, values or attitudes. " (Broderick, AJ, et al., 2014, p.1)

However, it seems that the cultural factor does not only influence the consumer goods market but also makes its mark in almost any area of activity. For example, in the tourism services market, "Different cultures influence tourists in decision-making. Multi-structural models are used to assess the extent to which cultural traits can influence tourists' style of decision-making" (Harcar, 2005, p.74). And this happens precisely because they carefully choose their destinations; both according to preferences and according to individual parameters (skin colour, culture, religion, temperature resistance, etc.)

### **3. The impact of culture on eating habits**

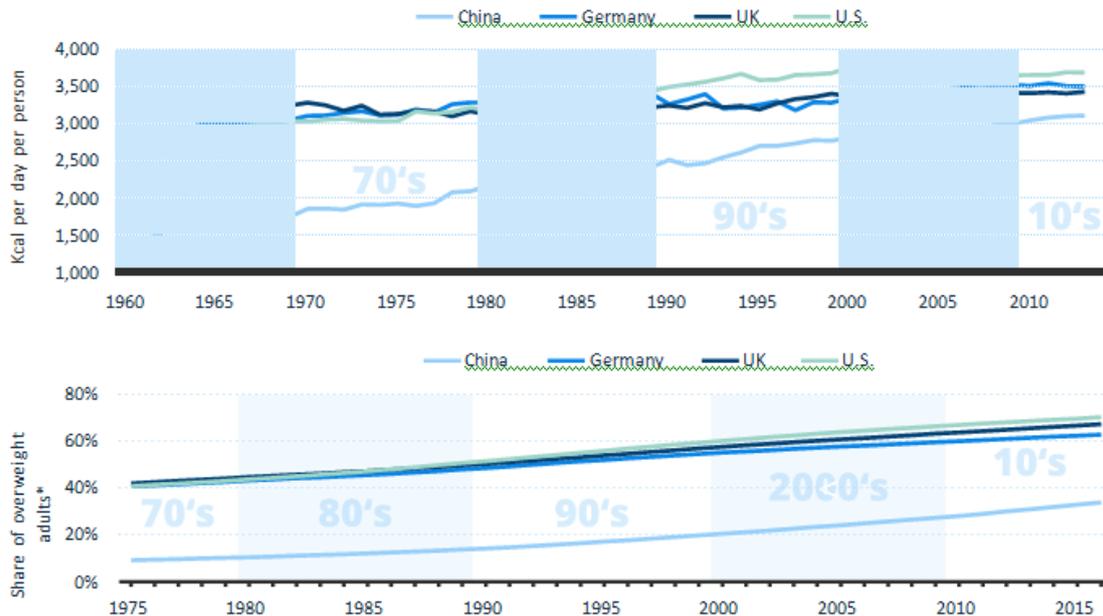
As part of the exogenous factors influencing consumer behaviour, cultural factors exert a high level of influence on their decisions and preferences. A comprehensive definition of culture indicates that it is the sum of material and spiritual values created by the approaches of social-historical practices, as well as the entities and institutions responsible for shaping and transmitting these values (Georgiu, 2001, p.20). Depending on the culture and innate habits, a consumer may have a specific type of behaviour towards certain products or services. For example, culinary habits are strongly influenced by cultural particularities. If in France, cheese is seen as expensive and quality food, as a delicacy, in Japan it is considered "rotten milk" and is very rarely included in the menu. Growing up in a certain way, in a specific culture, the consumer develops habits and habits that he considers fundamental, perceptions and behavioural desires that do not allow making choices and decisions outside his cultural area. Culture can create a consumer need, influence consumer satisfaction, and dictate how an individual meets that need (Lake, 2009, p.135). Culture also fulfils many of the emotional needs of individuals, this being reflected on actions through the effort to protect their beliefs and values.

Based on this fact, marketers have understood that products and services that resonate with the priorities of a specific culture or are more likely to be accepted and used by consumers. The subculture is defined as a group of individuals within a culture who share several identical characteristics. This category can include groups represented by geographical location, religion, nationality or other factors determined by a system of shared values. Besides the fact that both culture and subculture exert a significant influence on the individual's attitude towards certain behaviours, they also play an essential role in the self-regulation of emotions and maintaining harmony within the group.

For example, in 1964, a grown-up living in living in an industrialized nation expended on regular 2,947 calories for every day. The sum was somewhat over the caloric admission suggested by the World Wellbeing Association and expanded further to 3,380 out of 2015. Local contrasts caused noteworthy contrasts in eats less, information from the Nourishment and Horticulture Association appeared: Higher livelihoods, urbanization, and improved nourishment accessibility added to worldwide sustenance progress which thus caused overweight and weight rates to increment consistently. The higher nourishment utilization accompanied a more extensive assortment of nourishments, yet the most striking increment could be found in the admission of domesticated animals items. Since the start of the 60s, the populace in the creating and East Asian nations has phenomenally supported their day by day caloric utilization of meat and dairy items.

Over the last decades, the per capita caloric intake increased worldwide. This mirrors the stable growth of the share of overweight adults across the four countries. In China, this happened at a much faster pace, as individuals more than doubled their calories. The drastic

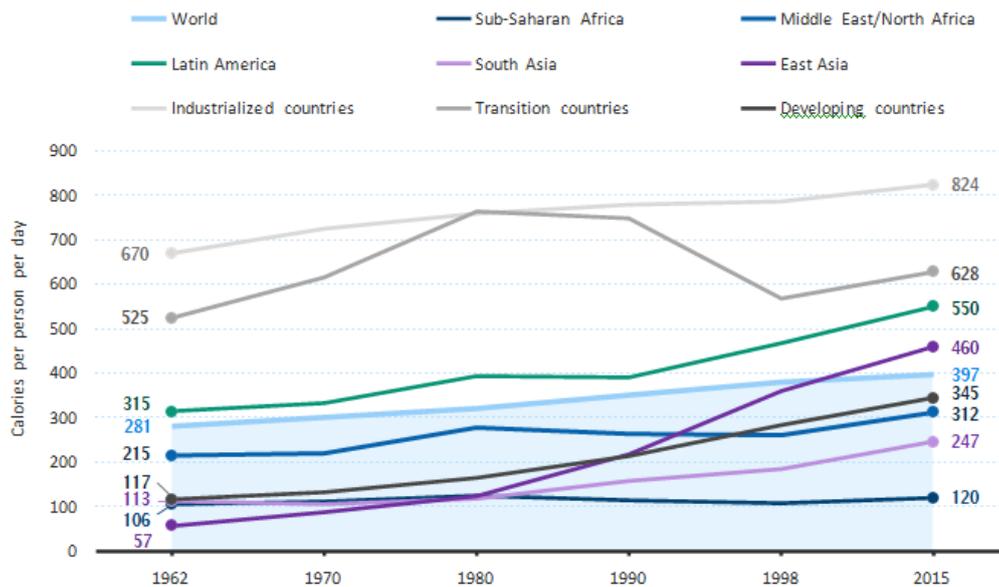
change was due to the steady economic growth, urbanization, and the increasing per capita income levels. Additionally, the rapidly improved economic conditions lowered the undernourishment rates, which went from 23.9 per cent in 1990 to less than ten per cent as of 2015.



**Fig.1. Daily per capita caloric intake and share of overweight adults in China, Germany, the U.K., and the U.S.**

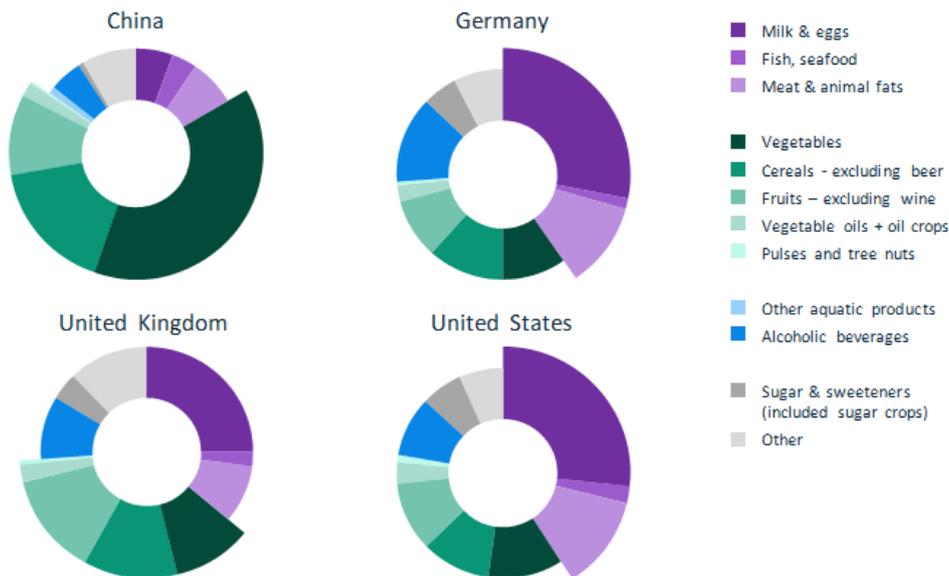
Source: Coppola, 2020

The expanding measure of calories taken from creature sourced items is one of the impacts of sustenance progress. The term demonstrates the huge dietary move from a conventional fibre-and oat-based to a western-like nourishment utilization which incorporates increasingly handled and creature-based nourishment items. The change was because of the improved nourishment security alongside commercial development. The nourishment change was less intense in Sub-Saharan Africa, where the utilization of domesticated animals' items stayed stable. The East-Asian nations, including China, and other creating countries, encountered a more honed increment in the caloric admission of meat, eggs, and dairy items. This mirrored their fast financial upswing and quickly expanding degrees of pay.



**Fig.2. Availability of calories from the intake of livestock products\* worldwide from 1962 to 2015**  
Source: Coppola, 2020

Food consumption patterns change over time and are primarily influenced by regional differences. The graphs show the composition of the daily diet in grams per capita (since 2013, but still representative of current food patterns). For several regions of the world. Thus, we notice that Americans eat the most, about 2,747 grams a day, while the Chinese diet seems a little more frugal (only 2,458 grams in 2013, but less than about a thousand grams in 1961), but with content larger than vegetables.

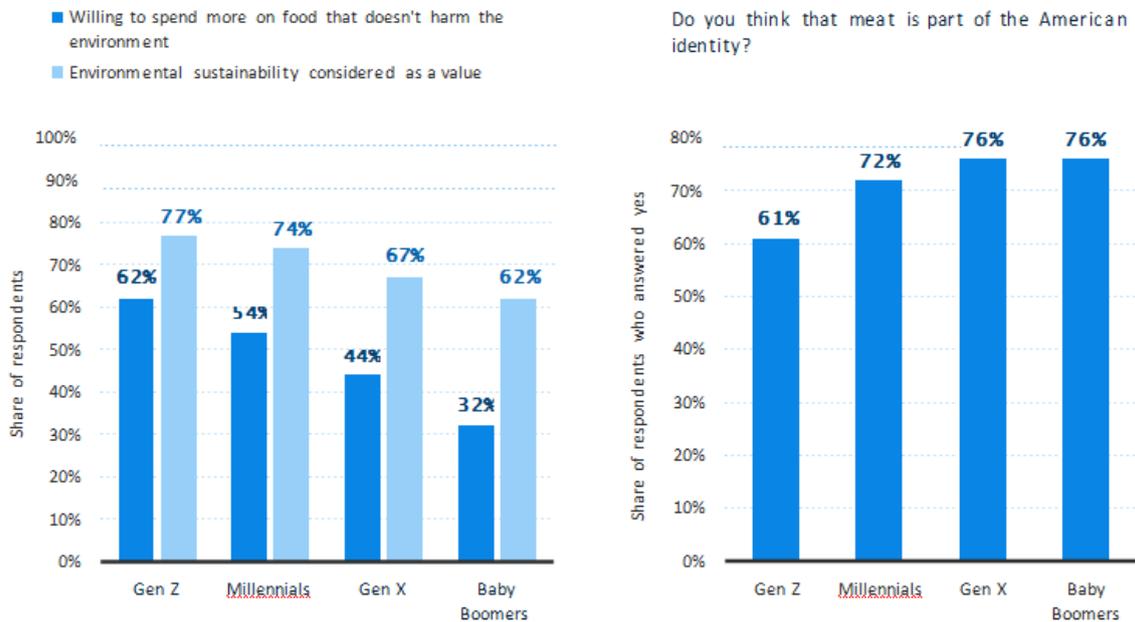


**Fig.3. Breakdown of daily diets in grams per capita per day**

Source Coppola, 2020

In terms of alcoholic beverages, it can be seen that Germany is the largest everyday consumer, with about 350 grams per capita. In our days, Young U.S. consumers are more aware

of the environmental impact of food and can adapt their diet accordingly. The Millennials and Generation Z are less keen to associate meat consumption with their national culture.



**Fig.4. Opinions on the environmental impact and cultural implications of food in the U.S. 2019, by age group**  
Source: Coppola, 2020

## Conclusion

We can thus conclude by saying that the cultural fact has a significant role in determining and forming eating habits, acting both on the food consumed and on the way food is perceived. With the internationalization there was a cultural exchange that allowed the trying of new and new products by different categories of consumers, thus overcoming in some areas cultural barriers and allowing a transfer of experience and tastes (for example, the emergence of a specific food in certain countries). However, culture still plays an essential role for marketers as one of the main factors to consider when trying to describe the behaviour and habits of some consumers.

## Acknowledgments

This work was supported by a grant of the Romanian Ministry of Research and Innovation, UEFISCDI, project number PN-III-P1-1.2-PCCDI-2017-0800 / 86PCCDI/2018 - FutureWeb, within PNCDI III.

## References

- BRODERICK, AJ, DEMANGEOT, C., ROSS, NA, et al., (2011), Consumer Empowerment in Multicultural Marketplaces: Navigating Multicultural Identities to Reduce Consumer Vulnerability, *Journal of Research for Consumer*, (19): 1-13 [Available online at:[http://jrconsumers.com/Academic\\_Articles/issue\\_19/Multicultural\\_academic5.pdf](http://jrconsumers.com/Academic_Articles/issue_19/Multicultural_academic5.pdf) ]
- CATOIU I., TEODORESCU N., (2004), "Consumer Behavior, 2nd edition, revised and added" Uranus Publishing House, Bucharest
- CHOUDHURY, GCP, (2002), "Marketplace diversity and cost-effective marketing strategies", *Journal of Consumer Marketing*, 19 (1): 54 - 73, [Available online at <http://dx.doi.org/10.1108/07363760210414952> ]

- COPPOLA, D, 2020, Eating habits - DossierPlus on changing nutritional trends and their global impact, Food & Nutrition, Article number: did-71806-1.
- CORREIA, A., KOZAK, M., AND FERREIRA, J., (2011), "*Cross-Cultural Heterogeneity in Tourist Decision Making*" Tourism Sensemaking: Strategies to Give Meaning to Experience, 3: 39-61, [Available online at [http://dx.doi.org/10.1108/S1871-3173\(2011\)0000005005](http://dx.doi.org/10.1108/S1871-3173(2011)0000005005) ]
- GEORGIU, G., 2001. Philosophy of culture. SNSPA.
- HARCAR, EKTD, (2005), "American consumers' attitudes towards commercial banks", International Journal of Bank Marketing, 23, (1): 73 - 89 [Available online at <http://dx.doi.org/10.1108/02652320510577375> ]
- HUI, TK, LAU, HF, (2011), "The Behavior of Hong Kong Cross-Border Shoppers: A Nonparametric Approach" Advances in Hospitality and Leisure, (7): 89-108, [Available online at: [http://dx.doi.org/10.1108/S1745-3542\(2011\)0000007009](http://dx.doi.org/10.1108/S1745-3542(2011)0000007009) ]
- POP NA, coord, (2011), "International Marketing, Theory and Practice" Uranus Publishing House, Bucharest
- LAKE, L., 2009. Consumer behaviour for dummies. John Wiley & Sons.
- MICHAELA, W., 2009. Social Psychology of Consumer Behavior. Psychology Press.
- SIBAO, S., AND HUAER, C., (2009), "Economic globalization and the construction of China's corporate social responsibility", International Journal of Law and Management, 51 (3): 134-138, [Available online at: [www.emeraldinsight.com/1754-243X.htm](http://www.emeraldinsight.com/1754-243X.htm) ] (Accessed on 15.12.2015)
- TĂNASE, A., (2013), Consumer Behavior, Economic Publishing House, Bucharest.

## **Using Big Data in Marketing and Advertising: A Case Study**

**Adrian Ionuț MOȘESCU**

The Bucharest University of Economic Studies  
ionutbz@yahoo.com

**Raluca Giorgiana CHIVU**

The Bucharest University of Economic Studies  
raluca.chivu0126@gmail.com

**Ștefan-Claudiu CĂESCU**

The Bucharest University of Economic Studies  
stefan.caescu@gmail.com

**Ionuț-Claudiu POPA**

The Bucharest University of Economic Studies  
popa.claudiu3@yahoo.com

**Florina BOTEZATU**

The Bucharest University of Economic Studies  
bflorr@yahoo.com

### **Abstract**

Nowadays, organizations collect and store an enormous amount of information to be able to use them. This faces the organizations to the challenge of managing and extracting the valuable data to support their decisions. The term of "Big Data" is now globally spread and accepted. The term Big Data has become more and more known and used in many industries. In this article, exploratory research was carried out to highlight the areas in which large volumes of data are used primarily. Besides, from the marketing approach, an attempt was made to highlight the purposes of using Big Data in the context of marketing and consumer behaviour.

**Keywords:** Big Data, Marketing.

**JEL classification:** M31.

### **1. Introduction**

Promoting science has a long custom of grasping new difficulties, new strategies, and new trains. The field today is based upon the differing endeavors of specialists who, for very nearly 50 years, have orchestrated arrangements from an assortment of orders to give new knowledge to advertising issues. As a rule, the pot of promoting science has offered back to different controls, models, and techniques that are better and progressively vigorous (Chintagunta et al, 2016). The continuous development of digital technology had a significant influence on marketing theory and practice. The available information structured in big data transformed traditional marketing into digital marketing with powerful tools and innovative ways that can provide essential information to questions like what is the most suitable product for a specific market; how to advertise such product in that market; through what communication channels; at what points in time and for what price; and supported by what kind of promotional and advertising actions, to promote the decision making for marketers. Given these facts, it is with no surprise that Marketing has become from the start of a field for situations with Big Data approaches (Amado et al, 2018).

While the potential power of Big Data and Marketing Analytics can readily be detailed, a key challenge lies in integrating Big Data into a client company's overall strategy. It requires a significant commitment of resources in terms of money, staff, and time - and the organization needs a plan on how to execute. Big Data and advertising Analytics ecosystem is complex and still evolving. Many companies are missing information required for integration into the ecosystem (Jobs et al., 2016).

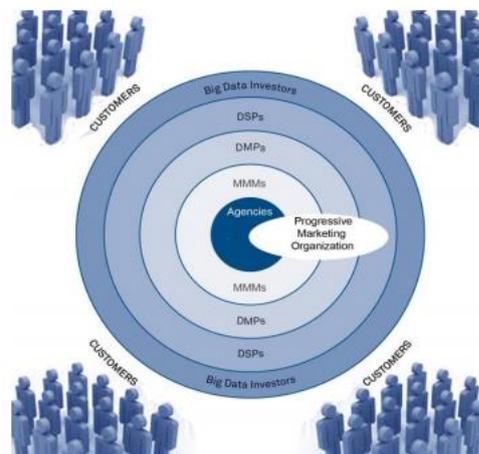
## 2. Digital Marketing, Advertising and Big Data

Taking in consideration the growing volume of usable unstructured data and the velocity of change many marketers will ultimately be forced out of their comfort zone, especially for small and medium (max \$100,000 monthly ad spend) sized client companies who likely have limited marketing budgets and staff. These companies even if they want to start using Big Data they often do not know where to start, and the Big Data firms will vet them as the firms qualify their marketing and sales funnels to optimize both time and client profit potential (Jobs et al., 2016).

Jobs et al. (2016) provided a consolidated framework and typology of the emerging Big Data ecosystem as it relates to marketing communication. Figure 1 provides a diagram of the structure that reinforces the point that not all Big Data players are the same and have different roles in the ecosystem and Graphical overview of the potential interaction touchpoints a progressive marketing organization should consider and when engaging this ecosystem.

Big data investors are typically high tech or media sectors like Google, Adobe, want influence over the customers and are currently buying up Big Data speciality companies. Demand Side Platforms (DSP) are most often used by advertisers and agencies to help them buy display witch dictates who sees the content and when they see it. Data Management Platforms (DMP ) typically rely on third-party cookies to help target segments and link third behavioural data to first-party data and personal information. These firms have the database, and they effectively are the data warehouses of the external world in which the organization operates. Bottom-up Media Mix Modelers (MMM) allow customers to make sense of big data and make better marketing decisions. Digital and Full-Service Agencies Digital agencies focus primarily or exclusively on internet advertising content, creative and techniques (Jobs et al., 2016).

In this framework, marketing companies have the option to collaborate with any of the actors and to decide which type of client interaction they want to have with each actor from the ecosystem. The strategies that they implement will most likely be a function of budget, level of sophistication of the firm, and the industry sector in which they works (Jobs et al., 2016).



**Fig 1. Classification Framework for Big Data Ecosystem**

Source: Job, 2016

The impact of digital technology varies widely from industry to another, and also the significant data adoption differs. Big Data is already making a substantial impact on the industry like healthcare, retail sector. Moreover, enterprises that offer virtual products than physical, like financial services, telecommunications, insurance will adapt more rapidly to digital transformation and will utilize Big Data technology to obtain more information from data, gain competitive advantage and minimize the total costs.

### 3. Research methodology

"Big data" alludes to informational indexes that are excessively huge or unreasonably complex for conventional information preparing applications. The term is regularly used to allude to the discreet investigation or different strategies for removing an incentive from the information. To tackle considerable knowledge, organizations depend on crude stockpiling and handling power just as substantial examination capacities and abilities. In 2019, yearly income from the vast worldwide information advertise was relied upon to arrive at 49 billion U.S. dollars, with expectations proposing this would additionally develop inside the next years. The most significant portion of substantial information income is accepted to come from administrations spending, speaking to 39 per cent of the general market starting in 2019. The significant suppliers of huge information administrations incorporate common names, for example, IBM, Splunk, Dell, Prophet, and Accenture.

While only one out of every odd bit of information discovers its way into the extensive information biological system, various figures as of now feature the test of finding valuable information among the rest. In 2019 it was assessed that versatile information traffic would arrive at 190 exabytes (190 billion gigabytes), climbing quickly into what's to come. That equivalent year, distributed computing traffic was estimated to reach more than 400 exabytes for every month in North America alone. Adding to the quick development of information traffic is the web of things (IoT), which is now associating the computerized and physical universes through a system of sensors. A few figures put the quantity of IoT associated gadgets worldwide as high as 18 billion starting in 2018.

One other industry profiting by the development of significant information is that of distributed computing. The measure of preparing power and additionally stockpiling required to utilize enormous information is to such an extent that numerous organizations have taken to facilitating and handling their huge informational indexes in the cloud. In one overview, 69 per cent of respondents said that their association utilized cloud innovation for information stockpiling and reinforcement. In contrast, 56 per cent said their association was using distributed computing for information examination (Liu, 2019).

The big worldwide data advertise develop to 103 billion U.S. dollars by 2027, more than twofold its standard market size in 2018. With a portion of 45 per cent, the product fragment would turn into the sizeable huge information showcase section by 2027 (big data is a term that alludes to the sort of informational indexes that are excessively enormous or unreasonably complex for typical information handling applications. It is characterized as having one or a portion of the accompanying qualities: high volume, high speed or top assortment. Quickly developing portable information traffic, distributed computing traffic, just as the fast advancement of advances, for example, man-made brainpower (man-made intelligence) and the Web of Things (IoT) all add to the expanding volume and multifaceted nature of informational collections).

Progressed investigation devices, for example, prescient examination and information mining, help to remove an incentive from the information and produce new business bits of knowledge. The enormous worldwide information and business investigation showcase was esteemed at 169 billion U.S. dollars in 2018 and is relied upon to develop to 274 billion U.S.

dollars in 2022. As of November 2018, 45 per cent of exports in the statistical surveying industry, purportedly utilized substantial information examination as an exploration technique (Holst, 2020).

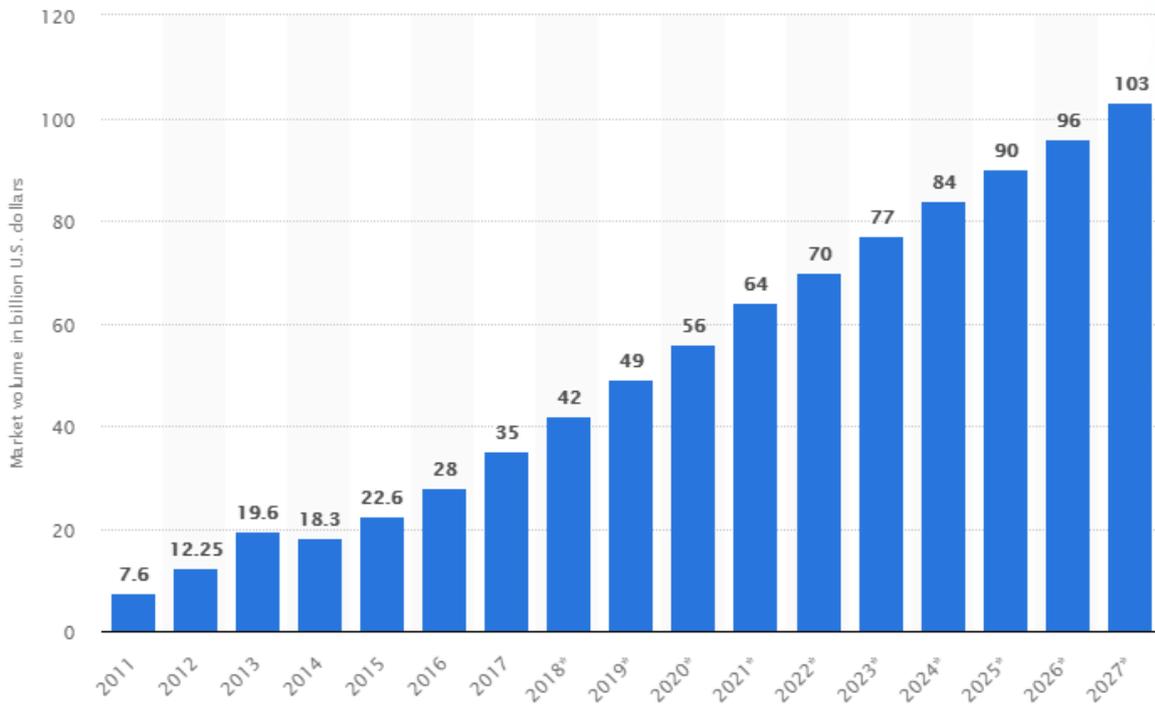


Fig 2. Significant data market size revenue forecast worldwide from 2011 to 2027

Source: Holst, 2020

Nowadays, large companies in different industries have realized the need to use large volumes of data, big data becoming an integral part of their activity and a necessary tool in various researches.

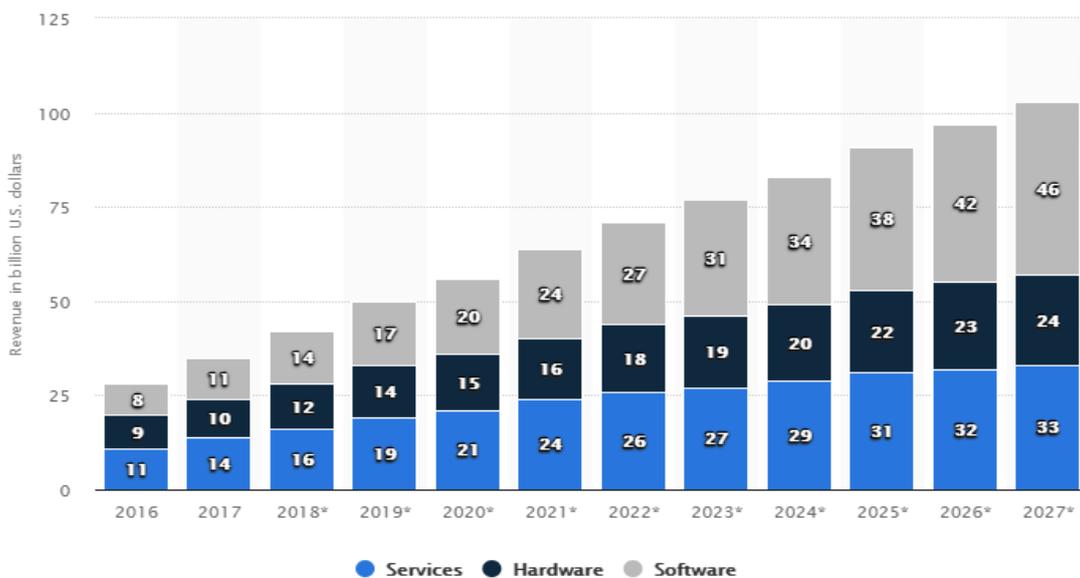
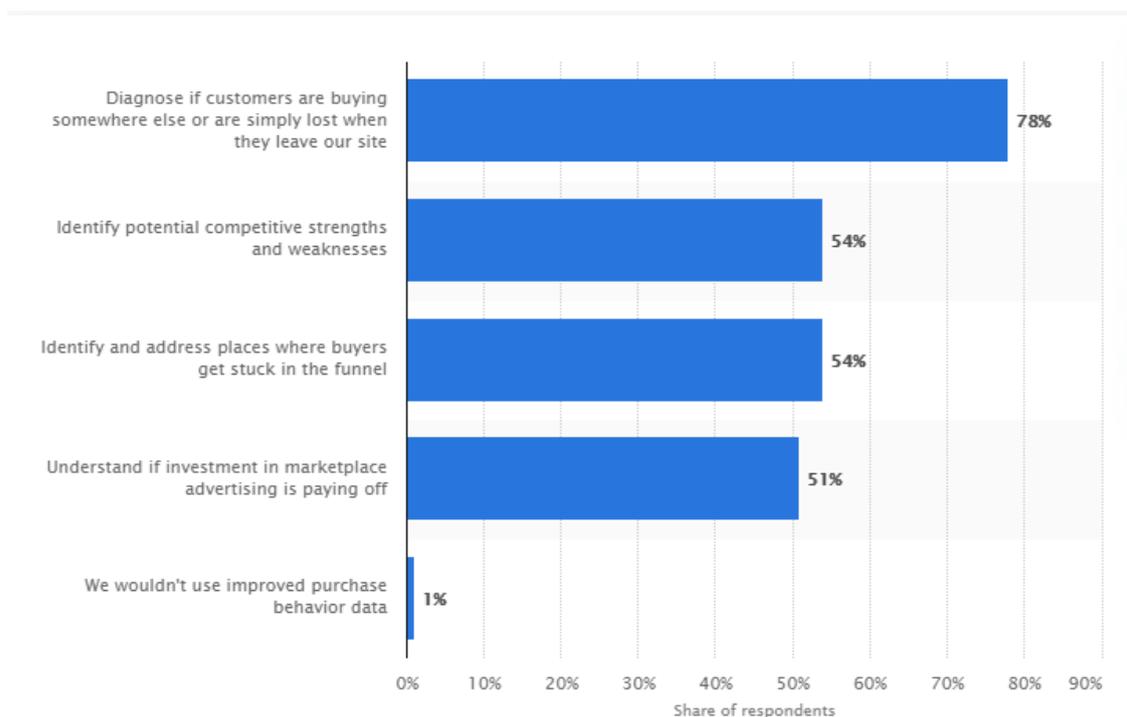


Fig 3. Significant data revenue worldwide from 2016 to 2027, by significant segment

Source: Holst, 2020

Analyzing the data from the past and maintaining the growth rate, we can observe a forecast of the Big Data trend in different industries. The measurement shows the income from the worldwide extensive information showcase by a significant fragment from 2016 to 2027. In 2018, the enormous information programming market was evaluated to be worth 14 billion U.S. dollars, while the market generally speaking will be worth 42 billion U.S. dollars (Holst, 2020).

Marketing and advertising are tied in with arriving at target crowds in a significant and relatable manner, standing apart from the group, and creating original and remarkable messages that clients won't just get, however ideally convert into buys. To make such powerful publicizing and showcasing efforts, industry experts need to approach data on their objective shoppers, and this is the place information proves to be useful. Knowing who the customers are, what they purchase, and their name and are not just illustrates their present buying conduct, yet also predicts future examples, which, thus, means progressively ideal-promoting systems (Guttmann, 2019). The utilization of enormous volumes of information in showcasing adds to getting data, for example, Screen Google Patterns to Illuminate Your Worldwide/Nearby Procedure, Utilize Advanced Data to All the more Unmistakably Characterize Your ICP, Make Constant Personalization to Purchasers, Distinguish the Particular Substance that Moves Purchasers Down the Business Pipe.



**Fig 4. Big How companies would use improved purchasing behaviour data from e-commerce marketplaces according to marketing professionals**

*Source: Clement, 2018*

For example, this measurement presents the most widely recognized ways how organizations would utilize improved buying conduct information from online business commercial centres as per showcasing experts in the U.S. starting in 2018. As indicated by the discoveries, 78 per cent of respondents expressed that on the off chance that they could get to improved buy conduct information from internet business commercial centres they would utilize that information to analyze if their clients are purchasing elsewhere or if they are just lost when they leave their site. Only a single per cent of respondents expressed that they would

not utilize such improved buying conduct information if the open door was there (Clement, 2018).

Given the development context of the large database industry and their use in more and more fields of activity, we can consider conducting future research to address the topic of big data, not in the general sense of marketing, but in each component in part (using big data in understanding consumer behaviour, using big data in developing communication strategies, etc.).

### **Acknowledgments**

This work was cofinanced from the European Social Fund through Operational Programme Human Capital 2014-2020, project number POCU/380/6/13/125015 "Development of entrepreneurial skills for doctoral students and postdoctoral researchers in the field of economic sciences".

This work was supported by a grant of the Romanian Ministry of Research and Innovation, UEFISCDI, project number PN-III-P1-1.2-PCCDI-2017-0800 / 86PCCDI/2018 - FutureWeb, within PNCDI III.

### **References**

- AMADO, A., CORTEZ, P., RITA, P., & MORO, S. (2018). Research trends on Big Data in Marketing: A text mining and topic modelling based literature analysis. *European Research on Management and Business Economics*, 24(1), 1-7.6.
- CHINTAGUNTA, P., HANSSSENS, D. M., & HAUSER, J. R. (2016). Marketing Science and Big Data. *Marketing Science*, 35, 341-342.
- CLEMENT, J., 2018, U.S. marketing professionals use of shopping behaviour data from online markets 2018, E-Commerce> B2C E-Commerce
- GUTTMAN, A., 2019. Data usage in marketing and advertising - Statistics & Facts, Media & Advertising> Advertising & Marketing
- HOLST, A, 2020., Big data market size revenue forecast worldwide from 2011 to 2027, Technology & Telecommunications –I.T. Services
- JOBS, C. G., AUKERS, S. M., & GILFOIL, D. M. (2015). The impact of big data on your firms marketing communications: a framework for understanding the emerging marketing analytics industry. *Academy of Marketing Studies Journal*, 19(2), 81.
- JOBS, C. G., GILFOIL, D. M., & AUKERS, S. M. (2016). How marketing organizations can benefit from big data advertising analytics. *Academy of Marketing Studies Journal*, 20(1), 18.
- LIU, S, 2019., Big data - Statistics & Facts, Technology & Telecommunications–Software.

## The Implications of Ethics and Responsibility in Public Management

**Maria Daniela FRAȚILĂ**

The Bucharest University of Economic Studies  
danielastannciu@gmail.com

**Paul COSMOVICI**

The Bucharest University of Economic Studies  
paul.cosmovici@cosmovici.ch

### Abstract

Public values are currently an essential aspect in the decision-making process in the public management sector. The "public value" theory plays an important role in the process of identifying managers on maintaining the competence of the organization in the eyes of the public. The essence is the acceptance of full responsibility by the leaders and the organizations they lead, for the good of the citizens and for the politicians who make public policies. The article brings forward the concept of responsibility in public management and its relationship with ethical principles. We will try to highlight and present how the policies anti-corruption, ethics codes improvements, increasing the application of norms regarding the principles of ethics and responsibility in Public Management has had a considerable impact both on the public administration sector and on society in general. As research we try to present the evolution of ethics and the fight against corruption in the Ministry of Interior Affairs and in the institutions subordinated to the Ministry of Interior Affairs, with applicability in all other state institutions.

**Keywords:** ethics, responsibility, corruption, public management.

**JEL classification:** M31.

### 1. Introduction

Ensuring socially responsible public behavior requires a permanent reflection on the decisions that are taken and their effect from a moral point of view on citizens. Social responsibility in terms of public management means carefully weighing the actions that must be performed in terms of compliance with a set of values and standards defined at society standards, for their own good.

Across Europe, especially in northern Europe, has been a remarkable increase in interest in social ethics in the past three decades. Romania, although, it has begun to show an increase in the specialty volume in terms of ethics and, subsequently, the detailed development of principles and codes that are to be put into practice.

In this article we will try to highlight and present how the increasing application of the principles of ethics and responsibility in Public Management has had a considerable impact both on the public administration sector and on society in general.

When we say "ethics" we are referring to a multitude of aspects. This principle envelops a number of theoretical approaches, including principles-based ethics (deontology or ethics based on duty and consequences) and ethics based on character and relationships (virtue ethics, community ethics). It also includes multiple religious and cultural approaches (e.g. Buddhist ethics, Christian ethics, "African ethics" and "Asian ethics"). In the Western world, the main focus on modern ethics falls on actions of conduct or correct actions (for example, respect for the right of individuals to make their own choices; promoting the well-being of as many people as possible). In the southern and eastern EU countries, emphasis can be placed more often on the good and bad qualities of character (such as being respectful, fair or compassionate) and on

responsibilities related to relationships (solidarity with relatives or community, respectful of the elderly). However, national codes of professional ethics tend to pay more attention to principles of conduct, as this is the language of international professional ethics (Meynhardt, 2019).

In public administration institutions, civil servants are the ones who represent the deciding factor. The way in which they exercise their decision-making power differs, in their daily activity. Regardless of the activity they perform and the institution in which they carry out their activity, ethics and responsibility for the good governance are the basic factor in maintaining trust in state institutions. Ethics is the benchmark for implementing the practices and conduct of civil servants, so that citizens feel safe and that their interests are met and their legal process respected. Therefore, ethics is a key factor in the quality of governance. Ethics, however, must be applied as a daily activity and not represent a status quo of the representatives of the institutions.

By applying an ethical behavior, we do not refer only to the establishment and application of rules. Ethics means a true continuous process, which promotes and sustains the activity of the government and becomes a crucial element for improving the functionality and evolution of the governing process (Grigoruta, 2004/2005).

## **2. Literature review**

"Ethics can only be an Instrument, only a means to an end, but it is a necessary means. The ethics of governance provides the preconditions for governing a good public sector policy. In this sense, it is more important than any policy because all policies depend on it "(Thomson, 1992). Since the last decade, many countries in the European Union are undergoing various stages of public administration reforms. The readjustment of the codes of ethics is in constant relation with the changes generated by reforms. Therefore, there are tensions rising between the traditional notions of public administration and its newly developed forms. We can exemplify, measures such as reducing rules and control, favor the making of mistakes and doing wrong work.

At the same time, imposing very frequent rules and controls negatively influences the act of work and governance: fear / caution is installed, and civil servants will constantly think about how to avoid the risk of violating the code of ethics. We could not assess which model is better or which can be regarded as middle course, but each country must apply and test the management of ethics in accordance with the approach of public administration as a whole. Regardless of the conduct objectives of one country, each seems to have a common goal, namely: compliance with the three "E" (economy, efficiency and effectiveness). We can easily add here a fourth "E", Ethics. Due to the changes that take place permanently in the European Union, an indispensable condition for a good public management is the ethical conduct. The success of reforms in public administration and general confidence in the government will depend on this aspect, all over the world, therefore also in Romania (Grigoruta, 2004/2005).

## **3. Methods applied for an Efficient Public Management**

The codes of ethics in our country contain principles and rules of conduct and are framed according to the fields in which they are applicable, the roles and professional relations of civil servants. There is no code of ethics in which a good society is portrayed, although the perspective of a good society is often described in every code of ethics. Many of the national codes of ethics include the definition of the work performed by the public apparatus, as a social activity, performed for the benefit of the citizen, with regard of the principles of human rights and social justice. The implementation of broader standards and rules in codes of ethics reflects the trend that is taking place in practice for more detailed and standardized systems for

monitoring and evaluation in the public work sector, which is one of the characteristics of what we call Effective Public Management. When we refer to "Public Management" we refer to a number of characteristics of organizational management regarding public services. Some of the key features of public management can be summarized as follows (Dunleavy & Hood, 1994; Clarke, Gewirtz, & McLaughlin, 2000):

- pay attention to outputs and performance, rather than inputs;
- organizations are seen as chains of low-trust relationships, linked by contracts or contractual processes;
- large-scale breakdown of organizations and the use of competition to allow users to "exit" or "choose";
- decentralization of budgetary and personal authorities to line managers. (Meynhardt, 2019)

The focus on the improvement of procedures, the implementing of measures has intensified considerably on the basis of Romania's integration into the European Union. Starting with 2005, new procedures were established regarding a multitude of ethical and procedural codes in all important fields, together with the establishment of new institutions charged with the job to regulate these codes and the respective deviations that might occur. Emphasis was also placed on achieving improved outcomes for people and communities from a social point of view. Ethics focuses on human nature on individual moral, on those leaders who take opinions into account and take the right measures. In public sector jobs, this refers to professional autonomy and professional discretion in making decisions and to assure that these decisions are in accordance with their professional knowledge, experience and values, so that the end result is performed for the benefit of the citizen. If we refer to civil servants, they should not be mere technicians or bureaucrats who simply follow the rules. They must be professionals with the proper expertise who are dedicated to ethical practice. Civil servants have the right, power and duty to promote what they consider to be good and ethical in practice and to challenge and resist inhuman, degrading and unjust practices and policies.

Next, we can address issues related to, the claiming of rights by citizens, taxpayers. Work ethics in the public central apparatus refers to promoting and respecting the rights of consumers, so they make their own decisions and / or to work in a so-called partnership with civil servants. Fundamental ethical values in social work include respect for service users and their dignity and respect for their rights and choices - as opposed to viewing them as problems to be solved, goals to be achieved.

In this sense, the reaffirmation of the social justice mission and the inclusion of the political class in the concept of ethics are essential. Social justice is a core ethical value at the heart of social activity. This includes a commitment to correctly distribute work services for the benefit and good of society in accordance with the real needs of the citizen. It also involves questioning the power and interests of governments, public administration employers, state-owned companies and also civil servants, and what sometimes drives them to ignore or accept inequalities and oppression.

Last but not the least, a very important step in the organizational process of a country, we can mention the reconfiguring professional ethics process. Ethics is about the person (moral agent) and interpersonal relationships, as well as about abstract actions and principles. Much of recent literature on public sector ethics includes reference to work ethics and ethics of caring for the citizen and public money. Some theorists argue that a reform of professional ethics will focus on the moral qualities, commitments, and motivations of civil servants (Meynhardt, 2019).

When we refer to the processes at European level, according to the Sustainable Development Strategy in the European Union, the Theme "Peace, justice and strong

institutions" is included in the 17 points developed for the decade that has just begun on the proper development of the EU.

According to Eurostat, safety is a crucial aspect of people's lives. Insecurity is a common source of fear and worry, and negatively affects quality of life generally. Physical insecurity includes all the external factors that could potentially put an individual's physical integrity in danger. Criminal actions are one of the most obvious causes of insecurity. Analyses of physical insecurity usually combine two aspects: the subjective perception of insecurity and the objective lack of safety. Available time series on both objective and subjective measures of personal safety show a favorable trend in the EU over the last 10 years. A look at gender-related aspects, however, reveals that some important issues of concern remain.

The European Agenda on security sets out the main actions envisaged to ensure an effective EU response to terrorism and security threats in the European Union over the period 2015 to 2020. The Agenda identified three priorities: tackling terrorism and preventing radicalization, disrupting organized crime, and fighting cybercrime. Other areas of EU intervention include the fight against trafficking in human beings and firearms, and the fight against corruption, financial crime and counterfeiting crime.

Well-functioning justice systems are an important structural condition on which EU Member States base their sustainable growth and social stability policies. Whatever the model of the national justice system or the legal tradition in which it is anchored, quality, independence and efficiency are among the essential parameters of an 'effective justice system'. As there is no single agreed way of measuring the quality of justice systems, the budget actually spent on courts is used here as a proxy for the quality of the justice system.

Moreover, judges need to be able to make decisions without interference or pressure from governments, politicians or economic actors, to ensure individuals and businesses can fully enjoy their rights. The perceived independence of the justice system is used for monitoring this aspect.

Data for the EU show a generally favorable trend over the past decade in both areas: the financial resources spent on law courts have increased, although at a slower pace than gross domestic product (GDP), and the perceived independence of the justice system has improved. More than half of the EU population consider the justice system to be sufficiently independent. In 2019, 56% of EU inhabitants rated the independence of the courts and judges in their country as 'very good' or 'fairly good'.

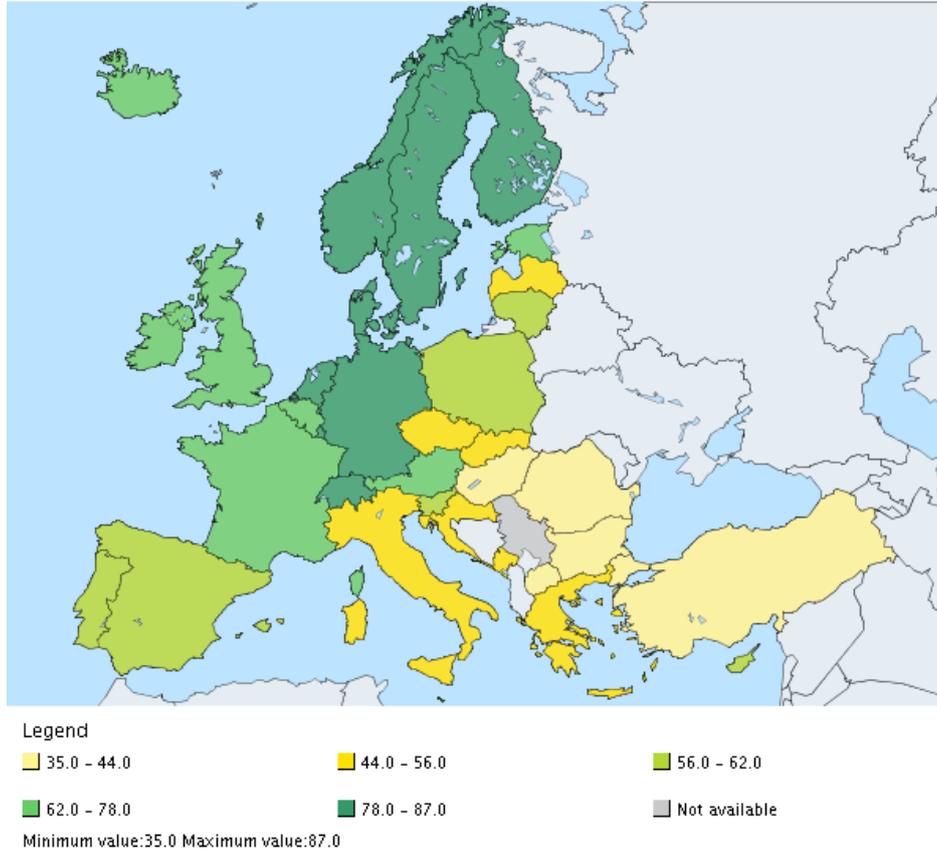
This is an increase of four percentage points compared with 2016. At the same time, the perception of 'very bad' or 'fairly bad' fell by three percentage points, from 36% to 33%. The most common reason for respondents rating the independence of their justice system as good was that the status and position of judges sufficiently guaranteed their independence. In contrast, interference or pressure from government and politicians were the main reasons for a bad rating of perceived independence of courts and judges. Effective justice systems are a prerequisite for the fight against corruption. Corruption generally comprises illegal activities, which are deliberately hidden and only come to light through scandals, investigations or prosecutions. Corruption inflicts financial damage by lowering investment levels, hampering the fair operation of the internal market and reducing public finances. It also causes social harm as organized crime groups use corruption to commit other serious crimes, such as trafficking in drugs and humans.

In the European Commission Communication from 2011, corruption was estimated to cost the EU economy EUR 120 billion per year, equivalent to about 1% of the Union's GDP at that time. Corruption can also undermine trust in democratic institutions and weaken the accountability of political leadership. Available data on corruption and trust in institutions show that the EU has remained among the least corrupt regions in the world. Trust levels in the

main EU institutions have nevertheless deteriorated since the early 2000s, although a turnaround was observed in the past few years (Eurostat, 2019).

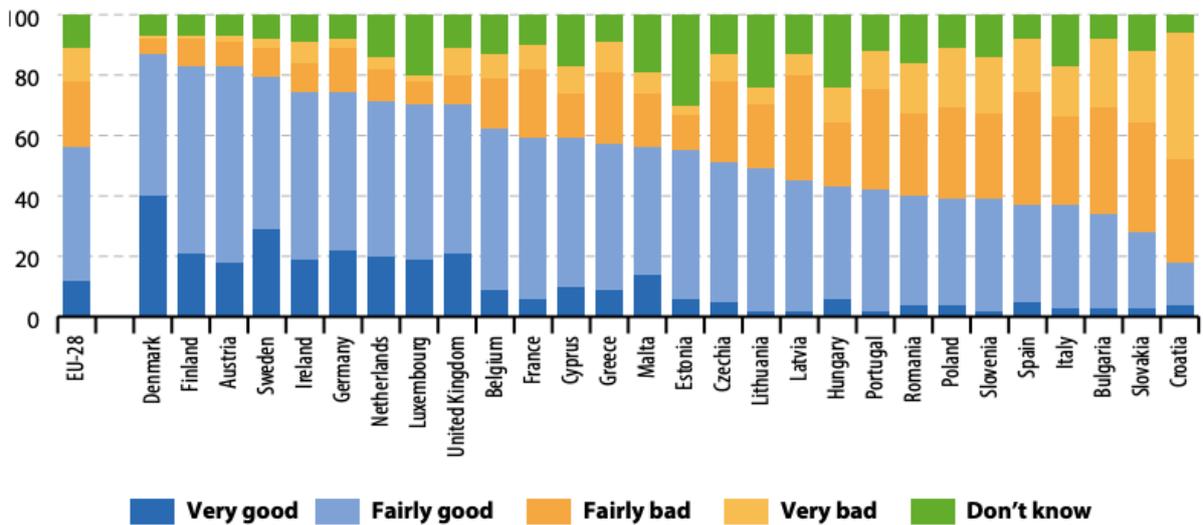
**Corruption Perceptions Index (source: Transparency International)**

score scale of 0 (highly corrupt) to 100 (very clean) – 2019



**Figure 1. Corruption Perceptions Index**

Source: [https://ec.europa.eu/eurostat/tgm/mapToolClosed.do?tab=map&init=1&plugin=1&language=en&pcode=sdg\\_16\\_50&toolbox=types](https://ec.europa.eu/eurostat/tgm/mapToolClosed.do?tab=map&init=1&plugin=1&language=en&pcode=sdg_16_50&toolbox=types)



**Figure 2. Perceived independence of the justice system, by country, 2019 (% of population)**

Source: European Commission services (Eurostat online data code: sdg\_16\_40)

#### **4. Methodology Research - Study on the evolution of ethics and the fight against corruption in Romania in the Ministry of Interior and the institutions subordinated to the Ministry of Interior**

The applied research aims at analyzing the need to rethink, reorient and prioritize the efforts undertaken by our country in the field of corruption prevention. Moreover, given the current social context in which the prevention of corruption is a national priority, it is self-evident the institutional decision to identify and permanently adopt the most appropriate measures to directly address existing corruption vulnerabilities in the level of state institutions. The research approach involves analyzing the performance parameters, the activities carried out in the field of corruption prevention, the normative and conceptual framework, the methods and practices used, both from the perspective of staff directly involved in preventive activities, the main beneficiaries and representatives of different institutions. the agents and authorities of the ministry, as well as the representatives of the civil society, in this case the non-governmental organizations of reference for the design and development of a diverse range of projects in the field.

As we well know, the transition to a fair, equitable government and in a protective atmosphere is an elaborate process, carried out with quite small steps, which our country has started since the 90s, but especially from the moment Romania's accession to the European Union.

The periods we have taken into account is between the years 2012-2016, with conclusions made in 2018. These are the latest data on this issue in our country. During this interval, two samples were taken in the study: general population and Ministry of Interior Affairs (MAI) employees.

The research that formed the basis of the study was conducted through polls applied in the two intervals, among the two samples. Therefore, in the polls conducted in the mentioned period the following aspects were found:

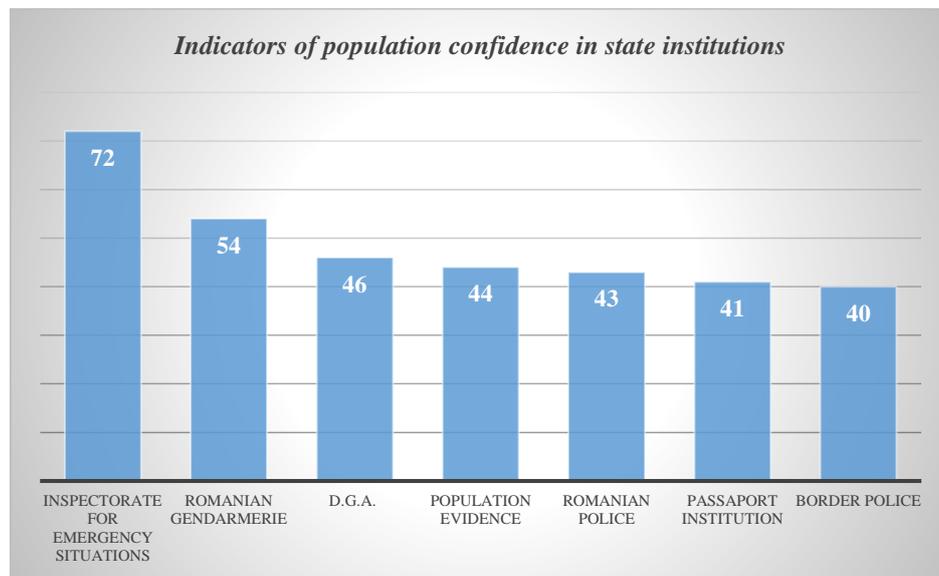
- the main topic of discussion in Romania was the phenomenon of corruption;
- this topic has taken the place of the main theme discussed in recent years, namely the lack of jobs;
- in 2015, corruption was the most serious problem facing Romania;
- the main factor that favored public perception was the media coverage;
- from the surveyed sample in 2015 51% of people considered that the most serious problem in Romania was corruption;
- the percentage had significantly increased from 20% in 2012 and 15% in 2014;
- the majority of the population considered that the direction in which the country was heading was wrong, from ethics point of view and that of corruption fighting measures (from 76% in 2014, to 63% in 2015);
- the opinion of Romanians towards their own situation, however, had a positive trend, 22% of the people who took part in the survey, considered that their life is better than the one they had in previous years.

Therefore, one of the most visible problems of Romania and the basic element that creates dysfunctions in the smooth running of domestic public institutions, was represented by corruption, an aspect underlined both by the opinion of the population and by the employees of M.A.I. comparing with 2014, a significant increase in awareness of the level of corruption in our country (29 percentage points), an increase that could be generated by the context: media coverage and bringing to the fore on television channels the multiple cases of corruption among ministers, mayors, civil servants.

At the same time, in 2015, compared to 2014, there was a general decrease in population confidence in M.A.I. All this in the context in the majority of the consulted population (over

95%) knew the importance of the ministry's fields of activity (fighting crime, ensuring public order, fighting corruption, intervening in emergencies, rapid intervention at citizens' requests and providing quality public services). The institution with the highest level of trust was represented by the Inspectorate for Emergency Situations (72%), followed by the Romanian Gendarmerie (54%), D.G.A. (46%), Population Records (44%) Romanian Police - 43% Passport Structures - 41% and Border Police - 40%.

There was also a tendency to improve the way in which the situation of corruption was perceived at the level of institutions, in 2015, where a small number of respondents (10%) stated that the level of corruption increased (the reduction was considerable, 20%, compared to 2014), also finding an increase of 8 percentage points among the population who claimed that the level of corruption has decreased.



**Figure 3. Indicators of population confidence in state institutions (in percentage)**

Source: Made by the authors during the research

The three determining factors in increasing the phenomenon of corruption, very important and for which an intervention is required quickly, are represented by the generalization of behaviors such as "file", "intervention", "relationship". Until now, aspects that were the basis for not resolving these types of phenomena consisted in the insufficiency of employees' financial and social rights, pressures and political influence in adopting any decision at the MAI institutions / structures and all Government institutions in general ("Study comparison on the phenomenon of corruption in the Ministry of Internal Affairs (General Anticorruption Directorate, Anticorruption Studies and Projections Service).

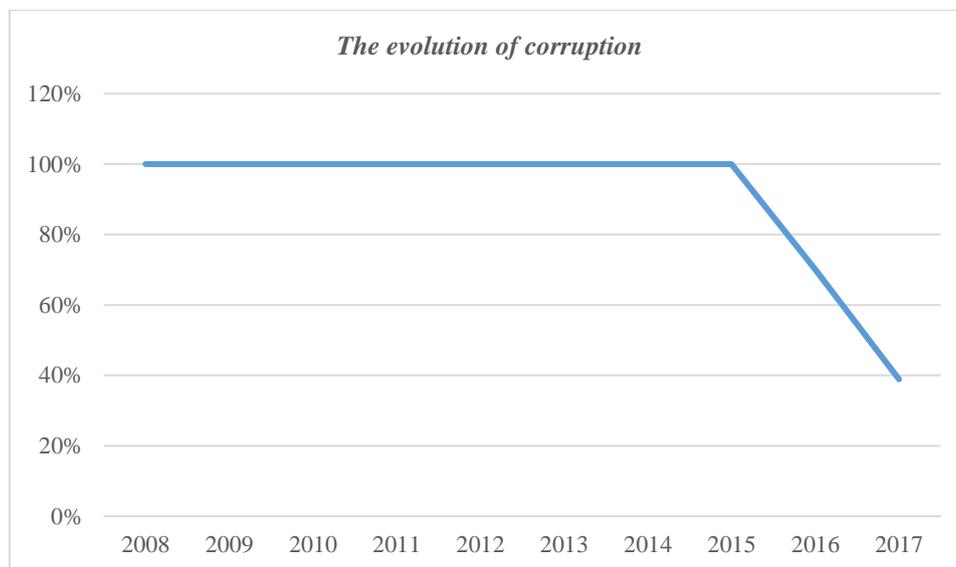
Through opinion polls, we can see at the end of 2016 an improvement in the perception and trust of citizens in state institutions, in carrying out the activity in accordance with the strategy and codes of conduct. Therefore, it was found:

- the actions and efforts made in order to prevent corruption, together with a unitary institutional approach, during the period subject to opinion polls, 2012-2016, produced relevant quantifiable effects;

- all the new measures and the efforts made in preventive plan brought a change of attitude, therefore within the MAI it was observed the reduction of corruption cases, carried out by the employees of the institution;

- the statistical indicators underlined the fact that the number of facts of lack of integrity at national level was a linear one until 2016, when an obvious decrease started, continued in 2017;

- for the whole year 2017, there was an improvement registered by the substantial decrease, with 38.9% of the number of facts lacking integrity (Evaluation of the corruption prevention activity carried out at the level of the Ministry of Internal Affairs during 2012-2016).



**Figure 4. The evolution of corruption (in percentage)**

Source: Made by the author during the research

Therefore, regarding the research part, the preventive efforts have produced a change of attitude so that at the level of government institutions there is a decrease in the number of employees involved in acts of corruption. The institutional approach and the efforts undertaken in the field of corruption prevention activities carried out during the period under analysis, 2012-2016, produced relevant quantifiable effects. During this period, the statistical indicators show that the evolution of the number of integrity incidents registered at national level was linear until 2016, when an obvious decrease began, continued in 2017. At present, there is a positive trend recorded by the significant decrease, with 38.9% of the number of integrity incidents during 2017.

## Conclusions

The presented article aimed to emphasize the application of the principles of ethics and responsibility in public management. By developing aspects related to ethics, in this context, it is found that the imposition and maintenance of standards in the public sector is achieved through a series of features and elements, which can be called "ethics infrastructure". Here we can frame the accumulation of rules, codes, measures and personnel at the forefront that give the content of the ethics infrastructure. Therefore, in Romania, from the presented perspectives, by applying the measures of social responsibility in the work technique from the central public apparatus, it is tried to highlight the following aspects:

- establishing aspects related to changes in the public sector environment, which may influence the ethics and conduct of civil servants;

- establishing and improving the features of the ethical infrastructure, the role and the strategy through which they work, in order to bring favorable conditions to an ethical conduct;

- establishing the strategy and the management manual of ethics in public administration;
- identifying the aspects that block the good progress of initiatives of this type and solving them;
- the development of a mechanism based on the implementation of principles based on concrete results and not only on the application of strict rules.

Also, a very important factor in maintaining public peace and good governance is based on the "main character" in public administration, the politician, who is, in fact, the interface of the institution. Most of the time, these two very different categories, civil servants and political leaders of public institutions, are confused by the eyes of the public, which always tend to overlap them. Therefore, many attempts to resolve situations of deviation from ethics refer to all types of government officials. A solution to the separation of roles and the identification of real issues related to the ethics infrastructure in public management can be, for example, the establishment of a Public Sector Standards Committee (called the Nolan Committee), which has the role of differentiating between civil servants and politicians. in order to establish ethical standards at all levels of government activity, separately (Grigoruta, 2004/2005).

Why is ethics important in the public sector? The answer to this question lies in respect for integrity by politicians and civil servants alike. The integrity of these two categories that collaborate permanently is the essential component of a democratic society.

In the case of Romania, the continuation of the measures proposed and applied in the last decade, together with the constant identification of possible deviations that undermine the management of ethics and conduct in public administration, can confer over time the quality of governance and, implicitly, increase citizen welfare.

The research aimed at analyzing the need to rethink, reorient and prioritize the efforts made by the authorities in the field of corruption prevention. Moreover, given the current social context in which the prevention of corruption is a national priority, it is self-evident the institutional decision to identify and permanently adopt the most appropriate measures to directly address existing corruption vulnerabilities in the level of central public administration.

## References

- ANDRONICIUC, A.I. 2019. Rolul comunicării prin intermediul rețelelor de socializare în campaniile politice – Teza de Doctorat, Iași, Universitatea Alexandru Ioan Cuza;
- BANKS, S.J. (2011). Journal of social intervention: theory and practice;
- DUNLEAVY, P., HOOD, C. 1994. Public Money & management;
- GROSSECK, G. 2007. The Viral Concept: The Winning Ticket of the Romanian Online Advertising Industry, Informatica Economică, nr. 1 (41)/2007, pp. 41-48;
- EUROSTAT, 2019 - Sustainable Development Goals – Monitoring report on progress towards the SDGs in an EU context, <http://ec.europa.eu/eurostat/web/sdi/overview>;
- FEJZULLAHU, A., BATALLI – SEER, M. 2020. Journal for Labour and Social Affairs in Eastern Europe;
- GRIGORUTA, M., V. 2005. Ethics, management and public administration;
- GENERAL ANTICORRUPTION DIRECTORATE, ANTICORRUPTION STUDIES AND PROJECTIONS SERVICE, 2019. Evaluation of the corruption prevention activity carried out at the level of the Ministry of Internal Affairs in the period 2012 – 2016;
- KANG, N., MOON, J. 2012. Socio-Economic Review;
- MEYNHARDT, T., GOMEZ, P. 2019. Business & Society;
- ROTARU, S. 2015. Local electoral strategies: the empirical matters of the political marketing, Revista Facultatii de Stiinte Politice si Administrative, Numarul 2 (8) 2015.

## **The Effects of Viral Marketing, Including Fake News, in Elections Campaigns**

**Florina BOTEZATU**

The Bucharest University of Economic Studies  
bflorr@yahoo.com

**Paul COSMOVICI**

The Bucharest University of Economic Studies  
paul.cosmovici@cosmovici.ch

**Ștefan-Claudiu CĂESCU**

The Bucharest University of Economic Studies  
stefan.caescu@gmail.com

**Maria Daniela FRAȚILĂ**

The Bucharest University of Economic Studies  
danielastannciu@gmail.com

**Alina ALECU**

The Bucharest University of Economic Studies  
alina@grantbox.ro

### **Abstract**

The purpose of this article is to present how viral marketing works in politics, especially in election campaigns. At present, viral techniques are intensively used to promote candidates in elections, through new methods and new channels of communication. Although the phenomenon of viral marketing is intensively used in the electoral communication strategy, there are no concrete techniques specifically dedicated to this type of marketing. From the beginning this type of the concept, has been intensively used and applied in the communication strategy especially for the business sector, therefore concrete application techniques exist for other types of levels individually. The campaigns of the last decade in Romania and in the world, in general, through the presence of the new social networks, demonstrated the importance of this type of communication in promoting the brand image of a candidate. The presence of viral information and news, whether true or false, demonstrates how voters are extremely sensitive to this type of information. Therefore, our article tries to emphasize that in modern politics, viral marketing creates the image of the political leader, an aspect that becomes decisive for voters, although it is not yet a regulated field and there are various problems, including the most serious one being that of fake news, which directly affects society and democracy.

**Keywords:** viral marketing, elections, candidate, fake news.

**JEL classification:** M31.

### **1. Introduction**

Freedom of expression is fundamental, and political discourse is the most protected form of speech when we refer to human rights and constitutional law. However, political communication, especially during election periods, is constantly subjected to various forms of regulation. If we refer to the states of the European Union, we can observe various measures applied, regarding the forms of political communication and the PR of the candidates, varying from one state to another. Examples of measures would be transparency and limitation of

expenses for election campaigns and, the measure recently adopted in Romania, the limitation of the time that can be purchased for broadcasting of campaign adds, the limitation of sponsorships by individuals, corporations or foreign entities, etc. In the same direction, there are states that during the election campaign imposed very clear rules regarding the presence of candidates on TV / Radio, by adopting laws that allow the equal and balanced presence of all candidates in the media. The purpose of these rules is to maintain the integrity, fairness and legitimacy of the election process and its outcome and through it, to avoid as much as possible the private interests of political parties, avoidance of buying public opinion through the media which can largely control the election results.

These rules are enshrined in electoral law, audiovisual law and self-regulatory codes and are also reflected in international human rights standards which impose these rules as necessary and proportionate. The expansion of internet access and the invention of social networks, offered people the opportunity to take an active part in the election process and to freely express their opinions and interact with candidates. With the emergence of these new types of media, political parties have taken full advantage of the opportunity to promote their interests, given the fact that it can be considered a new, unregulated sector, unlike the aforementioned promotion of campaigns through traditional media methods. According to the 2015 Ipsos Mori and King's College London election report, 71% of British citizens (88% aged 18-34) felt that the presence and use of social media provided a voice for people who wouldn't normally participate in debates. and the electoral process all together. This feeling is applicable and generally valid globally. Social platforms have proven to be the most handy communication channels for candidates to present their governance program / agenda. However, changes and the accelerated growth of election-related content consumption in recent years, as well as growing concerns have raised questions about the impact of the Internet, especially social media has on elections. In most European countries, studies have shown that among young people the messages transmitted on social platforms have a considerable impact on voting.

This article addresses the implications of the different ways in which the Internet, through social media, has changed the organization of political campaigns, whether we are talking about the possibility of paying for media campaigns through platforms, or we refer to the use of social media by politicians who present and to discuss their programs, or the way in which political parties, and not only, collect and process the personal data of voters for electoral purposes, or in conducting negative campaigns for counter-candidates by promoting fake news. The purpose of the article is to present the potential problems and effects of viral marketing, including the phenomenon of fake news, which appeared with this movement of the election campaigns in the on-line sector.

## **2. Transposing electoral campaigns in online**

The aspects that had to be clarified over time regarding the transposing of communication / development of electoral campaigns onto the internet via the new media, were as follows:

► **Audiovisual regulation:** until the rise of the Internet and social media, the allocation of time for electoral debates and for the promotion of candidates could be very clearly managed. However, on the internet these things are more difficult to follow, there are regulations from country to country, although each party still has its own campaign carried out on the internet, where it individually sets its time, human and financial resources, etc.;

► **Expenses:** the latter is true when we also refer to expenses. Until the possibility of carrying out marketing campaigns differently, the investments of the parties in this sense could be easier to regulate and follow, as they were until the last decade On the Internet, the budgets invested by each party differ and are more difficult to verify, because they are made both directly and through countless intermediaries;

► New players in the electoral process: creation and invention of algorithms, with the help of which, promotional messages on social networks (especially Facebook) were transmitted personalized and constantly adapted to the preferences and interests of the person, all in order to influence the vote (eg. US elections - Donald Trump). Through this type of campaign, many misinformation and manipulations of the electorate have been made and are being made, which are to a certain extent at the legal border, but without clear rules in this respect, no concrete assessments can be made;

► The appearance of the fake news phenomenon and the viralization of misleading statements: also, through social media, in recent years the phenomenon of fake news has increased considerably and is based on misinformation of the electorate in order to disqualify the opponent. Social media posts do not follow the traditional principles of classical journalism, and by taking advantage of the right to free speech an opinion, they lead to misinformation and undermining the values of truth, compared to classical methods of electoral promoting on TV and Radio where any information transmitted is verified by journalists and state institutions and are in the majority of cases, real;

► Transparency: to conclude, online campaigns are much more difficult to verify, given the fact that terms of transparency of funding and the origin of campaign resources, are difficult to impose online.

### **3. New Digital Marketing Techniques in politics**

When we refer to the new digital marketing techniques applicable in politics, we can list the methods related to online advertising in general, namely: advertising through search engines (triggering keywords, which are written in the search engine), through posts and expressions of interest towards that post, re-targeting (also, depending on certain searches and words, the promoter creates the algorithm which then, retargets the same search as a banner / advertisement on new sites that you visit, no matter of what the users new search is), message targeting (as mentioned, here we refer to the method of creating data extraction techniques, designed to link the personal characteristics of people with political beliefs and identify the political behavior of voters so that political parties attract new voters by sending messages and individualized on specific issues that concern them personally and can be very decisive and precise in the way the person votes, regardless of whether or not they are concerned about the electoral process) (Study on the use of internet in electoral campaigns, 2017). (Study on the use of internet in electoral campaigns, 2017).

### **4. Identifying new problems associated with New Media methods**

Although they have proven to be extremely useful in almost all areas, the new media has a special description when comes to politics and election campaigns. All these new methods applied in the last campaigns all over the world, have raised questions and a concern regarding the legitimacy and correctness of the elections. At present, various states and the European Union are concerned with creating a current framework for election regulation and ethics, obviously covering the way online elections are conducted. Therefore, the issues identified and being worked on for improvement refer to:

- Carrying out a new Regulation on electoral campaigns;
- Improving electoral transparency;
- Campaigning on Wedge Issues - Wedge politics involves treating Aristotle's "Law of the Excluded Middle" as universal. If one side of an issue is right, then the other must be wrong there is no in-between. Controversial topics, forcing people to choose a side, for or against. Voters may feel debates about wedge issues leave no room for nuance. Ultimately, wedge politics isn't about changing people's minds; it's about targeting people who have yet to form an opinion on something;

- Discrimination and the creation of messages only for certain categories of people, those who showed interest in voting in previous elections, sending messages through intermediaries (almost all messages are sent online through intermediaries, which makes it very difficult to accurately identify the person responsible for the problems set;

- Improving Privacy Policies;

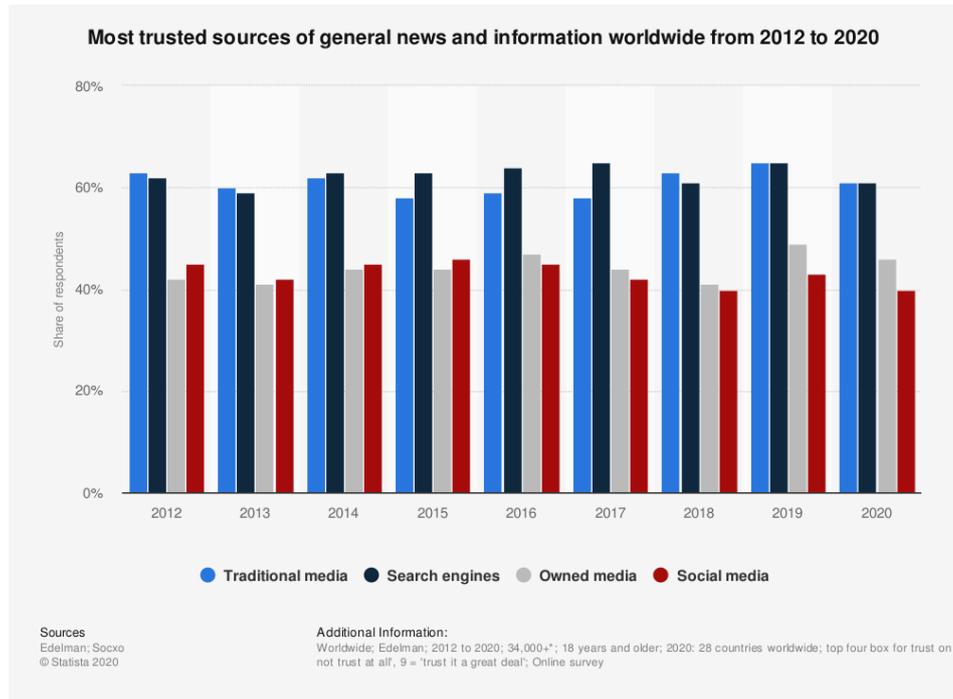
- Elaboration and application of measures regarding the follow-up and identification of the financing sources of the campaigns;

- Promotion of fake news - the ethics of journalism is completely canceled online, especially in election campaigns. False news is intensely promoted in order to discredit the candidate against the electorate. Also, this type of identified problem is difficult to avoid, cancel and combat. This phenomenon is currently widespread throughout the world. Donald Trump used such a campaign and took full advantage of the "fake news" phenomenon in his fight to become president of the United States. In the election campaign, a lot of erroneous information was "promoted" in the online environment. Examples of this is Hillary Clinton, who was said to be seriously ill or that she sold weapons to the Islamic State;

- Being viral, this news was even taken over by major news sites and US television, thus contributing to the discrediting of the counter-candidate and the issuance of countless conspiracy theories. Another example of this is the Brexit campaign. It is already well known that the whole Campaign was intensely carried out on Facebook and this contributed major to the success of those who started the detachment from the European Union (HBO even made a film - a documentary on this topic). The really real problem in terms of fake news is strictly related to the ease with which fake news that misleads and manipulates can be published and distributed on social networks. Intentionally or not, social media leads directly to the spread of an erroneous, illegitimate phenomenon, even if at the moment this type of new socialization is appreciated by many as the most important model of free expression of expression and democracy. At the other extreme, paradoxically, the phenomenon of fake news implemented very easily by this "platform of free expression and democracy", becomes a modern weapon against democracy. However, Facebook users are growing in number from one semester to another. The first measures taken in this regard so far, thanks to media pressure and the authorities Facebook took the first anti-fake news measures. A first measure is the button for notifying articles that contain false electoral information. This button helps the individual to report to Facebook moderators the articles posted and which are in fact intended to manipulate public opinion.

## **5. Methodology Research**

In the applied research we compared the credibility of channels through which news is published globally vs those in Romania. Therefore, globally at the beginning of 2020, according to Statista Research Department, 61% of adults who took part in the survey confirmed that they trust the sites searched on search engines and traditional media, declaring these two types of channels as the most reliable in the world. The most unreliable source was social media, especially in Europe and North America.

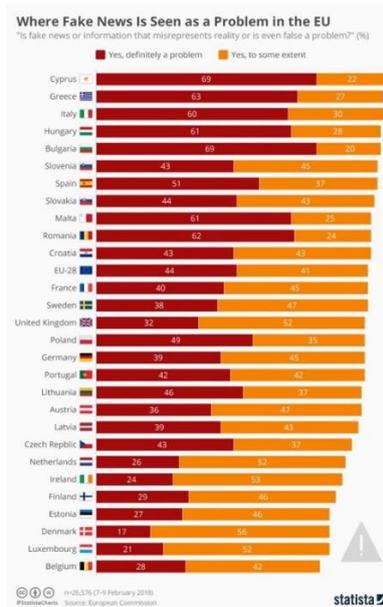


**Figure 1. Most trusted sources of general news and information worldwide from 2012 to 2020**

Source: <https://www.statista.com/statistics/381455/most-trusted-sources-of-news-and-info-worldwide/>

The reason behind the growing suspicions regarding the confidence in the quality and truth of the news topics published on social media, is the awareness of the fake news phenomenon, especially in light of the latest events related to this phenomenon. The adult population in many countries considered for a long time the news published on social media channels to be real, until, with the passage of time, they realized that the news was false, not presenting the truth. On the other hand, false news is not exactly a recent phenomenon. Since the World Wars, false propaganda and misinformation techniques were used in order to disarm the enemy. Also, as we mentioned before, the last major campaigns in the USA and UK (US presidential 2016 and Brexit UK 2018) were won through fake news campaigns and were subsequently contested and publicly debated.

When we take into account Romania, according to the report made by Novel Research commissioned by MediaStandard.ro, in 2019, it was found that our country is on the same trend as the global population, namely, considers the phenomenon of fake news a very problematic one for the society. Therefore, 55% of those who took part in the study consider that misinformation on social media is a very big problem for our country, in a small decrease compared to 2018. To compare we offer percentages considered by the people surveyed as more important such as criminality with 66%, next to the health system (80.7%), justice and the rule of law (72.2%) and pollution (69.5%). People aged 45-64 are the category most concerned about this phenomenon of manipulation and misinformation. Almost half of the respondents (49%) are aware that false news influences the opinions of the population, while almost 32% of them believe that the phenomenon threatens democracy and that the authorities should do something about it. Also, a fairly significant percentage, 28.4%, believe that although these types of fake news are viral and ultra-promoted, in the end they can still influence. although fought, to some extent the opinions other opinion formers. A positive aspect is that we can see a rising concern by the citizens for the correctness of the electoral processes and for the freedom of press.



**Figure 2. Where Fake News Is Seen as a Problem in the EU (Eurobarometer survey, 2018)**

Source: <https://www.statista.com/chart/13285/where-fake-news-is-seen-as-a-problem-in-the-eu/>

## Conclusions

When we refer to viral marketing through the phenomenon of fake news, it has come to be considered a very problematic issue in Romania and worldwide. Throughout the world, countries have started to initiate and apply methodologies and laws for such regulations, especially when we talk about election campaigns. The goal is to make them transparent and avoid winning elections through propaganda, manipulation and false news.

## Acknowledgments

This work was supported by a grant of the Romanian Ministry of Research and Innovation, UEFISCDI, project number PN-III-P1-1.2-PCCDI-2017-0800 / 86PCCDI/2018 - FutureWeb, within PNCDI III.

The article is one of the results of the project "Institutional development of ASEs in the field of research excellence by supporting advanced research, innovation and visibility to increase competitiveness in the European research area" (ECON\_X), CNFIS-FDI-2020-0217.

## References

- BAROCAS, S. (2012). The price of precision: Voter microtargeting and its potential harms to the democratic process. Paper presented at the Proceedings of the first edition workshop on Politics, elections and data.
- DAMIAN T, (2017). Council of Europe study, DGI „Study on the use of internet in electoral campaigns”.
- DIAKOPOULOS, N and M. KOLISKA, (2016). Algorithmic Transparency in the News Media. Digital Journalism;
- EPSTEIN, R. and ROBERTSON, R.E., (2015). The search engine manipulation effect (SEME) and its possible impact on the outcomes of elections. Proceedings of the National Academy of Sciences.
- MCCARTHY, N., Where Fake News Is Seen as a Problem in the EU, <https://www.statista.com/chart/13285/where-fake-news-is-seen-as-a-problem-in-the-eu/>
- SCOTT, DM, (2009). The new rules of marketing and PR: how to use social media, blogs, news releases, online video, and viral marketing to reach buyers directly.
- TEODORESCU, B. (2001). Political and electoral marketing, Bucharest SNSPA.
- WATSON, A, Most trusted sources of general news and information worldwide 2012-2020, <https://www.statista.com/statistics/381455/most-trusted-sources-of-news-and-info-worldwide/>

## **The Organic Food Market in Romania**

**Mihai STOICA**

The Bucharest University of Economic Studies  
mihai.stoica.91@gmail.com

**Mihai MEHEDINȚU**

The Bucharest University of Economic Studies  
mihai.mehedintu88@yahoo.com

**Magdalena STOIAN**

The Bucharest University of Economic Studies  
magda.stoian@eurocentrica.ro

**Alin STANCU**

The Bucharest University of Economic Studies  
alin.stancu@mk.ase.ro

**Alina FILIP**

The Bucharest University of Economic Studies  
alina.filip@mk.ase.ro

**Mihai-Ioan ROȘCA**

The Bucharest University of Economic Studies  
mihai.rosca@mk.ase.ro

### **Abstract**

Consumers' concerns in the direction of maintaining personal health and environmental protection, together with the reevaluation of these trends by worldwide organizations, have led to the intensification of entrepreneurial initiatives in Romania in the field of organic products. Therefore, we are observing the growth of the organic food market, although at a slower pace than in countries with a tradition in this field. Hence, this paper aims to provide an overview of the Romanian food market, not before highlighting the general context in the European Union. The analysis focuses on the presentation of the development of sales on the marketing channels available at the market level and on the identification of the elements that led to the current market context. Thus, the supremacy of modern retail is noticeable, as a result of the intensified efforts of general retailers in this direction. Finally, we present the defining elements of the Romanian market and highlight the importance of marketing in its development.

**Keywords:** green marketing, organic food, marketing channels, retail.

**JEL classification:** M00, M10.

### **1. Introduction**

Green marketing has been a natural development of traditional marketing, as a result of increasing societal concerns about climate change, mass extinction of species, deforestation and accelerated loss of natural habitats. Organic farming is one of the solutions agreed to take care of the natural environment, representing a production system that takes into account biodiversity, biological cycles and increased biological activity of the soil. Organic food is the end result of the organic agricultural sector. The organic food market is constantly growing

worldwide, with countries where it is no longer considered a niche market. However, in many countries there is still a low consumption of organic food, given the impact of economic, institutional and political factors. This pronounced discrepancy is also noticeable in the countries of the European Union, an aspect very well highlighted by the consumption of organic food in each country. Therefore, the current challenge is to reduce these disparities, by trying to boost consumption in less developed markets in this sector.

This paper aims to present the general coordinates of the organic food market in the European Union, together with the analysis of the current situation in the Romanian market. Whereas Romania has engaged in a continuous process of integration into the European Union, it must perform sustained efforts to get closer to the economic and social development and the European standard of living.

Therefore, understanding the current situation and relating it to the context in the region can be a way to see what steps need to be taken to develop this market.

## **2. Literature review**

Over the last three decades, in which researchers and practitioners had a particular interest in it, the concept of green marketing (also known as ecological marketing) has undergone a continuous development, which has led to different views on its meaning in marketing theory. “Green marketing has been used to describe marketing activities which attempt to reduce the negative social and environmental impacts of existing products and production systems, and which promote less damaging products and services” (Peattie, 2001). Hartmann and Apoalaza Ibanez (2006) point out that ecological marketing generally focuses on the efficiency of cognitive strategies of persuasion and on the increased involvement of the consumer in environmental issues. Also, green marketing “promotes the environmental benefits of products, or a company’s sustainability initiatives” (Sekhar, 2016) by “employing claims about their environmental attributes or about firms that manufacture and/or sell them” (Prakash, 2002).

Currently, the American Marketing Association, cited by Sulphrey and Safeer in 2017, uses three perspectives to define green marketing. First, from a commercial perspective, ecological marketing is described as “the marketing of products that are presumed to be environmentally safe”, secondly from the perspective of social marketing, green marketing implies “the development and marketing of products designed to minimize negative effects on the physical environment or to improve its quality” and thirdly, from the point of view of environmentalists, green marketing is characterized as “the efforts by organizations to produce, promote, package, and reclaim products in a manner that is sensitive or responsive to ecological concerns” (Sulphrey & Safeer, 2017). Therefore, “green marketing should not be understood as a mere series of procedures, activities and techniques to design and commercialize green products, it should also be regarded as a philosophy that guides the behaviour of the entire organization” (Chamorro & Bañegil, 2006).

### **The concepts of “green product” and “green package”**

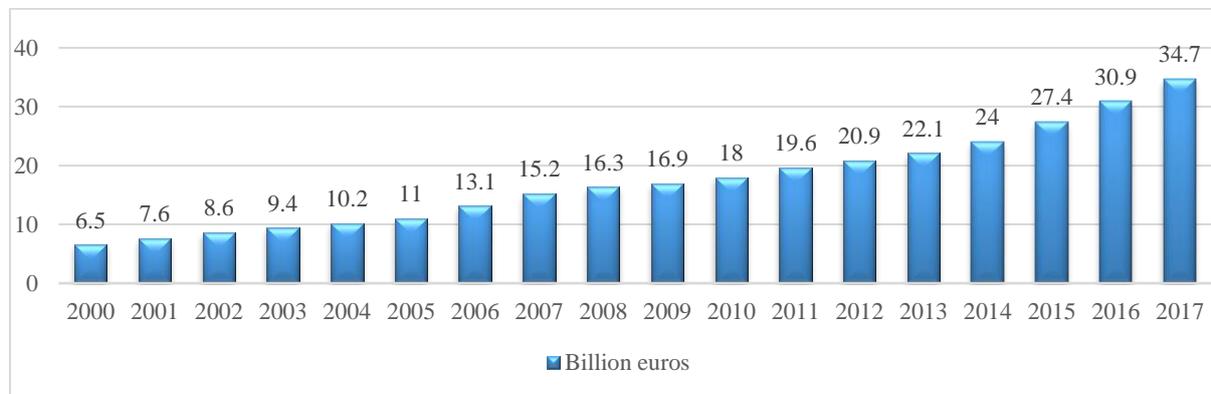
Consumers' concern for the healthiest and most environmentally safe food consumption has led organizations to develop products to be considered “an alternative that precludes the use of chemical pesticides, fertilizers and growth hormones” (Dean and Pacheco, 2014), thus contributing to the reduction of pollution and the rapid depletion of natural resources. The ecological product (also known as “green product” or “environmental product”) is the product “that strive to protect or enhance the natural environment by conserving energy and/or resources and reducing or eliminating use of toxic agents, pollution, and waste” (Ottman, et

al., 2006). Lin and Chen (2016) recently shown “that among the attributes of environmentally friendly products are:

- eco-friendliness;
- harmless to the human body;
- avoidance of experimental testing on or killing of animals.”

Also, another particularity of a green product is that it “is certified as such by a recognised organisation” (Gurau & Ranchhod, 2005). Consequently, a product can be called a “green product” if the production process or method is considered to be environmentally friendly and also less dangerous or toxic to the environment. Also, the raw materials utilized to manufacture the product must be obtained in such a way as to secure the protection of natural resources and supplies.

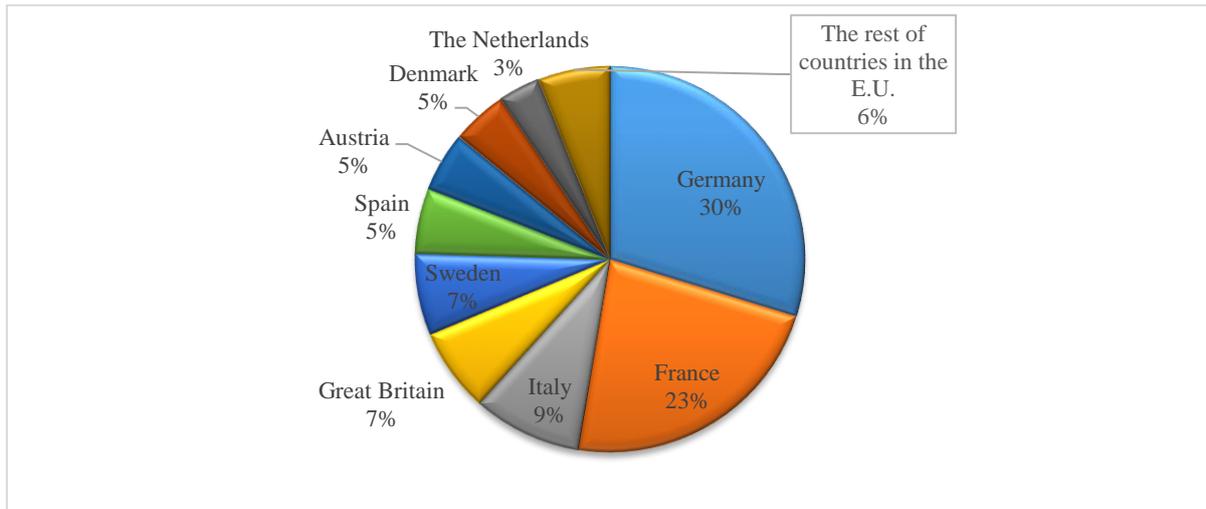
Regarding green products, we must not forget the problem of packaging, which is very important in the product-environmental protection relationship. The package of green products is described as “environmental friendly package, which is completely made by natural plants, can be circle or second use, be prone to degradation and promote sustainable development, even during its whole lifecycle, it is hurtless to environment as well as to human body and livestock’s health” (Zhang and Zhao, 2012). Also known as “sustainable package”, green packaging is the use of materials and production techniques and processes of packaging different types of goods in order to have a lowering level of impact on energy consumption and also to preserve the environment. As we can see, “a green product, in contrast, is a manifestation of a firm’s specific ecological effort” (Sony, et al., 2015).



*Figure 1. The evolution of sales of organic food in retail trade, in the European Union, from 2000 to 2017.*  
Source: based on data from FiBL survey (2019)

### 3. Organic food market in the European Union

In the European Union, over the course of 10 years, from 2008 to 2017, the market for organic products doubled, rising from 16.3 bn. to 34.7 bn. euros, as we can see in Figure 1. Also, from 2000 to 2017 the market has grown steadily every year, on average by 1.5 billion euros per year.



**Figure 2. Retail distribution of organic food at E.U. level, 2017**

Source: based on data from FiBL survey (2019)

Figure 2. shows the main countries of the European Union in terms of sales of organic food, by presenting their share in the total sales of the member countries. Germany, which is also the largest country in the European Union based on population, is the greatest market in the European Union (over 10 billion euros) and, after the United States, is the second-largest market of green products in the world. Also, the German market represents 30% of the sales on the market in the European Union. France, the second most populated country in the European Union, ranks second with 7.9 billion euros and 23% of the total market for green products. In third place is Italy with 3.1 billion euros, accounting for 9% of total sales in the European Union. The first 3 countries account for 62% of total sales in the European Union, and the first 8 countries account for 91% of the EU organic food market. These data show that there is a significant difference in the degree of development between the countries of the European Union, taking into account the fact that the rest of the 20 countries in the European Union represents only 6% of the total sales of the market of organic food in the European Union.

Apart from the countries mentioned above because they hold a significant share of the market for organic food, we can see that the market is below 100 million euros in a significant number of countries, mostly in the Central-Eastern and Eastern Europe. In the countries of Central and Eastern Europe, the consumption of organic food is still very low.

Based on data from FiBL survey (2019), many of these countries have a per capita consumption of less than 10 euros (Czech Republic, Poland, Bulgaria, Hungary, Romania and Slovakia).

#### **4. Organic food market in Romania**

Increased interest in organic products is the result of a mixture of factors, including Romania's growing economy, a greater focus among retailers on green products, and increased awareness among consumers.

In 2005, Romania has gone through a VAT reduction process for food products by 15%. This decision, along with fiscal-related choices “lowered food costs and positively affected consumer demand for food products perceived as more healthful” (Dobrescu, 2019). In particular, the VAT reduction from 9% to 5%, on June 1, 2019, for **organic**, traditional and mountain products was an initiative aimed at stimulating the consumption of healthy products and the development of this market. Official data on sales of organic products (food and non-food) are not available to the public.

Based on industry sources, it is estimated that “organic food sales in 2018 reached \$ 65 million, up 30% from two years before” (Dobrescu, 2019).

Regarding the total retail trade, the sales of organic food are at 1% of the total market (Toma, 2015; Saracin and Vasile, 2015; Dobrescu, 2019), but the percent can be higher when farms, home delivery services and farm gate sales are taken into account. It is estimated that the annual growth of sales for organic food will eventually reach 10-15% and will increase along with consumer purchasing power, production efficiency and efficiency of marketing campaigns (Dobrescu, 2019).

Therefore, official data show a less favorable situation in terms of consumption. The level of consumption is low compared to other European countries. At the level of European Union countries, the average consumption of organic food was 67 euros/capita, while at European level it was 47 euros/capita in 2017. Also, individual consumption in Europe has reached values over 200 euros/capita in 4 countries (Switzerland, Denmark, Sweden and Luxembourg). Romania is at the opposite pole, the average consumption being 2 euros/capita (Willer & Lernoud, 2019; FiBL Statistics, 2019). Because of this, a large part of domestic production is directed to export, in countries such as Germany, Switzerland, the Netherlands, Denmark, Italy or Austria (Toma, 2015).

Table 1 presents the sales of organic food products by different product categories representative of the analyzed market, based on data provided by Euromonitor.

*Table 1. Sales of Major Organic Packaged Food*

| <b>Food Categories (million \$)</b>                  | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Organic Baby Food                                    | 2.4         | 3.5         | 4.3         | 4.1         | 4.8         | 5.7         |
| Organic Bread                                        | 1.8         | 2.1         | 2.4         | 2.3         | 2.5         | 2.7         |
| Organic Breakfast Cereals                            | 2.9         | 3.1         | 3.1         | 2.3         | 2.3         | 2.5         |
| Organic Confectionery                                | 0.1         | 0.2         | 0.1         | 0.1         | 0.1         | 0.2         |
| Organic Dairy                                        | 3.7         | 5.3         | 6.7         | 5.9         | 6.6         | 7.4         |
| Organic Edible Oil                                   | 0.3         | 0.3         | 0.4         | 0.3         | 0.4         | 0.4         |
| Organic Rice, Pasta and Noodles                      | 2.5         | 2.8         | 2.9         | 2.4         | 2.5         | 2.6         |
| Organic Savory Snacks                                | 1.0         | 1.1         | 1.3         | 1.2         | 1.3         | 1.5         |
| Organic Spreads                                      | 0.1         | 0.2         | 0.3         | 0.3         | 0.4         | 0.6         |
| Organic Sweet Biscuits, Snack Bars and Fruits Snacks | 1.1         | 1.6         | 2.0         | 2.1         | 2.5         | 2.9         |
| <b>Total Organic Packaged Food</b>                   | <b>16.0</b> | <b>20.2</b> | <b>23.5</b> | <b>21.2</b> | <b>23.5</b> | <b>26.5</b> |

Source: Euromonitor International; FAS conversions, cited in Dobrescu, 2019.

In terms of value, certified organic dairy products dominate the market, registering a 100% increase in 2017, compared to 2012. Also on the dairy market are present most brands that have in their portfolio organic products (Napolact, Zuzu, Olympus, La Dorna, Covalact, Artesana, etc). Public data Euromonitor (2019) shows that Friesland Campina Romania has maintained its leading position on the market of packaged organic food in 2018, due to the extension of its flagship brand in the organic products sector, Napolact. Advertising, extensive distribution on all channels, the popularity of the Napolact brand and its presence in several categories have contributed to increasing the organic extension of the brand. In addition, Covalact de Țară brand, part of the Lactalis Group, which entered this category in 2017, enjoyed the strongest growth in 2018, thanks to the launch of Covalact de Țară Bio. Organic baby food ranks second, followed by organic sweet biscuits, snack bars and fruits snacks the latter almost tripling in value in six years. Over the next five years, sales of organic packaged food are expected to increase by 45%. The forecasted growth is based on the fact that an increasing number of consumers will reflect on the high level of additives and chemicals

applied to crops, but also in terms of excessive processing of conventional products (Dobrescu, 2019).

The growth of the organic food market is also occurring in the food services sector. Although not yet widespread, some restaurants serve organic food in Bucharest and other major cities. Many of them are associated with natural and ecological product stores (Dobrescu, 2019) or directly with local producers. Also, some restaurants adapt their menu according to the season, taking into account the raw material they can get from local producers.

Romanian organic farming still represents a relatively modest percentage of the country's total agricultural area and production value, although current figures show a steady increase. The organic sector remains export-oriented as farmers choose to take advantage of higher margins in export markets as well as a lack of processing technologies. Increasing consumer demand and the limited variety of domestic products lead to imports, especially processed products, with high added value.

The increase in demand from Romanian consumers is due to a combination of factors, especially Romania's growing economy, increasing retailers' concern for organic products and consumer awareness (Giusca, 2015; Dobrescu, 2019).

The best development prospects in Romania are for organic milk and dairy products, horticulture, dried fruits and nuts, pastries, biscuits and snacks and fruits (Giusca, 2015; Dobrescu, 2019).

## 5. Marketing channels for organic food in Romania

Ion (2012) and Sîrbu et al., (2016) shown that “the main marketing channels for the delivery of organic food are:

- farm shops;
- peasant markets;
- online organic shops;
- trade fairs and exhibitions;
- specialized retailers: specialized organic stores, specialized health food shops;
- general retailers: hypermarkets, supermarkets, hard discounters, proximity stores, traditional stores, etc.;
- HoReCa (hotels, restaurants, cafes)”.

According to Euromonitor data, modern retail remains the dominant marketing channel for organic food sales. This marketing channel represented about 69% of the sales in 2018, compared to about 54% in 2012 (see Table 2). As a result, “Romanians make efforts to consume more organic food, being more and more careful with what they purchase and consume” (Dabija, *et al.*, 2018) and many retailers have extended their variety of organic food over the last few years (Dabija and Pop, 2013). Therefore, diversifying the variety of organic foods and increasing the number of consumers concerned with a healthy lifestyle will continue to grow sales in modern commerce, to the detriment of traditional formats. However, in the case of modern retail, there is a very large discrepancy between discount stores and supermarkets or hypermarkets. In addition to the significantly larger number of supermarkets or hypermarkets, this situation is also due to the fact that in the case of discount stores the variety of organic products is relatively small. Also, organic products are often positioned as premium products with relatively high prices, which is somewhat contrary to the positioning of these trade formats. Trying to offer organic products, at lower prices, can diminish the confidence of consumers in the trader and the products sold.

*Table 2. Distribution of Organic Packaged Food by Retail Format*

| Percentage retail value       | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018      |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|
| Total Store-Based Retail      | <b>91.7</b> | <b>90.8</b> | <b>90.6</b> | <b>90.9</b> | <b>91.7</b> | <b>91.9</b> | <b>92</b> |
| Modern Grocery Retailers      | 53.7        | 56.2        | 60          | 63          | 64.7        | 66.6        | 68.5      |
| -- Discounters                | 1.9         | 2.5         | 3.2         | 4           | 4.8         | 5.1         | 5.5       |
| -- Hypermarkets               | 23          | 24.8        | 26.9        | 28.9        | 29.6        | 31          | 32.5      |
| -- Supermarkets               | 28.8        | 29          | 30          | 30.1        | 30.2        | 30.5        | 30.4      |
| Traditional Grocery Retailers | 38          | 34.6        | 30.6        | 27.9        | 27          | 25.3        | 23.5      |
| -- Independent Small Grocers  | 15.2        | 14.1        | 12.8        | 11.5        | 11          | 10.2        | 9         |
| -- Other Grocery Retailers    | 22.8        | 20.5        | 17.8        | 16.4        | 16          | 15.1        | 14.5      |
| Non-Store Retail              | <b>8.3</b>  | <b>9.2</b>  | <b>9.4</b>  | <b>9.1</b>  | <b>8.3</b>  | <b>8.1</b>  | <b>8</b>  |
| -- Ecommerce                  | 8.3         | 9.2         | 9.4         | 9.1         | 8.3         | 8.1         | 8         |

Source: Euromonitor, cited in Dobrescu, 2019

Instead, hypermarkets “are establishing separate store sections and are offering wide varieties of (mostly imported) organic products. Many retailers try to position organic as affordable and accessible, as to encourage price sensitive consumers to purchase these products” (Dobrescu, 2019). Some authors (Stanciu, 2014, p. 310) believe that , “the increase in the number of organic products on the domestic market can be explained by the hypermarket action in the food domain retailing”. Organic stores are located especially in Bucharest and in the big cities of the country, their number is still quite small. Many of these include not only organic products, but also traditional, vegan, raw vegan products, all of which are often touted as healthy products.

Concerning traditional retail, sales of organic products decreased by approximately 40% from 2012 to 2018. Poor adaptation to the needs of consumers interested in healthy eating and reduced development of organic product ranges led to lower sales. Surprisingly, online sales have not enjoyed the same growth as modern retail, but rather stagnated.

“Organic market growth is also occurring in the food-service sector. Although still not widespread, some restaurants are serving organic dishes in Bucharest and other large cities. Many of these are associated with the above-mentioned natural and organic product stores” (Dobrescu, 2019) or directly with local producers. Also, some restaurants adapt their menu according to the season, taking into account the raw material they can obtain from the local producers.

## Conclusions and recommendations

In recent years, interest in organic products has grown steadily in Romania, both in terms of consumption of organic food and concerns for renewable energy sources. As a member state of the European Union, Romania must pursue the development of a sustainable economy, and environmental protection must become a priority for authorities and companies, in order to guide consumer behavior in this direction.

While the interest in organic products has a long tradition in developed countries, Romania is still in the market development phase, still needing efforts to make more efficient marketing and more adapted to the specifics of the market, but also for educating and attracting consumers to adopt a pro-ecological behavior

Amid increasing consumer attention to what they buy and consume, general retailers have expanded their range of organic foods in recent years. If at the beginning the major retailers introduced with predilection ecological products from import, now they try to increase the assortment with local products, as a result of the increased interest for the Romanian products. However, due to the fact that the local market is not so developed in the direction of production and processing of organic products, retailers are beginning to develop partnerships

with producers, to support them in this direction and to benefit in turn from a wide range of products and the warranty of the existence of product continuity on the shelf.

In the future, the diversity of organic food in the sales areas owned by general retailers and the growing number of interested consumers will continue to increase sales for this marketing channel, to the detriment of specialized retailers and direct marketing channels. In this regard, small producers will have to invest in developing strong brands to impose on this market or partner with large retailers to produce for their private labels.

Also, the increase of the processors' preoccupations in the direction of the development of organic food products can determine the decrease of the exports of organic raw materials. Besides, as the range of locally manufactured products diversifies, the value of imports is expected to decrease. Instead, the development of quality and competitive local products, represented by brands with a good image, is expected to boost Romanian processors to export finished organic products (and not raw materials), with high added value. This can be one of the options to help them achieve higher productivity, amid a local market that may not grow at a very fast pace. Even though the organic food market is constantly growing, marketing practices still fail to support the true potential of the market. Therefore, organic marketing must play an increasingly important role in promoting the benefits of consuming organic food, contributing to the development of organic products business, and also to the development of Romanian agriculture.

### Acknowledgments

This paper was realized within the project “Analysis of good practices regarding customer care in Romanian and international retail”, financed by the Bucharest University of Economic Studies.

### References

- CHAMORRO, A. & BAÑEGIL, T. M. 2006. *Green marketing philosophy: A study of Spanish firms with ecolabels*. Corporate Social Responsibility and Environmental Management, 13(1), pp. 11-24.
- DABIJA, D.C., BEJAN, B. M. & GRANT, D. B. 2018. *The impact of consumer green behaviour on green loyalty among retail formats: A Romanian case study*. Moravian Geographical Reports, 26(3), pp. 173-185.
- DABIJA, D.C. & Pop, C.M. 2013. *Green marketing-factor of competitiveness in retailing*. Environmental Engineering & Management Journal (EEMJ) 12.2.
- DEAN, T. J. & PACHECO, D. F. 2014. *Green marketing: a strategic balancing act for creating value*. Journal of Business Strategy, 35(5), pp. 14-22.
- DOBRESCU, M. 2019. Positive Prospects for Organic Food and Agriculture in Romania. Global Agricultural Information Network - USDA Foreign Agricultural Service.
- EUROMONITOR, 2019. *Organic Packaged Food in Romania*. [Online] Available at: <https://www.euromonitor.com/organic-packaged-food-in-romania/report> [Accessed 13 05 2020].
- FiBL STATISTICS, 2019. *Organic retail sales in Europe 2017*. [Online] Available at: <https://statistics.fibl.org/europe/retail-sales-europe.html> [Accessed 12 05 2020].
- GIUSCA, S. 2015. *An overview of the Romanian organic food sector*. Economics of Knowledge, 7(3), pp. 38-48.
- GURĂU, C. & RANCHHOD, A. 2005. *International green marketing: A comparative study of British and Romanian firms*. International Marketing Review, 22(5), pp. 547-561.
- HARTMANN, P. & APAOLAZA IBANEZ, V. 2006. *Green value added*. Marketing Intelligence & Planning, 24(7), pp. 673-680.

- ION, R. A. (2012). *Analysis of organic farming sector in Romania*. Revista de Management Comparat Internațional 13.3 (2012): 449-455.
- LIN, C.-J. & CHEN, H.-Y. 2016. *User expectancies for green products: A case study on the internal customers of a social enterprise*. Social Enterprise Journal, 12(3), pp. 281-301.
- OTTOMAN, J. A., STAFFORD, E. R. & HARTMAN, C. L. 2006. *Avoiding green marketing myopia: Ways to improve consumer appeal for environmentally preferable products*. Environment Science and Policy for Sustainable Development, 48(5), pp. 22 - 36.
- PEATTIE, K. 2001. *Towards sustainability: the third age of marketing*. The Marketing Review, Vol. 2, pp. 129-46.
- PRAKASH, A. 2002. *Green marketing, public policy and managerial strategies*. Business strategy and the environment, 11(5), pp. 285-297.
- SARACIN, V. C. & VASILE, A. 2015. *An exploratory research regarding Romanian organic farming sector*. AgroLife Scientific Journal, 4(2), pp. 119-123.
- SEKHAR, C. 2016. *Green Marketing*. Primax International Journal of Marketing, 25/A, pp. 40-42.
- SIRBU, A., IORDACHE, C. M., & CIOCHINA, I. 2016. *A Study On Organic Food Market Development In Romania*. Strategii manageriale, 4 (32), pp. 4-14.
- SONY, A., FERGUSON, D. & BEISE-ZEE, R. 2015. *How to go green: unraveling green preferences of consumers*. Asia-Pacific Journal of Business Administration, 7(1), pp. 56-72.
- STANCIU, S. 2014. *Organic products – a necessity or an opportunity for romanian agriculture?* Proceedings of the Third International Conference: Competitiveness of Agro-food and Environmental Economy (CAFEE'14).
- SULPHEY, M.M., SAFEER, M.M. (2017). *Introduction to environment management*, Fourth Edition. Delhi: PHI Learning Private Limited, pp. 361.
- TOMA, M. A. 2015. *Romania's Organic Food Market: The Role of Information in an Emerging Sector*. International Journal of Economic Practices and Theories, 5(3), pp. 296-301.
- ZHANG, G. & ZHAO, Z. 2012. *Green packaging management of logistics enterprises*. Physics Procedia, Volume 24, pp. 900-905.

## **Marketing and Management of European Funds in ROMANIA in the Last 10 Years**

**Vasile Ionel POPESCU**

The Bucharest University of Economic Studies  
ionelpopescu@gmail.com

**Ștefan BOBOC**

The Bucharest University of Economic Studies  
stefan.boboc@mk.ase.ro

### **Abstract**

Through this article we want to highlight the marketing and management of structural funds in Romania, in the last 10 years, through a theoretical approach. European funds, are the financial instruments of the European Union, through which Romania can develop certain domains, being intended for public or private security, thus contributing to its growth, as well as social and cultural. European non-reimbursable funds are not intended to help finance the Member States without reimbursement. They are not regarded as credit and are not interest-bearing. The Structural Funds are the financial instruments through which the European Union provides support to Member States at the structural level. This financial support is intended for less developed regions, and through this article we will try to emphasize the importance of marketing in the management of European funds.

**Keywords:** European funds, development, program, economic growth, financial instruments.

**JEL classification:** O0, O20, O47.

### **1. Introduction**

The concept marketing and management of European funds represent the business viewed from the point of view of the final result, i.e. through the client's perspective. The success of any business is not determined by the manufacturer, but by how satisfied the customer is.

Promoting financial services and products on the market involves, first of all, its extensive studies, identifying consumer needs, segmenting consumers, improving the quality of supply - all to outline a promotional campaign that ends with attracting new customers and meeting their needs.

Today, organizations are struggling to find new ways to create their own, strong image among consumers, which means a model of education through valuable content.

Institutions must communicate effectively with both current and potential customers by developing well-developed promotional strategies to present both the benefits and advantages of accessing European funds.

Modern marketing, which appeared in recent decades, is considered today the essential factor of an organization's success, indispensable in its economic and social development, a solution that solves its problems, a basic tool in achieving great performance, but also in avoiding risk.

It has become ubiquitous because it "influences everyone's life, being the means by which people are offered a standard of living" (Kotler, 2008).

The 21<sup>st</sup> century highlights two major forces: Technology and Globalization, which have a significant impact on economic life. The evolution of technology and the changes suffered by the economy have led to the change of the behavior of the consumers and implicitly of the economic agents.

The elaboration of a solid development strategy allows the design of the direction to be followed for the future actions, the focus on the competitive advantages in the approach of the marketing programs. By setting the business strategy, entrepreneurs have criteria to guide their decisions and select those that are consistent with the direction their organization should take in the future.

In order to successfully complete the marketing process, financial institutions that subscribe to a customer orientation should pursue issues such as:

- Identifying markets that are profitable in relation to their activity;
- Analysis of both current and future customer needs;
- Preparation of marketing plans and strategies to achieve the proposed objectives.

The responsibility of the entrepreneurial marketing activity is closely related to the ethics of the business environment. Business ethics is a new chapter and we believe that it takes a long time to assimilate this concept.

## **2. Ethics in the management of European funds**

Ethics in the field of European funds management is very important, given the tendency of correlation and integration of European funds with the help of European programs and projects. New implementations of ethics will ultimately help people to have an improved relationship and socialization (Ionescu, 2004).

In addition to ethics, there is also morality, and these two words are different linguistic sources. Morality is presented in the form of a discourse that results from the opposition between good and evil (Sârbu, 2005).

Milton Friedman argues that every man has a moral duty to pursue profit as long as this is done, of course, by legal means. Companies have a moral duty to use all necessary resources to achieve their goals and to engage in free competition, without deception or other immoral acts. He also argues that every man has a moral duty to pursue profit as long as, of course, this is done through legal means.

According to the same theorist, freedom is the most important value in any economic and political system. Any involvement in social projects that do not lead to an increase in profit is a theft from the pockets of shareholders, because corporate managers do not have and do not have the competence to initiate public policies. „The business aims to maximize the value held by shareholders, through a prudent use of limited organizational resources, as long as those activities are in the letter of the law” (Friedman, 1995).

In our opinion, we should first ask ourselves if Ethics appeared recently in the twentieth century as we know it or maybe Ethics is a very old field, but which has taken another form over time. Sometimes we have the impression that society is an artificial construction and that nature is just a struggle for survival, but the truth is that all these dilemmas about life are closely related to Ethics, which is like a support.

Ethics has as its main role the harmonization of selfishness with altruism, of the individual good with the social one: "to find that principle that harmonizes our individual good with the social one, from which combination derives true happiness, which would maintain the balance of forces and interests" (Leonardescu, 1999).

The study of ethics has as object the establishment of the values that must be realized, a clear, systematic exposition of the moral norms according to which the individual must be guided in life. Ethics, like other sciences, seeks to find the truth.

The author P.V. Lewis believes that Business Ethics is a set of principles or arguments that must guide business conduct, both individually and collectively. Each individual in a group is responsible for his actions and what derives from his actions. Each employee is obliged to

respect the ethical norms within the company where he carries out his action and has the moral obligation to use all the resources at his disposal in order to surpass himself.

The acclaimed Oxford philosopher Roger Crisp is of the opinion that in the most frequently used sense, ethics is characterized as a philosophy that has, of course, its own topics of discussion, publications, a variety of schools of thought. Through more complicated language, Crisp wants to highlight the fact that business ethics wants to show and support with convincing arguments the values and moral norms that should guide the economic game, in the hope that his explanations will bring improvements in the business environment (Jelev, 2001).

To find out what the word ethics means, a questionnaire was prepared and applied to a large proportion of American businessmen. For this purpose, the following answers were obtained:

- "Ethics has to do with what I think is good and bad."
- "The term Ethics has to do with religion."
- "Obeying the law means being ethical."
- "Ethics is closely related to the types of behavior in society."
- "I do not know the meaning of this word" (Holden, 2000)

Analyzing these aspects and theories related previously, we can say that ethics plays a very important role in the administration and management of structural funds. Starting from all these principles, the management of the operational programs can be successfully achieved and can help to fulfill the strategic objectives assumed by Romania. The management and marketing of European programs is very important for local entrepreneurs, because only through effective communication can they be attracted to exercise their right to obtain grants.

### **3. Management and marketing of European programs**

The management of European projects and programs is as diverse as possible and is a very attractive field for the business environment, as well as for public institutions in Romania.

This field of management of European funds is on the one hand for the responsible authorities and who manage these funds through their typical tools, programs and projects, a source of funding for strategic initiatives of the Romanian Government, and achieving sustainable development results in line with standards. European Union. On the other hand, for the business environment and especially for entrepreneurs, the Structural Funds are a source of support for initiatives, business, growth and support for society in general through their successful implementation.

Project management (Opran et. all, 2002) emerged as a process of planning, organizing and managing the activities and resources of a project in order to meet well-defined objectives that usually have time, resource and cost constraints. The project is "a non-repetitive process that achieves a new, well-defined amount within a specialized organization. The project is characterized as a unique, specific action, composed of a logical sequence of coordinated and controlled component activities, with an innovative nature of different nature, carried out in a methodically and progressively organized manner, with time, resource and cost constraints, intended successful achievement of new complex results, necessary to meet clearly defined objectives. Any modern activity is seen as a modern project, with a complex character, which imposes a new vision starting with the analysis of the project needs and ending with the efficient reuse of the project results. the project is "a non-repetitive process that achieves a new, well-defined amount within a specialized organization. The project is characterized as a unique, specific action, composed of a logical sequence of coordinated and controlled component activities, with an innovative nature of different nature, carried out in a methodically and progressively organized manner, with time, resource and cost constraints, intended successful achievement of new complex results, necessary to meet clearly defined objectives.

The pressures of the globalized economic and political competitive system of the industrialized world, the competitiveness between producers, a greater respect for the value and welfare of those who form the project workforce and implicitly for the cost of this workforce have led to the development of new project management techniques. The first to deliver what the customer wants is the winner and will survive in this competitive system. The solution is to achieve high-performance projects with high-performance project management. The main defining feature of a project is its novelty. A project is a step into the unknown, full of risks and uncertainties. No two projects are perfectly identical and even a recurring project will always be different in one or more of its commercial, administrative, social, political or physical aspects.

The applicability of the concept of project management (Balogh, M., Balogh, N., 2013, p 8-10) is extremely diversified in the current period, and the fields in which projects can be developed are very varied and refer both to general projects, which aims at the development of an organization, community or person, as well as at projects aimed at the exchange of experience, the organization of seminars, etc. In general, before any action, remunerated or voluntary, within a company, a non-governmental organization, the public administration, a family, the possibilities of applying project management must be analyzed.

Projects appear at all levels of organization. They may involve a person or teams of people. The need to develop and manage projects in local public administrations was born from the need to adapt modern working techniques and attract new financial resources to solve problems in local communities. The introduction of an organizational culture oriented towards achieving positive results needs a project with precise deadlines and objectives, with exact allocated means.

To this end, project management, as part of a modern concept of organizational management, can be a first step towards asserting employees in the spirit of cooperation and openness to the new.

Within the implementation of various programs and projects an important source of adaptation of public administrations refers to the existing interaction between the internal forces of the organization and the external environment. The approach of the implementation processes cannot be static due to the continuous fluctuation of the internal and external influencing factors.

Recourse to project management in public administration can have considerable advantages:

- overcoming the routine hierarchical functioning of the administration;
- proximity of units / services, which usually collaborate too little.

The civil service has long known, like all professional organizations, the idea of project management, as evidenced by several specific elements:

- leading the reorganization of a service - it is about a problem that needs to be solved, a series of missions that need to be accomplished, a time-consuming activity, the possession of specific knowledge and means;

- implementation of an endowment plan with new equipment;
- in-depth adaptation of an administrative procedure - requires caution, reflection and mobilizes many actors, translating into instructions, documents, public information.

The Romanian public administration must consider the impact that a constantly changing environment can have on it, and the identification of missions, goals and organizational objectives is not only a managerial strategy, but also a way of survival.

From a theoretical point of view, there is a distinction between the notions of project and program (Chase et al., 2000), although most of the time they are used with equivalent meanings. In project management a program includes several projects, and a project can be further broken

down into subprojects, groups of activities and actions in order to be easier to manage. Subprojects are often subcontracted to third parties, whether it is an entity outside the institution/organization or a department of that institution/ organization that was not initially planned to participate in the project. Programs, like projects, have a clearly defined leadership and a permanent marketing communication. There is first a program/ project manager (Project Director, Project Manager, Project Coordinator, Team Leader), who coordinates a team, the complexity of the project requiring the participation of more than one person.

Approaching a program is limited to a strategy that in turn is based on a purpose. We can say that regardless of the scope of the project and whether it is carried out at national or international level, executed by a single organization or by an alliance of several partners, respect for the interdependencies between strategy, program and project, and quality of resources used, leads to its success and to obtaining results beyond expectations.

Also, projects are often divided into sub-projects to make them easier to manage. Subprojects are often subcontracted to third parties - whether it is an entity outside the organization or a department of the organization that was not originally planned to participate in the project.

The approach of European projects by the actors involved in the management of European funds from contracting to effective absorption, in order to achieve the goal, must be done by setting the steps to follow, the objectives that lead to solving the problem, and the most important thing is to we have a SMART one (Onescu and Florescu, 2013):

- Specific (English - specific), assumes that the objective is clear and answers questions such as: who, what, when, where, how is the result at the level of beneficiaries. The objectives of the project are clearly defined on the basis of criteria, in direct relation to the purpose of the objective;

- Measurable, the results are quantifiable
- Tangible (achievable), the purpose of the project is achieved
- Relevant, the organization has the necessary resources to achieve the project
- Time-based, it is framed in time, there is a deadline to achieve the proposed goal.

Projects have a number of characteristics that are defined and adapted over time. These characteristics are found in programs, which in turn are found in projects, regardless of their size and include the following fundamental elements: the uniqueness of the result, limited duration, project size and the degree of novelty and complexity.

The projects are realized in several stages, they having as starting point the strategic development document of the organization, a document through which the idea is transformed into a project. That said, the sequence of stages in the life of a project is as follows: idea design, planning, project layer, project development, monitoring and closing the project.

Adequate management of European programs cannot be achieved without human resources management. The program director has complex tasks setting the requirements of the organization at a strategic level. Thus, we can emphasize that at the level of each project the key actors are: the project manager - the person designated in terms of decision-making capacity, correlates the activities within the project, follows and assumes the results through commitments and applying constraints;

Project team - most of the human work is performed by teams, hermits are quite rare (Druker 1999). That said, the team needs to work together, support each other, communicate and have different skills and knowledge.

The financing is managed on the basis of a strict rule, in order to guarantee that the offer is a strict control over the way in which the funds are used in the same way.

### 3. Project management and marketing of projects financed from European funds in Romania

Approached professionally, project management is not a simple activity at all. What we can say with some certainty is that the skills and knowledge needed to be able to achieve performance in the field are clear. Portny argued that the techniques and skills associated with project management should be seen rather as a new way of thinking, communicating, and acting (Portny, 2001). The novelty of the way of thinking comes from the fact that the project can be seen as a chain of activities that produce measurable / quantifiable results. This chain is created, projected starting from the end, ie from the way in which the source of financing the project defines the final result. Project management is a way of acting on a rigorous plan, in order to achieve some of the objectives formulated as clearly as possible, in a limited period of time and with limited resources.

The word project (Onescu and Florescu, 2013) comes from the Latin projectum of the verb proicere (to throw something forward) formed from the prefix pro - (which indicates something that precedes the next action of the word in time) and yakere root (throw). The Latin root suggests movement, a trajectory, a certain relationship with space and time. The process involved involves a starting point used as a basis, from where someone "throws" forward, towards a goal. Historically speaking, the word and concept were first used by architects. In the 15th century, Filippo Brunelleschi was given the task of completing the cathedral in Florence by adding a dome. Before starting, he developed a sketch (project or plan) of the dome, using various perspectives to provide a geometric representation of the future structure. The English literature adopted the term project referring to "a plan of something to be undertaken" and not actually to "the act of fulfilling this plan."

Whatever the organization of the marketing activity, the responsibility of the entrepreneurial marketing activity rests with the entire staff of the organization, regardless of its position within the organizational chart.

The importance of entrepreneurial marketing is demonstrated in the conditions in which, on the one hand, the competition between the private and public sectors is in a continuous development, despite high barriers to entry and exit from this market, and on the other hand globalization and the high interest of players in the structural funds market make the intensity of trade actions in this sector high.

"Good marketing is not an accident, but the result of careful planning and execution. Marketing practices are constantly being refined and reformed, in virtually all sectors of the economy, to increase the chances of success. However, excellence in marketing remains rare and difficult to achieve. Marketing is both an "art" and a "science" - there is a constant tension between the logically and rationally formulated side of marketing and the intuitive-creative side" (Kotler, 2008).

In order to successfully complete the marketing process, financial institutions that subscribe to a customer orientation should pursue issues such as:

- Identifying markets that are profitable in relation to their activity;
- Analysis of both current and future customer needs;
- Preparation of marketing plans and strategies to achieve the proposed objectives.

According to the Explanatory Dictionary of the Romanian Language, the term project has several meanings, the following being interesting:

- plan or intention to undertake something, to organize, to do something;
- the first form of a plan (economic, social, financial, etc.) to be discussed and approved in order to receive an official character and to be implemented;
- technical work executed on the basis of a given theme and which includes the technical framework, the drawings, the justification of the utility of the projected object, its location.

A first definition is that the project is a series of organized activities, carried out in order to achieve predefined objectives, which require resources and effort and which represent a unique and therefore risky enterprise, based on a budget and a program. (Burke, 1993).

Another definition is the one formulated in the material edited by the Foundation for the Development of Civil Society - Center for the Development of Non-Governmental Organizations, the project concept being given the following meanings (FDSC, 1998):

- Goal-oriented anticipatory thinking, given the occurrence of a change, perceived as favorable for the one who intends to produce it;
- Technical and financial documentation, rigorously compiled, on the basis of which a certain system with predetermined characteristics and performance levels and with limited risks can be realized;
- An activity that has a beginning and an end, is planned and controlled and aims at change.

A simple definition of a project is that it is “a temporary effort to create, with limited resources, a unique product or service” (A Guide to the Project Management Body of Knowledge, 2000, p. 6).

Another definition, close to this, emphasizes that under the name of the project are brought together “a series of interdependent activities, which are carried out according to a plan to achieve a certain goal / to achieve certain results in a well-defined period of time; the activities within the project cease when the respective objective has been achieved ”(Project Management Manual, 1997).

Therefore, the project is a process that involves (Balogh 2013):

- a starting point from which someone "throws" something "forward" to a certain target;
- solving an identified problem or changing a problematic situation;
- the existence of resources;
- the existence of goals that must be possible to achieve;
- a specific solution to a specific problem, in a certain context;
- a well-defined beginning and end and take place in a concrete space;
- involvement of various planning and implementation skills, various partners or supporters, as well as a number of activities, events and tasks;
- the existence of a team and aims at the good of an organization / community;
- a series of risks and elements of uncertainty;
- the existence of measurable objectives that can be evaluated, thus being able to assess whether what has been proposed has been done, at the desired quality;
- a certain degree of autonomy from the current activities of the organization;
- a determined life cycle, composed of several mandatory stages, named as follows: identification, analysis and formulation of the project, its preparation, preliminary evaluation of the project, commitment of funding, implementation, monitoring and final evaluation of project results.

The management of projects financed by Structural Instruments thus presents as main feature and peculiarity of the wider scope of the operational program within to which they are proposed, evaluated, implemented.

The stages of project management thus fall, practically, into the stages of project management

program, 6 main stages can be identified ([www.fonduriue.ro/res](http://www.fonduriue.ro/res)):

1. Allocation of funds at the level of the European Union
2. Programming - at Member State level
3. Launching project applications
4. Elaboration of projects

5. Project selection
6. Project implementation
7. Evaluating the implementation of projects
8. Monitoring the program
9. Evaluation of the program

Project management in the field of European funds means sustained work, guided by a rigorous plan. The management of a project can be compared to a roadmap for a clear destination, and the shortest or most effective way to reach that destination is set before you set out.

By funding a project, the European Union wants to be reached Community strategic objectives for programming exercises. In the elaboration, proposal and implementation of projects this aspect not only must not be ignored, but it must be permanently taken into account by the management team.

### Conclusions

The purpose of this article is not to provide comprehensive tools in the field of marketing and management of projects funded by structural funds, manuals or dedicated guides, to highlight the elements that we consider essential, elements designed to increase the success rate of projects financed from the Structural Funds.

The management and marketing of the program cycle approaches the distinct monitoring and even subsequent to the implementation, in the case of the projects financed from Structural funds. This monitoring it is related to the implementation of financing contracts and is characterized by monitoring the progress of the project.

In a brief presentation of the project management, in this article, in the context of the management of the programs financed from European funds, a series of particularities of the implementation of the projects financed from the Structural Funds could be identified.

We conclude that, the project starts from a project idea is defined, developed and becomes a project proposal approved internally and is implemented.

European funds have internal regulations for the communication, transparency, verification and monitoring of funded contracts. Communication and information procedures are closely monitored by European Commission experts, through the required reports during their implementation.

All European programs have a strong application dimension, on the one hand by their nature and objectives, on the other hand by the fact that most programs have passed quite a lot of tests over time and can be considered performance tests, contributing to sustainable growth of the economy, as well as its sustainable development.

### References

- BALOGH M., BALOGH N., 2013. *Managementul proiectelor*, Tritonic, București.
- BOWEN H.K., 1997. *Project management manual*. Harvard Business school Press, Boston.
- BURKE, RORY, 1993. *Project Management: Planning and Control*, New York, John Wiley & Sons.
- CHASE R.B., AQUILANO N.J., JACOBS F.R., 2000. *Production and Management*, 8th Edition, Boston.
- “Continuous training of staff involved in the management of Structural and Cohesion Funds”, Component 1, Component 2, Component 3, Component 4, 2010, published by WYG International, in a co-financed project from the European Regional Development Fund through the Technical Assistance Operational Program 2007-2013,

- [http://www.fonduriue.ro/res/filepicker\\_users/cd25a597fd62/Documente\\_Suport/Studii/7\\_Studii\\_POAT/3\\_Manual\\_Formare.pdf](http://www.fonduriue.ro/res/filepicker_users/cd25a597fd62/Documente_Suport/Studii/7_Studii_POAT/3_Manual_Formare.pdf)
- DRUCKER P.F., 1999. *Realitățile lumii de mâine*, Ed. Teora, București.
- FRIENDMAN M., 1995. *Capitalism și libertate*, Editura Enciclopedica, București.
- HOLDEN PH., 2000. *Ethics for Managers*, Gower, Editura Brookfield, USA.
- IONESCU GH., 2004. *Marketizarea, democratizarea și etica afacerilor*, București: Editura Economică.
- JELEV V., 2001. *etică, diplomatie și comportament în afaceri*.
- KOTLER PH., KELLER K. L., 2008, *Marketing Management*, 12<sup>th</sup> ed. New Jersey: Prentice Hall.
- LEONARDESCU C., 1999. *Etica și condiția civilă*, Editura Lumina Lex, București.
- IONESCU L, FLORESCU D., 2013. *Finantarea proiectelor europene*, Editura Economica, București.
- OPRAN C. (coord.), STAN S., NĂSTASĂ S., ABAZA B., 2002. *Managementul proiectelor*, comunicare.ro, București.
- PORTNY, E. STANLEY 2011. *Project management for Dummies*, Wiley Publishing House, 2011.
- PROJECT MANAGEMENT INSTITUTE, 2000. *A Guide To The Project Management Body Of Knowledge (Pmbok(r) Guide) (German), Paperback.*, <https://link.springer.com/article/10.1007/BF02388590>.
- SÂRBU T., 2005. *Etica: valori și virtuți morale*, Editura Societății Academice „Matei-Teiu Botez”, Iași.

## **Peculiarities of the European Funds Programming Period in Terms of Regional Development**

**Vasile Ionel POPESCU**

The Bucharest University of Economic Studies  
ionelpopescu@gmail.com

**Ionel DUMITRU**

The Bucharest University of Economic Studies  
ionel.dumitru@mk.ase.ro

### **Abstract**

One of the main key policies of the European Union is regional development. It is based on the principle of financial solidarity and provides support to countries and regions that are underdeveloped or facing structural difficulties in order to create jobs and increase competitiveness. Since 1957, when the Treaty of Rome was signed, which laid the foundations of the European Economic Community, the regional disparities between the signatory states were not significant, but both in the preamble and in art. 2, stipulated this need. The European Union's regional policy has been built around the concept of economic and social cohesion. In this article we will highlight the main features of European funds, in Romania, for regional development.

**Keywords:** Solidarity, underdeveloped regions, regional disparities, development programs, innovation.

**JEL classification:** O0, O20, O47.

### **1. Introduction**

The concept of regional development, is focused on reducing disparities at the level of development of regions and supporting lagging regions and reducing disparities between them. This policy is a policy of solidarity between states, so that more than a third of the Community budget is directed to less prosperous regions and disadvantaged social groups.

This new type of policy has met the real needs of local and regional authorities in the Member States of the European Union, which can be characterized as a new approach to development based on initiatives, plans and development programs of local and regional authorities, based on structural instruments ([www.publications.europa.eu](http://www.publications.europa.eu)).

Existing disparities in income and employment in the European Union have narrowed in recent years in the EU, for example, with Greece and Ireland experiencing twice as many increases in labor productivity as the European average employment rate between 1994 and 2001. On the other hand, the third report on economic and social cohesion presented by the European Commission mentions that in Greece and Portugal GDP per capita is still at 70% or less of the Community average. At the same time, the average GDP of the new Member States is half the EU average, and at the time of accession only 58% of working-age people were employed, compared to 64% in the EU (Ciocan et al., 2007).

Cohesion policy is also based on the principle of financial solidarity, providing support to Member States and their less developed regions, which are facing a level of development below the EU average, in terms of job creation and employment. increasing competitiveness. In this way, more than a third of the European Union's budget is allocated to economic cohesion policies, in order to reduce development disparities between regions and disparities between citizens in terms of their standard of living (Gherghinescu, 2009).

At the beginning of each programming period related to the Structural Funds, the multiannual financial framework being for a period of 7 years, the European Union decides on the budget dedicated to the structural instruments and defines the basic rules that will be applied in their use. The budget will be shared between the Member States and on Priority Objectives by the European Commission. Also, in this preliminary period, the areas eligible for funding from the Structural Funds shall be defined by the Commission in agreement with the Member State concerned.

The new approach of the European programs 2014-2020 of the UE foresees a strategic strategy for economic and social cohesion, according to the objectives Europe 2020 (Moldovan, 2015).

Dynamics of Operational Programs is a brief comparison of the two financial resources would run into the following events:

**Table 1. Operational programs comparative analysis**

| Programming 2007-2013 period                                                          | Programming 2014-2020 period                                                                                                               |
|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| National Strategic Framework of Reference (ERDF, CF, ESF)                             | Partnership agreement (ERDF, CF, ESF, EAFRD-European Agricultural Fund for Rural Development, European Fisheries and Maritime Fund - EMFF) |
| Strategic and programming orientation - EC guidelines                                 | Europe 2020 strategy<br>Country specific recommendations                                                                                   |
| 3% performance reserve at the discretion of the Member States                         | Mandatory 6% performance reserve                                                                                                           |
| result and immediate achievement indicators established on the basis of EC guidelines | Common indicators standardized by substantive regulations:<br>- de output ((ERDF, CF EAFRD EMFF)<br>- as a rezult (ESF)                    |
| Thematic focus - NA                                                                   | 11 thematic objectives; financial allocations conditioned by regulations specific to the allocated funds                                   |
| Fund priorities/ fund                                                                 | Investment priorities/ fund/ thematic objective                                                                                            |
| Without predefined territorial development tools                                      | ITI – Integrated Territorial Investments<br>LDPCR - Local Development Placed under Community Responsibility                                |
| Without financing conditioning                                                        | ex-ante conditionalities                                                                                                                   |

Source: Adapted after [www.fonduri-ue.ro](http://www.fonduri-ue.ro)

This approach involves adapting national legislation to regional policy and EC policy priorities.

Initiatives to support national policies at regional level have been less effective at Community level and have contributed to a very small extent to economic and social cohesion.

## 2. Particularities of European funds and sustainable development

The common regional policy is undergoing a complete transformation through the introduction of the concept of economic and social cohesion. This concept incorporates the basic principles of regional policies at EU level (Onescu and Florescu, 2013):

- Solidarity - according to which regional policy aims to benefit citizens and economically and socially disadvantaged regions, compared to the Community average,
- Cohesion - according to which we are all beneficiaries of reducing disparities between developed and least developed regions.

Thus, the need for a reform at European level was felt, through which four basic principles were introduced in order to increase the efficiency of the use of structural funds (Onescu, Florescu, 2013):

- The principle of concentration, according to which the financing activity related to the regional policy must focus on the regions that face really big problems,
- The principle of drawing up programs, according to which funds will be allocated in programs developed in consultation with the governments of the member countries and based on compliance with the criteria set by the European Commission,
- The principle of additionality, according to which the role of Community funds is to supplement and not to replace national funding for regional development,
- The principle of partnership, which calls for the active involvement of regional and local authorities, together with the European Commission and the government, in the whole process of planning, decision-making and implementation of the structural funds.

Regional policy has a strong impact in many areas. Its investments contribute to many EU policy objectives and complement other EU policies, such as education, employment, energy, the environment, the single market, research and innovation (Dragan, 2008).

The European Structural and Investment Funds directly support the Commission's investment plan and priorities.

Regional policy provides the investment framework needed to meet the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth in the European Union (<https://ec.europa.eu/romania>).

The five objectives for the EU in 2020 depending on the particularities of the structural funds are addressed to:

- Increasing the employment rate for people aged between 20 and 64 years, to a higher figure the 75%,
- Research and development at least 3% of GDP,
- Climate change and energy sustainability by reducing greenhouse gas emissions by 20% compared to 1990 levels,
- Education - reducing early school leaving below 10%,
- Combating poverty and social exclusion – by reducing the number of people at or at risk of poverty and social exclusion by at least 20 million.

Each Member State has adopted its own national targets in these areas.

Most of the funds available to cohesion policy are directed to less developed European countries and regions, in order to support them in order to recover and reduce the economic, social and territorial disparities that still exist at EU level (<https://ec.europa.eu/romania>).

By supporting public investment and flexibly implementing EU investment, for example by reprogramming funds or increasing the co-financing rate in countries such as Cyprus, Greece, Hungary, Ireland, Portugal and Romania, regional policy has mitigated the effects of the financial crisis that began in 2008. Also, in the context of sustained fiscal consolidation, EU regional policy has become of major importance. In the absence of cohesion policy, much-needed public investment in less developed Member States would have fallen by a further 45% during the crisis (<https://ec.europa.eu/romania>).

Cohesion policy is a catalyst for additional funding from public and private funds, as it requires Member States to co-finance from the national budget and also builds confidence among investors.

Taking into account national contributions and other private investments, the impact of cohesion policy for the period 2014-2020 is estimated at about 450 billion euros at the E.U. level, of which 23 billion euros belong to Romania.

### **3. Objectives and characteristics of European funds in Romania**

The lines of action of the Structural Funds are drawn up according to their objectives. They are specific to each programming period and are set according to the main priorities

identified, in order to reduce economic and social disparities between Member States, but also within each Member State.

According to Council Regulation (EC) no. 1260/1999 of 21 June 1999 (<http://www.fsesudest.ro/legislatie/Regulament1260>) on the general provisions of the Structural Funds and Community action through the Structural Funds, the European Agricultural Guidance and Guarantee Fund (EAGGF), the Guarantee Section, the European Investment Bank (EIB) and other existing financial instruments, will support the achievement of the general objectives specified in art. 158 and 160 of the Treaty. The Structural Funds, the EIB and the other existing financial instruments will each contribute in an appropriate way to the achievement of the following three priority objectives (Lazea et. all, 2012):

- Promoting the development and structural adjustment of underdeveloped regions, called "Objective 1";
- Supporting the economic and social conversion of areas facing structural difficulties, called "Objective 2";
- Support the adaptation and modernization of education, training and employment policies and systems, called "Objective 3". This objective will provide financial assistance outside the Objective 1 regions and will provide a policy reference framework for all measures to promote human resources in a national territory without prejudice to the specific characteristics of each region.

To achieve these objectives the Community will contribute to the harmonious, balanced and sustainable development of economic activities, the development of employment and human resources, the protection and improvement of the environment and the elimination of inequalities and the promotion of equality between men and women.

The implementation and management of the structural funds are based on the following general principles and rules ([www.fonduri-ue.ro](http://www.fonduri-ue.ro)):

- Complementarity, consistency and conformity:

The allocated funds will be constituted in complementary financial assistance to the national, regional and local measures, integrating at their level the community priorities. National and Community authorities will ensure that assistance provided through structural instruments is consistent and in line with Community activities, policies and priorities.

- Programming:

The follow-up of the financing objectives is done in a multi-annual programming framework that includes the establishment of priorities, the management process, the adoption of financing decisions.

- Partnership

Assistance provided through the Structural Funds is based on the idea of partnership at two levels - on the one hand, between the European Commission and the Member States and, on the other hand, at the level of each Member State, respectively between: competent public authorities at regional and local level, economic and social partners, as well as any other body representing civil society, environmental partners, non-governmental organizations and bodies responsible for promoting equal opportunities.

- Subsidiarity and proportional intervention

The implementation of the operational programs is the responsibility of the Member States, in accordance with the institutional system specific to each of them. The principle of subsidiarity seeks to avoid situations in which the delegation of prerogatives to Community supranational entities at any cost may have counterproductive effects compared to the situation in which those prerogatives remain in the portfolio of the governments of the Member States.

- The principle of additionality

The additionality represents the level of public expenditure that the Member State of the European Union makes from its own sources, during the programming period, for the same types of measures financed from the structural funds, including the public co-financing related to these measures. The Structural and Cohesion Funds of the Member States of the European Union are meant to complement and not replace the national effort.

- The principle of reimbursement

Unlike PHARE and ISPA, the Structural and Cohesion Funds operate on the principle of reimbursement, as does SAPARD. This implies that the Final Beneficiaries make the payment to the suppliers of works or services from their own funds, and subsequently, based on the paid invoices and the payment orders on the basis of which the payment was made, the reimbursement of the expenses incurred is requested (Butler, 2006).

Rule  $n + 3 / n + 2$  N is the year of commitment,  $n + 3$  is the year until the end of which the funds committed in year “n” must be spent. The unspent amounts in the mentioned interval are lost. In the period 2013-2016 the  $n + 3$  rule applies and in the period 2017-2020 the  $n + 2$  rule.

- Grants

The phrase “access to non-reimbursable funds” means that the persons concerned (mostly represented by SMEs) may apply, under certain conditions, for financial subsidies for investments which, in whole or in part, must not be repaid (Diaconu 2007).

With the help of the main objectives set out above, the Structural Funds contribute to achieving a lasting balance at European Union level. Strengthening competitiveness, developing disadvantaged areas, supporting people from disadvantaged groups, supporting young people, promoting initiatives, protecting the environment, reintegration and professional conversion, and investing in infrastructure are also objectives and principles that help the Structural Funds contribute to material and human resources. at the level of each Member State ([www.fonduri-ue.ro](http://www.fonduri-ue.ro)).

Under the structural instruments, we will include the following Community funds to reduce development disparities between EU Member States and their regions: Structural Funds, Cohesion Fund and Complementary Funds: European Agricultural Fund for Rural Development and European Fisheries Fund.

The thematic objectives for the financial year 2014 - 2020 2 are the following:

- Consolidating research, technological development and innovation;
- Improve access, use and increase quality of TIC;
- Improving the rural area, the agricultural sector (in the case of FEADR) and the agricultural and aquaculture sector (within FEPAM);
- supporting the transition to a low-carbon economy in all sectors;
- promoting adaptation to climate change, prevention and risk management;
- environmental protection and promoting the efficient use of resources;
- promoting sustainable transport systems and removing bottlenecks in major network infrastructures;
- promoting the sustainability and quality of jobs and supporting labor mobility;
- promoting social inclusion, combating poverty and any form of discrimination;
- investments in education, training and lifelong learning;
- strengthening the institutional capacity of public authorities and efficient public administration.

In the period 2014 - 2020, Romania will invest in all 11 thematic objectives of the Europe 2020 strategy, using the resources of the European structural and investment funds, through operational programs

#### **4. European funds for regional development in Romania - peculiarities**

The Partnership Agreement provides for the following structural instruments: European Regional Development Fund - ERDF, Cohesion Fund - CF, European Social Fund - ESF, European Agricultural Fund for Rural Development - EAFRD, European Fisheries and Maritime Fund - EMFF.

The Partnership Agreement for Development and Investment applied to cohesion policy (national strategic document, drawn up by each Member State and negotiated with the Commission, which substantiates and sets out the thematic development objectives and indicative allocation of European funds for the period 2014-2020), includes the 11 main objectives previously presented in this article.

Turning to a total budget of EUR 454 billion in the period 2014-2020, the Structural Funds and European Investments (the Funds) will be awarded to the European Union.

Structural Funds and European Investments Funds are:

- The European Regional Development Fund (ERDF) - encourages stable development in different areas of the European Union,
- European Social Fund (FSE) – supports national employment programs in Europe and invests in the Union's human capital,
- Cohesion Fund (FC) - finances the program of transition and Environment for the 2014 - 2020 period,
- The European Agricultural Fund for Rural Development (EAFRD) - focuses on resolving the difficulties of rural areas and struggles rural areas in the EU.
- The European Fisheries and Maritime Affairs Fund (FEMA) – Supports fishermen and sustainable organizations and helps organizations to improve their health.

In addition to the funds raised in May, 20 member states are part of the country and Romania, benefiting from the decline in the strength of the mountain at the level of the land (YEI-Yn).

ESI funds focus mainly on the development of 5 sectors:

- analysis and creation
- digital technologies
- support for low carbon savings
- sustainable management of natural resources
- small companies

The collaboration agreement between the European Commission and the member country sets the perspectives of the national authorities regarding the use of the funds coming from the European structural and investment funds related to the period 2014 - 2020. It specifies the thematic objectives and priorities regarding the investments of each state, according to those in the Europe 2020 strategy (Dornean, 2016).

Financial assistance from the Cohesion Fund may be suspended by a Council decision (approved by a qualified majority) if a Member State has an excessive government deficit or if it has not remedied the problem or taken appropriate measures to this sense.

A wide range of organizations - public bodies, private companies and civil society - have access to business finance, which helps people find work or keep their jobs, with the help of European funds. The Commission and the Member States share responsibility for evaluating ESF activities. Managing authorities carry out evaluations at Member State level, while the Commission does so at EU level.

Evaluations shall be based on consistent, comparable and quality data collected by national authorities. The data is also used to check if the programs give the expected results. The Commission's guidelines on monitoring and evaluation support the work of managing authorities in this area ([www.ec.europa.eu](http://www.ec.europa.eu)).

The open data platform provides an opportunity to view data on ESF funding, related achievements for the period 2014-2020 and the subsequent evolution of investment at EU level. The Commission's Strategic / Synthesis Reports provide information on achievements at EU level.

The Data Fitness initiative carried out counterfactual assessments of the impact of ESF-funded operations. They are part of a broader EU commitment to focus on results and policy based on concrete data.

We have developed a series of practical suggestions and video tutorials to help managing authorities conduct and order reliable counterfactual assessments.

ESF managing authorities can receive personalized advice on counterfactual impact assessments from the Quality Assurance Support Service.

Managing authorities and experts in counterfactual impact assessments share their experience and knowledge in regular community practice meetings.

The particularities of the structural funds are oriented towards achieving the general objectives of the Europe 2020 strategy within the five areas of interest: employment, climate change, education, poverty reduction and innovation.

The overall goal of the study was to evaluate the impact of the project on the development of the European Union from 20014 - 2020. It also involves a discussion on the contribution of cohesion policy to state development and the achievement of key European priorities.

Both the theoretical works and the economic evidence showed certain relations of positive directly proportional between investments, be they public or private and economic growth. The positive impact has been more evident in developing countries, with the potential for economic growth and capable of increasing productivity through labor.

In the 2014-2020 period, it will be a more routine approach to evaluating the effectiveness of the projects financed by the European Structural Funds. The programs benefited from the definition of specific objectives, which would accelerate the change sought through policies and result indicators, through the prism of the concrete actions implemented, the output indicators. Romania's budget for the development of these European programs is approximately 33 billion euros.

According to the objectives, most funds are directed towards regional development, which aims to strengthen the part of economic and social cohesion within the union, by eliminating existing imbalances.

## **Conclusions**

We can specify that Romania has benefited from the European funds from the UE budget since the moment of accession, and the assumed objectives have been largely solved one by one.

European funds have always been committed to reliable, sustainable projects that create stable, profitable jobs in the long run, including after European funding ends.

The particularities of the European funds, understood and applied, can bring a great plus to Romania in terms of economic growth, through the correct implementation of common policies.

We consider that there is a need for a better information and communication of the particularities of the structural funds, from the institutions that coordinate the operational programs, to the real beneficiaries of these funds. Most of the time, entrepreneurs, farmers, businessmen in Romania either do not know concretely about the advantages of accessing funds, or they find it too complicated to submit a financing project. By eliminating bureaucratic issues, those who want to obtain non-reimbursable financing will contribute to achieving common goals.

The reform of European funds from 2014 to 2020, aims to maximize their contribution to the Europe 2020 strategy. The strategy aims to achieve the general socio-economic objectives of the European Union.

The regulations specific to the Structural Funds describe in detail how each European Investment Fund can contribute to achieving the thematic objectives by meeting the investment priorities or by meeting the priorities of the European Union, aligned with the specific objectives.

### References

- BUTLER D., 2006. *Planificarea afacerii – Ghid de start*, Editura Bic All, București.
- CIOCAN V., TĂUT L., NUNA E., 2007. *Drept european. Instituții europene. Politici europene. Fonduri structurale*, Editura GrafNet, Oradea, p. 281 – 284.
- DIACONU N., 2007. Caracterizarea fondurilor structurale ale Uniunii Europene. *Revista de Drept Comercial*. Anul XVII, Nr.3.
- DORNEAN A., 201. *Gestiunea fondurilor structurale europene*, Ediția 2, Editura C.H, Beck
- DRAGAN I., 2008. Elaborarea proiectelor cu finanțare din fondurile structurale pentru IMM-uri: 2007-2013. Ili București. Contaplus.
- GHERGHINESCU O., RINDERU P., SPULBĂR C., 2009. *Analysis of Structural and Cohesion Funds absorption in Romania*, Finance – Challenges of the Future, Year VIII, No.9/2009.
- LAZEA V., ANGHEL L.C., BIRIȘ G., 2012. *Prioritizarea politicilor Uniunii Europene prin prisma avantajelor produse de acestea pentru România, în perspectiva participării la negocierile desfășurate în cadrul procesului de revizuire a bugetului comunitar [The Prioritization of the European Union Policies Through the Created Advantages for Romania, in the Perspective of Participating in the Negotiations Within the Process of Revising the Community Budget]*. Bucharest: Economică Publishing House.
- MOLDOVANI I., 2015. *Managementul proiectelor cu finanțare europeană*, Editura C.H, Beck.
- ONESCU L., FLORESCU D., 2013. *Finanțarea proiectelor europene*, Editura Economica, București.
- <https://op.europa.eu/en/home>
- <https://www.fonduri-ue.ro/apeluri>
- <https://ec.europa.eu/romania>
- <http://www.fsesudest.ro/legislatie/Regulament1260>

## **The Link Between Innovation, Digitalization and the Energy Sector – a Bibliometric Analysis**

**Maria-Floriana POPESCU**

The Bucharest University of Economic Studies

maria.popescu@rei.ase.ro

### **Abstract**

Innovation is a key driver of the energy transition cycle nowadays and will help countries in achieving climate targets and in the fight towards decarbonization in the energy sector. At the same time, through energy conservation and involvement in flexible demand processes, digitalization benefits consumers by reducing energy bills for people and companies. The purpose of this paper is to provide a review of the evolution of existing research on the relationship between innovation, digitalization and the energy sector using bibliometric techniques. Therefore, more than 1,400 articles published after 2000 and indexed in the Web of Science database were analyzed. The research will be aiming to tackle the keywords and citations connected with the research area mentioned above, to study their spread over time and to relate them with various events that might have triggered a change in focus or interest for academia. Moreover, it will provide as being valuable to analyze a geographical spread of the papers related to author's affiliation as to observe in time the spread of knowledge for this subject in the world. This work can be valuable to researchers, academia and professionals interested in the topic being studied, helping to find new avenues for study beginning from a scientific literature review which is done in this paper.

**Keywords:** Innovation, Digitalisation, Energy Sector, Bibliometric Analysis, Keywords Map, VOSviewer

**JEL classification:** C88, M21, Q49.

### **1. Introduction**

An early provider and user of emerging technologies was the energy market. Power utilities were technical leaders in the 1970s, to make network management and service simpler by using the new technologies available in those years. Since long times ago, companies that were into petroleum or gas industries have used emerging technology to enhance decision-making since research and development assets appeared such as pipelines and reservoirs. For decades, process controls and automation have been used by industry to maximize efficiency and yields while minimizing energy usage, particularly in the heavy industry. Digital technology is being used by intelligent transport networks to improve safety, reliability and efficiency in any mode of transport.

Digital technologies are everywhere and affect our way of living, working, or traveling, conducting our day to day activities. Digitization helps push worldwide energy systems and grids with efficiency, competitiveness, transparency and sustainability. Nevertheless, it also raises new risks to security and privacy and disrupts economies, businesses and employees. Moreover, digital technology would increase interconnection, intelligence, performance, reliability and sustainability of energy systems around the world in the coming decades. Numerous emerging digital innovations, such as smart devices, automation and 3D printing, allow for amazing technical developments in analytics and communication. In the future, digitized energy grids are going to decide who needs electricity and who can generate it in the right place and time, with the lowest cost. But achieving this will not be very easy.

Digitalization is now improving energy system's efficiency, profitability, accessibility and sustainability. Yet digitalization also poses new challenges to security and privacy. The economies, industries and jobs are also evolving and changing. There are emerging new

business models as several centuries old models come out of practice and use. In addition, leaders, managers of various companies and other stakeholders face new and complex, frequently incomplete or imprecise, data sources. This challenge is further addressed by the extremely difficult structure of power systems, often based on massive and sustainable infrastructure and physical assets.

Trends in digitalization are absolutely astounding. Data are increasing at an unprecedented pace – in the last 5 years, internet traffic has multiplied 5 times and around 90% of the available data was generated in the last couple of years (IEA, 2020).

Emergent technology is now used at a bigger and wider scale in the energy field, following the rapid implementation of potentially groundbreaking horizon technologies, some of which were mentioned earlier, such as autonomous vehicles, intelligent home systems and innovative manufacturing (e.g. 3D printing). Although these innovations can decrease product-service energy intensity, other rebounding effects may also increase the overall usage of resources. The severity – and related obstacles – of possible impacts varies significantly depending on the specific application.

Therefore, energy security is a condition for the existence of European states, an inalienable and imprescriptible international law, resulting from the law of states on their energy resources and from the European and Euro-Atlantic treaties that must become one of the long-term governance objectives of all Member States in the European Union, and not only in this region. Energy security involves ensuring the necessary energy consumption in terms of accessibility to resources and the availability of long-term access and reserve formulas and procedures in case of emergency, calamity or crisis. Energy security is part of economic security and includes parts of critical energy infrastructure security. Energy security means the geographical diversification of supply, the use of several types of energy, the stability of demand and the predictability of prices.

The digitalization of renewable energies such as solar photovoltaic solar and storage would enable the production of renewable energy resources, provide greater opportunities and enable the storage and selling of surplus energy into the network for producers. New technologies such as blockchain are capable of facilitating peer-to-peer trading within local communities.

The thorough analysis of key energy sectors can show how digital technologies can affect and change employment and skills in the energy sector. Digitalization is expected to lead to improved efficiencies in the supply chain gradually, but substantial job requirements for comprehensive engineering and physical infrastructure building activities are less likely to be replaced. Jobs and activities that contain a significant share of automated work, for example those that include daily routine and repetitive physical exercise and data collection and processing, face a greater risk of automation than those that have less routine work.

All the latest data and reports from various organizations on the digital world, such as the Organisation for Economic Co-operation and Development, show that digital infrastructure employees will need specialized ICT skills such as encryption and information security, while all staff will need general ICT experience in the management of emerging technology in the energy sector. Complementary “soft” skills such as organizational skills, communication skills and collaboration skills are more and more important for ICT-enabled collaborative work with increased opportunities.

Digitalization’s pace and scale and its effect on jobs in the energy sector remains highly unpredictable and depends on a variety of variables, which differ in regional, national and industrial contexts. Energy policy makers should be involved and respond to these impacts in wider government-to-government consultations (e.g. consultations that can happen at the

European Union's level or in between smaller regional players). The academia is expected to research more in this field while the knowledge in broadening and diversifying.

## **2. Literature Review**

The digital infrastructure is sometimes referred to as the Fourth Industrial Revolution and will be the key component of the future smart grid. It will allow for the integration of renewable energy projects into the grid, selling their output either to local utilities or to corporate customers through a Power Purchase Agreement (PPA). Some of the most important, but least seen, advances of recent years have been the introduction of smart sensors to virtually any piece of equipment that uses or produces electricity. Such sensors upload information, providing an "Internet of Things" (IoT) that enables operators to see how different projects or pieces of equipment work, when they require repair – allowing issues to be resolved before they arise – and warnings when they do malfunction.

Grid operators can also, on a larger scale, improve network efficiency and incorporate more distributed and decentralized resources, which is the increased control provided by increasing transparency in the vast amount of data that becomes available. For example, when combined with developments in energy storage technologies, wind and solar have the ability to be drawn upon intermittently – and thus more effectively.

All of this data would have been left unanalyzed until recently because we lacked the resources to do so. Yet the emergence of techniques for big data processing, using artificial intelligence and machine learning, enables the knowledge to improve productivity across anything from individual devices to the entire grid. Moreover, the purpose of this article is to determine the existent connections between three concepts – Innovation, Digitalization and the Energy Sector – by studying them, from an academically point of view the articles published on this subject in the most influential journals and authors on this area, using bibliometric analysis.

An impetus for researchers to look for new ways to interpret such vast quantities of knowledge and data has been the plentiful scientific knowledge associated with emerging information technology, giving rise to an emerging discipline: bibliometrics. Bibliometric methods are capable of producing accurate and robust quality measures (Abramo & D'Angelo, 2011; Mimno et al., 2006) that are useful for comparing or classifying broad topics, although they are not appropriate for comparison of individual research (Castillo-Vergara et al., 2018; Merigó et al., 2015; Parida et al., 2018; Rey-Martí et al., 2016). For researchers assessing experimental behavior, this method of study provides valuable knowledge (Mourao & Martinho, 2020; Rey-Martí et al., 2016). A bibliometric analysis analyses bibliographic content from an analytical and quantitative perspective that proves useful in organizing knowledge within a specific field (Casprini et al., 2020; Castillo-Vergara et al., 2018; Modak et al., 2020; Xie et al., 2020); thus, a bibliometric analysis using keywords allows the analysis of data in the main research topics within a domain and micro-level relationships (Chen & Xiao, 2016; Zhang et al., 2020). In addition, it is assumed that attention is paid in bibliometric and scientometric research to the analysis of networks of papers, journals, writers or keywords, and that the mapping and clustering techniques are most commonly used to analyze these networks (Bascur et al., 2020; Waltman et al., 2010).

## **3. Research Methodology and Data Collection**

This paper will be using VOSviewer as bibliometric research method. This is a free access information technology system for the creation and visualization of bibliometric maps (Waltman & Eck, 2012). The key benefit of this program, over other tools used for bibliometric mapping in information technology, is that it focuses on the maps' graphical representations.

This is particularly useful when viewing large maps, making analysis simple, and is primarily used when generating maps based on network data (Cobo et al., 2011; Jeong et al., 2016).

VOSviewer is a computer program for the development, visualization, and exploration of scientific bibliometric maps. The software can be found free of charge at [www.vosviewer.com](http://www.vosviewer.com). VOSviewer lets term maps be created. A term map is a two-dimensional map in which the frequency of occurrence of a given word is defined by the size of the label and the distance between two terms can be interpreted as an indication of the relatedness of such terms based on the number of terms co-occurring in the corpus file (Cardona & Sanz, 2015; Castillo-Vergara et al., 2018). Through the software's research it lists countries, frequently cited writers and keywords.

In this respect, there shall be analyzed in this paper articles and reviews written in English published between 2000 and 2018 and indexed in the Web of Science (WoS) database. All the selected papers are examined with regard to the evolution in time of the articles and their dissemination by journals and countries. In addition, the writers and institutions will be presented with perspective on the analyzed subject. Instead, to assess its influence in the scientific literature, a study of the citations obtained by the publications is carried out. A chart of keywords was subsequently created using VOS viewer tools. Finally, the study findings and limitations will be discussed, and recommendations for future research will be given.

#### 4. Data Analysis and Discussions

The purpose of this paper is to establish how the connection between the concept of “innovation” and the “energy sector” is reflected in scientific literature. The concept of “digitalization” was not used in the search as it is a concept being currently studied and not yet much debated in the academic literature, as it is more complex and it will surely develop more in the nearby future. In addition, this paper attempts to define which are the other ideas the two notions associate with and the relations are generated between them (especially in the light of “digitalization”), using the bibliometric techniques as a tool of study.

With regard to data collection for this paper and selection of papers for the bibliometric analysis, these were collected by a keywords search undertaken using the Social Sciences Citation Index (SSCI) database of the ISI - Web of Science (WoS) platform, provided by Clarivate Analytics. WoS database was chosen because of the quality of the information they provide.

The search was performed by the keywords “innovation” and “energy sector”, using the “and” connector between them. The two keywords were searched by “Topic” section of the WoS database (includes searches in the following fields within a record: title, abstract, author keywords, and Keywords Plus). Moreover, the search was limited to the period 2000 and 2018.

According to these criteria, 1,922 articles were obtained. The search was refined by two options: document type – “article” or “review” and language – English. This filtering process reduced the number of articles from 1,922 to 1,480 (document type) and finally to 1,432 (language). Therefore, it was obtained a list of 1,432 documents that have innovation and energy sector in title, abstract or keywords from the period 2000 to 2018.

After the collection of papers and the review of the scientific literature (Castillo-Vergara et al., 2018; Gora, 2019), three forms of research were carried out with the aid of all 1,432 selected documents:

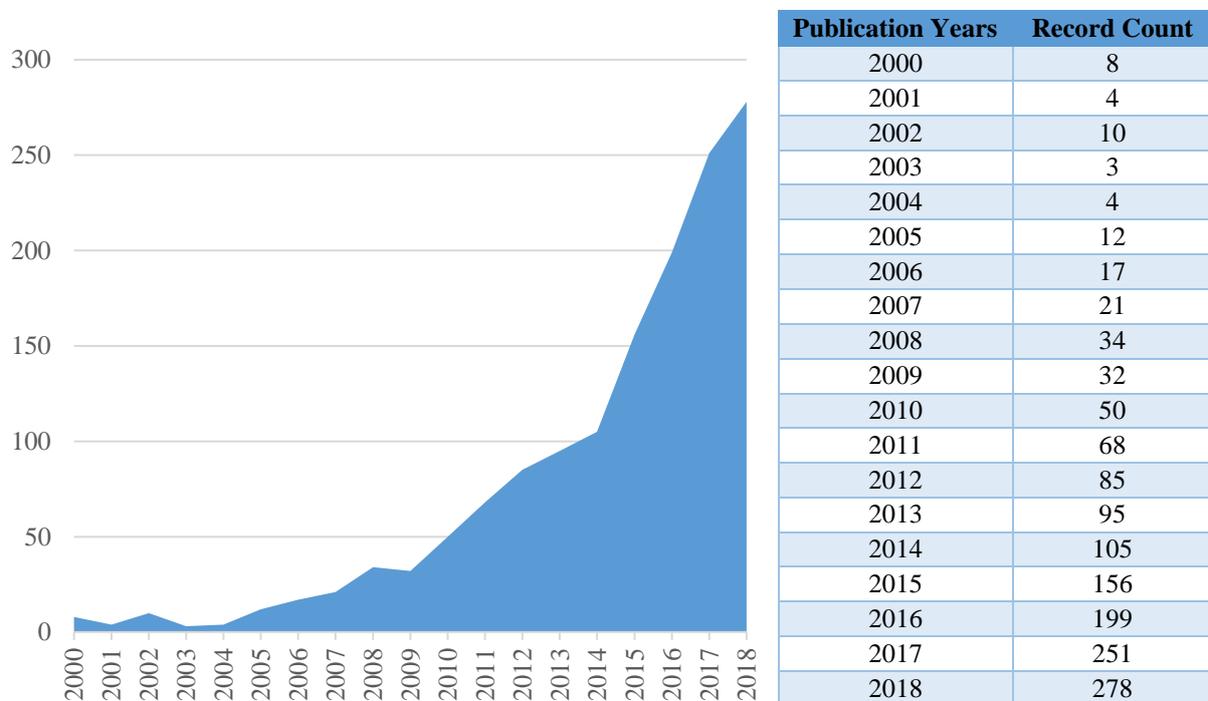
1. Analysis of the selected papers (the papers distributions by years and countries, topmost productive journals, top institutions and authors with contributions related to the subject, and papers' distribution according to research areas);
2. Analysis of the number of citations received by the selected papers (topmost cited scientific papers);

3. Keywords' analysis (including occurrence, links' strength and a keywords' map).

Therefore, considering these three forms of research planned to be carried out in this article, the data analysis and the findings obtained are discussed in the following sections.

#### 4.1. Analysis of the selected papers

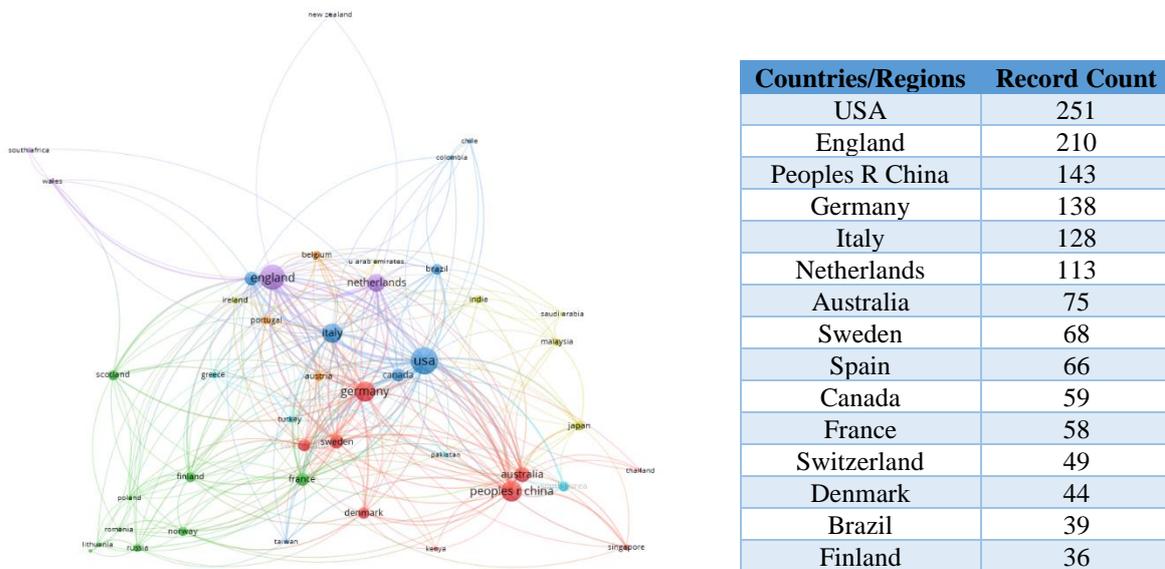
The research period 2000-2018 evolution of publications over time is presented in Figure 1 where a steady rise in the number of publications can be seen over the last 5 years, and is continuously increasing. During the entire analyzed timespan, the number of articles and reviews published from one year to another has increased, except for years 2001, 2003 and 2009, in which there were slight decreases compared to the previous year. The year 2018 is the one when most papers were published (278 papers – 19.41% of 1,432 total papers). The smallest number of articles published in a year, more exactly 3 (0.20%) was registered in 2003. Moreover, almost two thirds of the published papers on the analyzed subjects were published between 2014 and 2018 (989 papers – 69.06% of 1,432 total papers).



**Figure 1. Published papers per year**

Source: Computed by author with the information extracted from WoS, 2020

The country with the most innovation and energy sector related publications is the United States (251), followed by England with 210 papers and China 143 papers. The diagram shown in Figure 2 shows the remaining countries which published articles and reviews on the analyzed topic, and it is important to remember, as the figure shows, that there are some centers for these studies, namely United States, England, China, Germany, Italy and Netherlands.



**Figure 2. Distribution of papers by country of authors' affiliation**  
 Source: Computed by author with the information extracted from WoS, 2020

Table 1 presents the major 18 journals which have published scientific papers on the subject of energy and innovation, in the period 2000-2018. These 18 journals have published 48.04% of the 1,432 articles and reviews used in this research. In addition, the 1,432 selected papers have been published in 513 journals with issues related to the subject examined by my research.

**Table 1. Topmost 18 productive journals**

| Source Titles                                     | Record Count | % of 1,432 |
|---------------------------------------------------|--------------|------------|
| Energy Policy                                     | 181          | 12.64%     |
| Journal of Cleaner Production                     | 96           | 6.70%      |
| Renewable Sustainable Energy Reviews              | 60           | 4.19%      |
| Technological Forecasting and Social Change       | 54           | 3.77%      |
| Sustainability                                    | 47           | 3.28%      |
| Energy Research Social Science                    | 43           | 3.00%      |
| Energy Economics                                  | 31           | 2.17%      |
| Applied Energy                                    | 29           | 2.03%      |
| Energy                                            | 24           | 1.68%      |
| Research Policy                                   | 22           | 1.54%      |
| Energies                                          | 17           | 1.19%      |
| Renewable Energy                                  | 17           | 1.19%      |
| Ecological Economics                              | 13           | 0.91%      |
| Climate Policy                                    | 12           | 0.84%      |
| Environmental Innovation and Societal Transitions | 11           | 0.77%      |
| Technology Analysis Strategic Management          | 11           | 0.77%      |
| International Journal of Energy Sector Management | 10           | 0.70%      |
| International Journal of Hydrogen Energy          | 10           | 0.70%      |

Source: Computed by author with the information extracted from WoS, 2020

Top authors with contributions related to the topic of energy and innovation are presented in Table 2 (there are 3,605 authors that published papers on this subject and top 10 will be presented in the following Table).

**Table 2. Topmost 10 productive authors**

| Authors      | Record Count | % of 1,432 |
|--------------|--------------|------------|
| Anadon LD    | 10           | 0.70%      |
| Mazzanti M   | 9            | 0.63%      |
| Mlecnik E    | 9            | 0.63%      |
| Soderholm P  | 9            | 0.63%      |
| Bosetti V    | 8            | 0.56%      |
| Costantini V | 8            | 0.56%      |
| Hoppe T      | 8            | 0.56%      |
| Markard J    | 8            | 0.56%      |
| Sovacool BK  | 8            | 0.56%      |
| Lin BQ       | 7            | 0.49%      |

Source: Computed by author with the information extracted from WoS, 2020

From Table 2, it can be established that the highest number of individual contributions related to the analyzed topic is 10 articles and 1 author is in the top according to this criteria: Anadon L.D., who is from University of Cambridge – Environmental Energy & Natural Resource Governance, having a H-index of 21 and being cited 1,659 times. This author is followed by other 3, Mazzanti M., Mlecnik E. and Soderholm P., each having 9 written articles on the analyzed subject.

The variety of research areas (64) according to the number of articles published and associated with the search criteria is presented in Figure 3, although an article is able to be classified in several research areas at the same time.

**Figure 3. Top 25 research areas on basis of the number of published articles**

Source: Computed by author with the information extracted from WoS, 2020

Top 6 research areas, with more than 100 attributions given to them, are: environmental sciences ecology (632 documents), business economics (562 documents), energy fuels (445 documents), science technology other topics (320 documents), engineering (238 documents) and public administration (119 documents).

#### 4.2. Analysis of the Citations

The second analysis conducted in this research is to examine the number of citations obtained by the 1,432 selected articles and reviews the studied timeframe. In this regard, Table

3 presents the Top 10 most cited scientific papers on the topic of the energy and innovation, published in the 2000-2018 period.

*Table 3. Topmost 10 cited articles and reviews*

| Title of the article                                                                                            | Authors                                                                  | Publication Year | Total Citations 2000-2018 | Average Citations per Year |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|------------------|---------------------------|----------------------------|
| Innovation studies and sustainability transitions: The allure of the multi-level perspective and its challenges | Smith, Adrian; Voss, Jan-Peter; Grin, John                               | 2010             | 642                       | 58.36                      |
| Transport and climate change: a review                                                                          | Chapman, Lee                                                             | 2007             | 476                       | 34                         |
| Environmental and technology policies for climate mitigation                                                    | Fischer, Carolyn; Newell, Richard G.                                     | 2008             | 391                       | 30.08                      |
| Current options for the valorization of food manufacturing waste: a review                                      | Mirabella, Nadia; Castellani, Valentina; Sala, Serenella                 | 2014             | 319                       | 45.57                      |
| Are agricultural land-use models able to predict changes in land-use intensity?                                 | Lambin, EF; Rounsevell, MDA; Geist, HJ                                   | 2000             | 302                       | 14.38                      |
| Tipping Toward Sustainability: Emerging Pathways of Transformation                                              | Westley, Frances; Olsson, Per; Folke, Carl; et al.                       | 2011             | 297                       | 29.7                       |
| Physics at BES-III                                                                                              | Asner, D. M.; Barnes, T.; Bian, J. M.; et al.                            | 2009             | 265                       | 22.08                      |
| Renewable energy from palm oil - innovation on effective utilization of waste                                   | Yusoff, S                                                                | 2006             | 252                       | 16.8                       |
| Smart manufacturing, manufacturing intelligence and demand-dynamic performance                                  | Davis, Jim; Edgar, Thomas; Porter, James; Bernaden, John; Sarli, Michael | 2012             | 233                       | 25.89                      |
| Barriers and stimuli for ecodesign in SMEs                                                                      | van Hemel, C; Cramer, J                                                  | 2002             | 231                       | 12.16                      |

Source: Computed by author with the information extracted from WoS, 2020

Based on the information provided by “Create Citation Report” section of the WoS database, the 1,432 selected articles and reviews for analysis received a total number of 33,931 citations in the period 2000-2018, with an average of 1615.76 citations per year.

Table 3 indicates the cumulative number of citations received for each article from the time of publication until the end of 2018, taking into account the Top 10 of the most cited articles. Therefore it should be noted that the largest number of citations received is 642, belonging to the authors Smith, Adrian, Voss, Jan-Peter and Grin, John (2010), indicating that this article received an average of 58.36 citations per year.

#### 4.3. Keywords’ Analysis and Clustering

The last type of analysis conducted in this research applies to a keyword analysis among the 1.432 analyzed documents. All the keywords given by the authors and the keywords plus for each article were used to carry out this review. As described in another review of bibliometric analysis (Dabic et al., 2015; van Eck & Waltman, 2011, 2019), the WoS database automatically extracts a set of “keywords plus” from the titles of the papers that describe the best words that the program recognizes as matching the main theme the paper deals with.

VOSviewer software has been used to conduct the analyze of these keywords and to construct a computational keyword analysis map based on bibliographic data (van Eck & Waltman, 2019). A database with a collection of details about the 1,432 selected articles and reviews was created in advance of this research, with the information given by the WoS database. In this way, information about the name of the writer, article title, abstract, year of publication, keywords listed in each article and other relevant information have been extracted. The information collected from the WoS database was subsequently incorporated into VOSviewer software, which permitted an occurrence review of the keywords found in each analyzed document.

When VOSviewer software launched the extraction of the information contained in the 1,432 papers, it counted a total of 5,606 keywords mentioned in all examined papers, articles and reviews related to the subject of innovation and energy sector. Because of the large number of keywords cumulated from all analyzed papers, a minimum number of occurrences per keyword equivalent to 35 was chosen for the analysis (where occurrence implies the number of documents in which a keyword appears) and 42 keywords were therefore retained for analysis, meeting the threshold. Therefore, Table 4 highlights the 42 keywords sorted by their occurrence, along with the total link strength.

Analyzing Table 3 it can be shown that there are many keywords that appear written in different ways but they refer to the same term, and their clustering will better illustrate their occurrences or the number of papers in which that word is listed as a keyword. In this context, a first group will be made between the words “transition” and “transitions” which indicates that 91 papers include these words in total. The second grouping should be made between “climate change” and “climate-change” terms, which cumulate a total of 95 occurrences.

When evaluating the subject of this paper, it was possible to infer that research focuses on energy sector and innovation within digitalization (something that can be noticed in the keyword map of the analyzed research shown in Table 4 with the use of the word “technology”).

Given the classification mentioned above, it can be observed that the keyword “innovation” of the total of 1,432 selected articles and reviews was found as the keyword in 458 publications, reflecting a percentage of 31.98% of the total number of papers. With regard to the phrase “energy sector” it is noted that it is not written in the list of keywords in this form but segregated as “energy” and “sector”. In this context, it is observed that in 326 articles (22.77% of the total of 1,432 articles) this concept is used as a complete keyword.

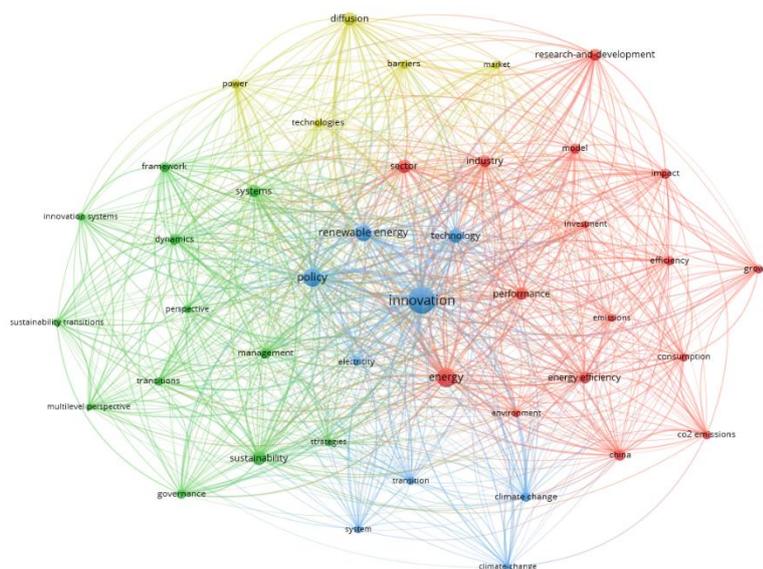
*Table 4. The keywords' occurrences and links' strength*

| <b>Keyword</b>                  | <b>Occurrences</b> | <b>Total link strength</b> |
|---------------------------------|--------------------|----------------------------|
| <b>Innovation</b>               | 458                | 1133                       |
| <b>Energy</b>                   | 218                | 550                        |
| <b>Policy</b>                   | 205                | 661                        |
| <b>Renewable energy</b>         | 162                | 438                        |
| <b>Technology</b>               | 123                | 377                        |
| <b>Sustainability</b>           | 116                | 361                        |
| <b>Sector</b>                   | 108                | 313                        |
| <b>Diffusion</b>                | 105                | 311                        |
| <b>Performance</b>              | 96                 | 261                        |
| <b>Systems</b>                  | 93                 | 306                        |
| <b>Energy Efficiency</b>        | 90                 | 207                        |
| <b>Research and Development</b> | 88                 | 254                        |
| <b>Industry</b>                 | 84                 | 275                        |
| <b>China</b>                    | 82                 | 210                        |
| <b>Management</b>               | 81                 | 242                        |
| <b>Dynamics</b>                 | 77                 | 264                        |
| <b>Framework</b>                | 72                 | 234                        |

|                                   |    |     |
|-----------------------------------|----|-----|
| <b>Model</b>                      | 70 | 177 |
| <b>Impact</b>                     | 67 | 200 |
| <b>Power</b>                      | 60 | 172 |
| <b>Climate change</b>             | 57 | 154 |
| <b>Governance</b>                 | 55 | 195 |
| <b>Efficiency</b>                 | 55 | 163 |
| <b>CO2 emissions</b>              | 53 | 124 |
| <b>Transitions</b>                | 51 | 184 |
| <b>Technologies</b>               | 51 | 170 |
| <b>Consumption</b>                | 51 | 149 |
| <b>Growth</b>                     | 51 | 131 |
| <b>Barriers</b>                   | 50 | 165 |
| <b>Perspective</b>                | 45 | 167 |
| <b>Emissions</b>                  | 42 | 96  |
| <b>Electricity</b>                | 41 | 128 |
| <b>Sustainability transitions</b> | 40 | 142 |
| <b>Innovation systems</b>         | 40 | 140 |
| <b>Transition</b>                 | 40 | 133 |
| <b>Market</b>                     | 39 | 113 |
| <b>Environment</b>                | 39 | 109 |
| <b>System</b>                     | 39 | 91  |
| <b>Multilevel perspective</b>     | 38 | 149 |
| <b>Investment</b>                 | 38 | 122 |
| <b>Climate-change</b>             | 38 | 108 |
| <b>Strategies</b>                 | 37 | 103 |

Source: Computed by author with the information extracted from WoS, 2020

The VOS clustering technique, a technique described in depth by various authors (Pan et al., 2018; van Eck & Waltman, 2007; Waltman et al., 2010), was used to move on to mapping keywords and grouping them into clusters. With regard to the VOS clustering strategy, it uses the number of nodes, the relations between them, the total number of relations and the total intensity between them to build the map. Beginning with these elements, the distance from other nodes for each node is determined, and each node is placed in a two-dimensional space (mapping technique). Figure 4 shows the visualization map of the 42 keywords listed in Table 4, related to the explanations given above.



**Figure 4. Keywords' map of the selected papers**

Source: Computed by author with the information extracted from WoS, 2020

Regarding the clustering of the 42 keywords, Figure 4 reveals that there are 4 clusters outlined by different colors. The information given in Figure 4 shows that there is the largest number of nodes in the red cluster, namely 16, followed by the green cluster with 12 nodes, the blue one with 9 nodes and the smallest number of nodes in a cluster is 5 and can be found in the yellow cluster.

## 5. Conclusions

This paper, researching the links between innovation, digitalization and energy sector, evaluated and highlighted them using bibliometrics techniques. As can be seen from the section on research methods, 1,432 papers related to the studied subject have been reviewed, articles and reviews published between 2000 and 2018 which have been collected from the Web of Science database. Three types of analyzes are at the center of this analysis, carried out using various methods of research.

This analysis may be useful for researchers and practitioners interested in studying the relationship between the innovation (and also digitalization) and the energy sector. This research also presents the current situation of the work carried out on the subject under investigation and highlights new possibilities for continuing research on this topic, beginning from a bibliometric review of the scientific literature in the area. Further research might be aimed at evaluating innovation and digitalization in the energy sector, measuring it using other sources of data, such as other websites, such as Google Scholar, which contains citations from outlets other than the Web of Science.

About the study limitations, it should be noted that this review is based solely on the knowledge given by a single source, Web of Science, with the possibility of missing important papers relevant to the topic under review. The use of VOSviewer software which does not allow the pooling of information extracted from different other databases to perform keyword analysis has determined another limitation of the study.

## Acknowledgments

This work was cofinanced from the European Social Fund through Operational Programme Human Capital 2014-2020, project number POCU/380/6/13/125015 “Development of entrepreneurial skills for doctoral students and postdoctoral researchers in the field of economic sciences”.

## References

- ABRAMO, G., & D'ANGELO, C. A. (2011). Evaluating research: From informed peer review to bibliometrics. *Scientometrics*, 87(3), 499–514. <https://doi.org/10.1007/s11192-011-0352-7>
- BASCUR, J. P., VERBERNE, S., VAN ECK, N. J., & WALTMAN, L. (2020). *Browsing citation clusters for academic literature search: A simulation study with systematic reviews*. 2591, 53–65. Scopus.
- CARDONA, G., & SANZ, J. P. (2015). Publication analysis of the contact lens field: What are the current topics of interest? *Journal of Optometry*, 8(1), 33–39. <https://doi.org/10.1016/j.optom.2014.02.003>
- CASPRINI, E., DABIC, M., KOTLAR, J., & PUCCI, T. (2020). A bibliometric analysis of family firm internationalization research: Current themes, theoretical roots, and ways forward. *International Business Review*, 101715. <https://doi.org/10.1016/j.ibusrev.2020.101715>

- CASTILLO-VERGARA, M., ALVAREZ-MARIN, A., & PLACENCIO-HIDALGO, D. (2018). A bibliometric analysis of creativity in the field of business economics. *Journal of Business Research*, 85, 1–9. <https://doi.org/10.1016/j.jbusres.2017.12.011>
- CHEN, G., & XIAO, L. (2016). Selecting publication keywords for domain analysis in bibliometrics: A comparison of three methods. *Journal of Informetrics*, 10(1), 212–223. Scopus. <https://doi.org/10.1016/j.joi.2016.01.006>
- COBO, M. J., LÓPEZ-HERRERA, A. G., HERRERA-VIEDMA, E., & HERRERA, F. (2011). Science mapping software tools: Review, analysis, and cooperative study among tools. *Journal of the American Society for Information Science and Technology*, 62(7), 1382–1402. <https://doi.org/10.1002/asi.21525>
- DABIC, M., GONZÁLEZ-LOUREIRO, M., & HARVEY, M. (2015). Evolving research on expatriates: What is ‘known’ after four decades (1970–2012). *The International Journal of Human Resource Management*, 26(3), 316–337. <https://doi.org/10.1080/09585192.2013.845238>
- GORA, A. A. (2019). The Link Between Decision Making Process and Performance: A Bibliometric Analysis. *Management and Economics Review*, 4(2), 1–13. <https://ideas.repec.org/a/rom/merase/v4y2019i2p177-191.html>
- IEA. (2020). *Global trends in internet traffic, data centre workloads and data centre energy use, 2015-2021 – Charts – Data & Statistics*. IEA. <https://www.iea.org/data-and-statistics/charts/global-trends-in-internet-traffic-data-centre-workloads-and-data-centre-energy-use-2015-2021>
- JEONG, D., CHO, K., PARK, S., & HONG, S. (2016). Effects of knowledge diffusion on international joint research and science convergence: Multiple case studies in the fields of lithium-ion battery, fuel cell and wind power. *Technological Forecasting and Social Change*, 108, 15–27. <https://doi.org/10.1016/j.techfore.2016.03.017>
- MERIGÓ, J. M., MAS-TUR, A., ROIG-TIERNÓ, N., & RIBEIRO-SORIANO, D. (2015). A bibliometric overview of the Journal of Business Research between 1973 and 2014. *Journal of Business Research*, 68(12), 2645–2653. <https://doi.org/10.1016/j.jbusres.2015.04.006>
- MIMNO, D., MCCALLUM, A., & MANN, G. S. (2006). Bibliometric impact measures leveraging topic analysis. *Proceedings of the 6th ACM/IEEE-CS Joint Conference on Digital Libraries (JCDL '06)*, 65–74. <https://doi.org/10.1145/1141753.1141765>
- MODAK, N. M., LOBOS, V., MERIGÓ, J. M., GABRYS, B., & LEE, J. H. (2020). Forty years of computers & chemical engineering: A bibliometric analysis. *Computers & Chemical Engineering*, 141, 106978. <https://doi.org/10.1016/j.compchemeng.2020.106978>
- MOURAO, P. R., & MARTINHO, V. D. (2020). Forest entrepreneurship: A bibliometric analysis and a discussion about the co-authorship networks of an emerging scientific field. *Journal of Cleaner Production*, 256, 120413. <https://doi.org/10.1016/j.jclepro.2020.120413>
- PAN, X., YAN, E., CUI, M., & HUA, W. (2018). Examining the usage, citation, and diffusion patterns of bibliometric mapping software: A comparative study of three tools. *Journal of Informetrics*, 12(2), 481–493. <https://doi.org/10.1016/j.joi.2018.03.005>
- PARIDA, V., GEORGE, N. M., & WINCENT, J. (2018). Strategic diagnosis of information processing structures and commercialization in new ventures. *Journal of Business Research*, 85, 83–90. <https://doi.org/10.1016/j.jbusres.2017.12.018>
- REY-MARTÍ, A., RIBEIRO-SORIANO, D., & PALACIOS-MARQUÉS, D. (2016). A bibliometric analysis of social entrepreneurship. *Journal of Business Research*, 69(5), 1651–1655. <https://doi.org/10.1016/j.jbusres.2015.10.033>

- VAN ECK, N. J., & WALTMAN, L. (2011). Text mining and visualization using VOSviewer. *ArXiv:1109.2058 [Cs]*. <http://arxiv.org/abs/1109.2058>
- VAN ECK, N. J., & WALTMAN, L. (2019). *VOSviewer Manual*. 1–53.
- VAN ECK, N. J., & WALTMAN, L. (2007). VOS: A New Method for Visualizing Similarities Between Objects. In R. Decker & H.-J. Lenz (Eds.), *Advances in Data Analysis* (pp. 299–306). Springer. [https://doi.org/10.1007/978-3-540-70981-7\\_34](https://doi.org/10.1007/978-3-540-70981-7_34)
- WALTMAN, L., & ECK, N. J. VAN. (2012). A new methodology for constructing a publication-level classification system of science. *Journal of the American Society for Information Science and Technology*, 63(12), 2378–2392. <https://doi.org/10.1002/asi.22748>
- WALTMAN, L., VAN ECK, N. J., & NOYONS, E. C. M. (2010). A unified approach to mapping and clustering of bibliometric networks. *Journal of Informetrics*, 4(4), 629–635. <https://doi.org/10.1016/j.joi.2010.07.002>
- XIE, Y., LI, X., HU, X., & HU, X. (2020). The landscape of academic articles in environmental footprint family research: A bibliometric analysis during 1996–2018. *Ecological Indicators*, 118, 106733. <https://doi.org/10.1016/j.ecolind.2020.106733>
- ZHANG, Q., RONG, G., MENG, Q., YU, M., XIE, Q., & FANG, J. (2020). Outlining the keyword co-occurrence trends in Shuanghuanglian injection research: A bibliometric study using CiteSpace III. *Journal of Traditional Chinese Medical Sciences*, 7(2), 189–198. <https://doi.org/10.1016/j.jtcms.2020.05.006>

## **Assessing Corporate Clients' Expectations on Relationship Building with a Digital Marketing Agency – A Qualitative Approach**

**Andreea ORÎNDARU**

The Bucharest University of Economic Studies  
andreea.orindaru@mk.ase.ro

**Mihaela CONSTANTINESCU**

The Bucharest University of Economic Studies  
mihaela.co@gmail.com

**Daniela IONIȚĂ**

The Bucharest University of Economic Studies  
daniela.ionita@ymail.com

**Ștefan-Claudiu CĂESCU**

The Bucharest University of Economic Studies  
stefan.caescu@mk.ase.ro

**Florina BOTEZATU**

The Bucharest University of Economic Studies  
botezatufloor@gmail.com

### **Abstract**

In an era of massive expansion of digital communication, companies around the world and across industries face the challenge of engaging in fruitful and impactful online conversations with their customers. Within this context, a new need has emerged from companies eager to be present in online conversations that lack the inhouse willingness and power to dedicate resources to this around the clock activity. Such companies choose to establish partnerships with external digital marketing agency as a safer way to keep on reinventing themselves in the digital noise using the support of professionals in this area. This choice was the source of a new industry's birth: the digital marketing professionals and their agencies, a constantly growing and rapidly expanding market. Since corporate clients have now multiple alternatives to choose from when selecting their digital marketing agency, a question has emerged as to what the expectations of corporate clients really are when referring to their relationship with their digital marketing agency. In order to discover the corporate clients' perspective, a qualitative research was developed aimed at unraveling the depth of corporate clients' expectations based on who they are and also on their previous experiences. Data was collected through in-depth interviews, a choice determined by the need of privacy when approaching sensitive topics like motifs, past experiences and future plans. The research results showed that among the most common expectations of corporate clients include attention to the clients' specific needs, experienced staff of the digital marketing agency dedicated for their account, proactive approach and initiative of their digital team. In addition, when choosing their digital partners, corporate clients put great emphasis first on their fellow industry colleagues' recommendations and second on the awards of their potential future partners. As a trend, corporate clients tend to have more than only one digital partner as a way to secure their partners' eagerness to be competitive in the long run. Future research directions might approach the same subject from the other side, from the digital marketing agencies' sides as means to compare and contrast perspectives and expand communication opportunities from both ways.

**Keywords:** business-to-business, corporate clients' expectations, digital marketing agencies, marketing, relationship building

**JEL classification:** M31.

### **1. Introduction**

The digital revolution has brought a wide range of challenges for both users and companies that aim to communicate with their customers in their regular social environment,

now the social media environment. In this context, a new industry is gaining momentum, an industry of agencies that facilitate companies' communication with their customers in a virtual setting. In an ever-changing industry like this with more and more competitors, standing out becomes harder and harder and corporate clients become more and more demanding. For this reason, the present paper starts with a brief literature review on this topic and then it moves forward with presenting the qualitative research conducted among corporate clients from Romania with regards their relationship and expectation of their digital marketing agency. Results are then discussed and put into context in the last section of the present paper.

## 2. Literature review

The current shift from traditional media to a wider range of clients' networks puts more and more pressure on companies in terms of delivering messages efficiently while maintaining consistency and link to the core identity of the company (Adebisi, and Bello, 2018). Additionally, corporate clients' interaction with agencies can lead to secondary effects ranging from a better understanding of their brand to improved relationships with the end-consumer (Suh, et al., 2012). But on the other hand, the evolution of the digital landscape led to a sense of crisis for the marketers, a sense that ends up in responsibility erosion (Quinn, et al., 2016). Historically, the advertising agencies were the ones responsible for such endeavors, but given the need for experts in the new digital world, corporate clients are also bringing along digital marketing agencies that have the role to build and develop a wider range of relationships with various types of actors (Keegan, et al., 2017). Along with the expansion of digital marketing agencies, the digital exponential growth resulted also in the occurrence of big data expert and social media analysts, that we need to get to communicate with each other (Quinn, et al., 2016).

In this setup it is only obvious that a growth of digital marketing agencies unraveled: the average growth rate of digital marketing agencies number was 23% between 2018 and 2019, while the revenue of such agencies faced also a growth rate of 15% in the same period of time (Promethean Research, 2019). So, these service agencies, as part of the professional services group (Axelsson & Wynstra, 2002), prove themselves with every single year to be essential for building and developing company's competitive positioning (Tate, et al., 2010). And the industry seems more and more appealing (also proven by the average profit margin of 18%) to various entrepreneurs as 94% of the digital marketing agencies have fewer than 50 employees (Promethean Research, 2019). But how are they building their relationships with their corporate clients? Are they really building the right expectations out of those corporate clients followed by the efficient service delivery?

To begin with, paying attention to such a relationship is proven effective as for an agency, the success of a long-lasting relationship with their customer translates into income stability, enhanced reputation and a higher profit margin (Gulsoy, 2012). Also, the commercial well-being of marketing agencies depends to a great extent on the strength of the client relationship that is usually based on agency's ability in understanding and satisfying corporate client's needs (Lace, 1998). Delivering higher value to corporate clients is essential for digital marketing agencies, as their main lead source seems to be referrals with 38% of the entire lead sources (Promethean Research, 2019). Waller, et al. (2001) argues on the same point: personal contact is what matters the most in an advertising agency marketing. Therefore, identifying what corporate clients need for their happiness will lead to better outcomes in service conception and predicting corporate clients' behavior in time for both the agency and the client (Triki, et al., 2007). From the agency perspective, attention and focus on the client from the agency are vital in ensuring a long-term relationship between the corporate client and the agency (Keegan, et al., 2017). Going a bit further, Triki, et al. (2007) showed that that corporate clients' wants from their agencies include: creativity, experience, diligence, trust,

communication and cooperation. Also, Lace (1998) argues that reinvention is possible for agencies by providing essential core skills, higher quality service and better relationship development. These can be all achieved if a deeper understanding of the success and failure factors is gained. These factors were divided by Triki, et al. (2007) into three major categories: agency's performance, client's internal policies and interpersonal determinants.

But, despite acknowledging and understanding the importance of a strong agency-client relationship, both corporate clients and agencies admit that agencies have been slow in adapting as time went by (Lace, 1998), which is partially explained by the fact that digital marketing face a skills gap in this everchanging technological environment (Day, 2011). And this proves to be a bigger issue taking into account the features of services: heterogeneity and intangibility, completed by performance's inseparability from its provides (Tate, et al., 2010). Not paying attention to the important pillars of corporate clients' satisfaction can lead to major losses for the agency: lost in income, losses in reputation, lost human resources (Gulsoy, 2012). Lace (1998) argued that the main reason for ending a client-agency relationship relates to the client's dissatisfaction with agency's performance, a dissatisfaction that relates to agency's skill in business understanding, strategy, creativity and ability to measure effectiveness.

One way to tackle with the corporate client's complaints relates to both clients' and agencies' willingness to learn from each other, in the common belief that they are working together (Suh, et al., 2012). Besides having positive impact on brand co-creation (Payne, et al., 2009), this becomes even more salient as agencies are co-producers of materials along with their clients as they are engaged in a continuous long-term process of information exchange (Triki, et al., 2007) in which client leaning is an essential criterion in the digital marketing agency performance evaluation (Suh, et al., 2012). Changing perspectives is of even greater relevance as currently there is an unfair balance between the client and the agency, as the client ultimately holds the budget (Hughes, et al., 2018). Therefore, a switch away from the perception of being independent actors (Triki, et al., 2007) might generate improved outcomes for both the agency and the client. In the same line of thought, Koslow, et al. (2003) show that advertising creativity, as opposed to different types of creativity is constrained by the need of the client. In this given context, bringing creativity from the agency side becomes a balancing act based on the client's risk appetite (Hughes, et al., 2018), an act in which again co-operation and co-production are *sin-qua-non* conditions for the success of a client-agency relationship (Keegan, et al., 2017).

Using the current literature background, a research project was developed as a way to discover current corporate clients' expectations and wants from their relationship with a digital marketing agency. In this way, the current paper adds on the current conversation on how to build better, more efficient relationships with corporate clients starting from their own perspective and what they need from their digital marketing agency.

### **3. Research**

In order to discover the corporate clients' perspective on their partnership with their digital marketing agencies, a qualitative research was conducted. Being an exploratory study, a qualitative approach was preferred as underlying patterns, beliefs and expectations might be discovered in an open conversation with companies' representative, as opposed to quantitative research.

#### **3.1. Methodology**

The scope of this research was to evaluate corporate clients' expectation on building a relationship with a digital marketing agency. For achieving this scope, the following set of objectives was defined:

- a) Evaluating by comparison the offline and online communication of the corporate clients;
- b) Discovering the stages and criteria of digital marketing agency's selection for the corporate clients;
- c) Evaluating current satisfaction with the partner digital agency.

For achieving these objectives, a qualitative research based on in-depth interviews is the most appropriate research method as this research might uncover some sensible or even private information from corporate clients. The respondents included in this research sample were 10 companies from the Romanian market. The criterion for including these companies in the present sample was related to their revenue, that should be equal or higher than 3 million euro. The 3-million-euro revenue limit was settled because this size is usually connected with a continuous promotional activity that usually implies a need for a marketing agency involvement. The industries from which these companies were coming from include: FMCG, pharma, medical services, tech, e-commerce, training and consultancy, food supplements, digital services for the automobile industry, payday loan. Data was collected between February-March 2020 (when no Covid-19 effects were visible on the Romanian market, therefore, the pandemic effects were not taken into consideration in any of the research results) and then further analyzed as can be seen in the next section.

### 3.2. Results

Since the need of corporate clients for digital marketing agencies relate to their percentage of online communication in the total communication, discovering how different industries opt rather for online communication or offline communication is essential in discovering their need for a digital communication partner. Our research showed that an offline-dominant communication is preferred in industries like: FMCG (fast-moving consumer goods), pharma and medical services (as a result for also the extensive rules they need to comply in terms of media communication), food supplements multi-level marketing companies, training and consultancy. The reason for choosing such an approach relates to restricting national laws, end-consumers preference for offline interaction, billboards' efficiency for certain industries like training and consultancy. At the other end of the spectrum, with an online-dominant approach are companies from digital services for automobile industry, payday loan and e-commerce. Their preference is motivated by their usage of online setup to deliver the product, connect with customers or do business. A balanced online-offline communication is preferred by tech industry as they rely to some extent on events as offline communication.

When it comes to social media and the used social platforms, business-to-consumer industries opt more frequently for Facebook and Instagram, while business-to-business industries mention LinkedIn more often. An interesting was discovered in the case of the tech company, as they use both Facebook and LinkedIn, arguing that *'we know that businesses are not that present on Facebook, but for us is important a brand connection, so we are willing to experiment: let's see what comes from Facebook'*.

The choice for the online communication, be it dominant or just secondary, was argued through the benefits of it, as they were defined by these corporate clients:

- *'measurability [...] and a more detailed targeting'*;
- *'for some brands we are trying consumers' rejuvenation, by attracting new customers and through the TV we cannot do this'*;
- *'traceability: the fact that I can understand what is happening and I can put the money where the results are coming for'*;
- *'customer management is way easier'*.

On the other hand, the choice for offline communication is based on the following arguments:

- ‘we aim to reach customers that are not online yet, especially from rural areas’;
- ‘the power of TV is still major’;
- ‘we still have major advantages for offline communication’.

But one disadvantage for the offline communication was also mentioned: ‘it is pretty difficult to measure ROI (return on investment)’. These beliefs of corporate clients confirm the expected conclusions that depending on industry’s and product’s unique features and also on the target customers the proportion of online or offline communication is decided upon.

When it comes to the used KPIs (key performance indicators) in their communication process, they range from no clear measurement (‘we measure empirically what is happening, as we long at sales generated in the end’) to very precise measurements based on: the number new customers, the number of returning customers, response rate, answer time, review based customer’s satisfaction, customer-panel based research, sales, open-rate and click-rate, conversion rate. One interesting answer came from the tech company that mentioned that for them the agency is in charge with tracking. These various approaches show how digital marketing agencies need to adapt to various desires, needs and measuring system of their corporate clients, proving that agencies are required, first of all, empathy to understand the specifics of various clients and, then, fast adaptation skills to address various clients’ environments.

Corporate clients’ decision process when choosing a digital marketing agency was at the core of the second research objective. When referring to the client’s decision agent from within, it differs based on company’s size and whether it is part of a bigger multinational organization. So, in small, national companies’ decision are made by associates, bigger multinational companies receive instructions on the main message from the global headquarter and they get to choose only the media mix for delivering that message. In restricted industries (like pharma or medical services), decisions are a part of a much more complex process since they need approval for everything they communicate, with a 2-6 decisions layers. And then, there are companies with a more relaxed approach where ‘communication is not limited by a top-to-bottom strategy [...] we do not have a central communication axis that we should all comply with’.

Referring to corporate clients’ choice for communication partners, after extensive debate on this topic, the most important information source when choosing an agency proved to be for everyone included in the present study: referrals and personal connections, therefore confirming what Promethean Research (2019) showed earlier. These sources are then completed through info coming from: online information on agencies, even ‘asking former clients or partners for recommendations’ or agency’s awards. All these information resources provide input on agency’s selection criteria that include:

- Agency’s personality (‘it is essential how I work with those people, never the price’, ‘the human matters the most’, ‘it is not about the budget, but about compatibility’);
- Price (‘I am interested in a local agency that can bring me a cost closer to our Romania pocket’, ‘we are not looking neither for the cheapest, nor for the most expensive’, ‘we are looking for an optimized budget’);
- Services delivered by the agency (‘we want the same agency for as many elements of a campaign as possible’, ‘we mostly need agency’s availability’);
- Agency’s employees number.

Therefore, compatibility between the corporate client and the agency of agency’s employees is essential for agency-client relationship success. Even more than that, the word ‘chemistry’ appeared frequently in our interviews with the companies from the sample: ‘we need to have chemistry’, ‘this is chemistry: I have something in my mind and I feel you see it too’, ‘whenever I had a provider with whom I had no chemistry, I couldn’t do anything’, ‘if

*there is chemistry between us and the agency, things will work much better’, ‘what matters very much is the chemistry between us and the provider, because beyond the rationale, emotions matter’.*

Some corporate clients tend to prefer Romanian agencies, even though it is not a general preference. As opposed to this, regarding the digital marketing agency size, multiple corporate clients mentioned they preferred smaller agencies because *‘we feel more important to this small agencies’* or medium agencies because *‘if the agency is too big, then I am too small for them, and I might not get noticed’*. All in all, clients search for agencies that are *‘big enough to have the expertise, but small enough so that my volume to mean something for them’*.

Based on previous agencies’ experience on the corporate clients side, there is a predisposition for keeping marketing and digital marketing inhouse: *‘I did my own marketing’*, *‘we do almost everything in-house’*, *‘we do almost 90% of everything in-house’*. The choice for this strategy is motivated by the fact that *‘an agency will not constantly keep track as an in-house resource, as well as it will review traffic and costs elements’* or by the fact that *‘the money you pay to an agency will contain a fee of 30-40%’*, or as a participant shared *‘our previous experience when we worked with an agency proved that a 50.000 €/ month marketing budget used to vanish with roughly any results’*. And the negative previous experiences with agencies does not stop here, unfortunately:

- *‘agencies do not come with the applicable elements clearly defined’;*
- *‘the creative agencies get, the more they lose sight of applicable things’;*
- *‘they (agencies) make very interesting proposals, but the moment some math, discipline, project management are involved, they choke’;*
- *‘I have never met an agency to meet 100% of the deadlines’;*
- *‘the gap between promise and reality is pretty big sometimes’;*
- *‘what I didn’t like? Their level of involvement – they are not active enough’;*
- *‘I had experiences in which after a provider won my account, assigned it to an entry level employee and there was no proactive approach, just a few e-mails from time to time’.*

Related to corporate clients’ relationship to their agency, some prefer a long-term collaboration with the same agency while others prefer a number of collaborations with multiple agencies, sometimes simultaneously as a way to keep them all engaged and eager to make things happen.

While evaluating corporate clients’ satisfaction with their digital marketing agency relationship, the third objective of the current research, the general opinion on it was around 7 to 8+ on a scale from 1 to 10. The evaluation criteria for this self-evaluated satisfaction included: service quality, openness, their initiative, communication. Additionally, corporate clients’ expectations from their agency relates to: deadline compliance, brand-book and brief compliance, initiative, delivering according to their promise, assigning one dedicated employee, all media channel integration (without getting third parties involved), qualitative information and attitude (*‘chemistry’*), teaching (*‘I expect an agency to teach me, to tell what is new, even though afterwards I choose to do nothing’*), performance, adaptation and flexibility, power to implement, innovation (*‘I expect an agency to challenge us with breakthrough ideas, not to expect only from us innovative ideas’*), *‘direct, simple relationship, without too many politically correct limitations’*.

While some corporate clients aim to maintain the same approach (in-house or external agency), others are exploring the choice of bringing in-house talent for marketing activities that are currently performed by agencies. This choice is determined by corporate clients’ dissatisfaction in working with digital marketing agencies.

### 3.3. Discussion

The research results point towards the things that a marketing agency, be it a digital marketing agency, a traditional marketing agency or an all-in-one marketing agency, needs to consider when establishing their positioning on the marketing services market. The major elements that count for corporate clients are initiative, professionalism, a dynamic approach and chemistry between agency and corporate client. While some elements are things that can be improved as part of a learning process, elements like chemistry are difficult to measure and improve. Most probably, ensuring a certain level of empathy among agency's employees might create the premise of chemistry prevalence, but it cannot guarantee it. All in all, a strategic approach is needed for an improved initiative (materialized through suggestions, new ideas and continuous communication) and extra professionalism (through meeting deadlines and delivering according to the initial promises). As an agency makes sure that their services comply with these expectations, they become more and more likely to develop successful relationships with their corporate clients.

### 4. Conclusions

The current paper adds to the conversation on what are the success factors of digital marketing agency – client relationship. Without having the arrogance of pretending to be the most comprehensive research, the results here shed a new deeper light on where are hidden the relevant things for corporate clients. Limitations of the current research relate to its focus on the Romanian market, as well as the lack of a quantitative study aimed at verifying the qualitative research with a representative sample. Further researches should solve these issues by testing these results with a representative sample and expanding the target population to cover a wider diversity of markets, other than Romanian. Still, this project's results are an excellent starting point for any agency aiming to define their differentiation on the market with the elements that actually matter for their corporate clients.

### Acknowledgments

This work was partially supported by a grant of the Romanian Ministry of European Funds, POC program, project number P\_40\_382/119598– ASECOMP, based on subsequent contract no. 5647/19.06.2019.

The article is one of the results of the project "Institutional development of ASEs in the field of research excellence by supporting advanced research, innovation and visibility to increase competitiveness in the European research area" (ECON\_X), CNFIS-FDI-2020-0217.

### References

- ADEBIYI, R. A. & BELLO, S. 2018. Perception and practice of Integrated Marketing Communication (IMC) among selected marketing communication agencies in Nigeria. *Acta Universitatis Danubius Communicatio*, 12(1), 86-112.
- AXELSSON, B. & WYNSTRA, F. 2002. *Buying business services*. Wiley.
- DAY, G. S. 2011. Closing the marketing capabilities gap. *Journal of Marketing*, 74(5), 183-195.
- GULSOY, T. 2012. Managing a strategic business relationship in an emerging market: advertising agency-client relationships in Turkey. *Procedia – Social and Behavioral sciences*, 58, 1386-1394.
- HUGHES, T., VAFEAS, M. & HILTON, T. 2018. Resource integration for co-creation between marketing agencies and clients. *European Journal of Marketing*, 52(5/6), 1329-1354.
- KEEGAN, B. J., ROWLEY, J. & TONGE, J. 2017. Marketing agency – client relationships:

- towards a research agenda. *European Journal of Marketing*, 51(7/8), 1197-1223.
- KOSLOW, S., SASSER, S. L. & RIORDAN, E. A. 2003. What is creative to whom and why? Perceptions in advertising agencies. *Journal of Advertising Research*, 43(1), 96-110.
- LACE, J. M. 1998. Evaluating advertising agency performance: actions to enhance the client/agency relationship. *Management Research News*, 21(7/8), 47-59.
- PAYNE, A., STORBACKA, K., FROW, P. & KNOX, S. 2009. Co-creating brands: diagnosing and designing the relationship experience. *Journal of Business Research*, 62, 379-389.
- PROMETHEAN RESEARCH. 2019. Digital marketing agency industry report. Available online at: <https://prometheanresearch.com/digital-marketing-agency-industry-report/> (Accessed 15<sup>th</sup> of June 2020).
- QUINN, L., DIBB, S., SIMKIN, L., CANHOTO, A. & ANALOGBEI, M. 2016. Troubled waters: the transformation of marketing in a digital world. *European Journal of Marketing*, 50(12), 2103-2133.
- SUH, T., JUNG, J. C. & SMITH, B. L. 2012. Learning creativity in the client-agency relationship. *The Learning Organization*, 19(5), 428-439.
- TATE, W. L., ELLRAM, L. M., BALS, L., HARTMANN, E. & VAN DER VALK, W. 2010. An agency theory perspective on the purchase of marketing services. *Industrial Marketing Management*, 39, 806-819.
- TRIKI, A., REDJEB, N. & KAMOUN I. 2007. Exploring the determinants of success/failure of the advertising agency-firm relationship. *Qualitative Market Research: An International Journal*, 10(1), 10-27.
- WALLER, D. S., CUSICK, D. J., MATHESON, H. D. & MILLER, M. K. 2001. Advertising agency activities used to attract new clients in Australia. *The Journal of Business & Industrial Marketing*, 16(2), 129-140.

## **Transformation in consumers' behaviours and attitudes toward services in Romania**

**Laura Daniela Roșca (Tănase)**

The Bucharest University of Economic Studies

[laura.rosca@mk.ase.ro](mailto:laura.rosca@mk.ase.ro)

### **Abstract**

Since 1989, the fall of the communist era in Romania and until now, the services economy has known a gradual transformation towards a fully functional market economy. Even if the start was a slow and painful one, things have quickly accelerated when Romania entered the EU. The research purpose is to understand the consumers' attitude and perception towards the quality growth and diversity of services as enhancers for the quality of life. The data were obtained from the SNA Focus national study, one of the most well-known studies used in the Romanian marketing industry. The study accounts more than 10,000 respondents, aged between 14 and 74 years and data from the last 11 years 2007 to 2018, focusing the analysis on the purchasing behaviour and consumption of services collected in the study. The years of major turning points for the Romanian economy are taken into consideration, namely, 2007, the entry into the EU, 2008 the last year of growth before the economic crisis, 2012 the achievement of the minimum point in the crisis, 2015 the official exit from the crisis and 2018 the year of the maximum economic development of Romania. With the economic growth and the development of the Romanian service sector, the level of education of the consumers increased and also their level of exigency. Thus, the present paper shows the type of connection between increasing service levels and satisfaction. This analysis is useful in terms of correlating the level of investment growth and, implicitly, the level of service development with the exigencies of consumers in order to determine a sustainable growth of the services sector.

**Keywords:** Consumer behaviour, Services evolution, Marketing research, Consumer Typology.

**JEL classification:** M31.

### **1. Introduction**

Since 1989, the fall of the communist era in Romania and until now, the services economy has known a gradual transformation towards a fully functional market economy. Even if the start was a slow and painful one, things have quickly accelerated when Romania entered the EU.

The research purpose is to understand the consumers' attitude and perception towards the quality growth and diversity of services as enhancers for the quality of life.

According to some authors, emerging markets have the characteristics of adolescents (Edwards S. and Garcia M, 2008, p.1), they are in transition from independence to interdependence with the rest of the international markets. The transition can be done either when the entire market has reached its development from adolescence to adult, and being totally integrated in all its components in the international markets, or one sector at a time. The first is involving higher risks but with higher growth rates (London and Hart, 2004), the second is taking the safe path. The need to model the purchasing behavior based on demographic and psychographic criteria such as gender, age, financial situation, social situation, adaptability, risk, etc. is of highly importance for both the academic (Tang et al., 2007) and the business field., (Dijmarescu E., 2009; Daedalus, 2011).

Starting from the fact that in Romania the service sector has different stages of development, some sectors are developing quicker the others, we chose to focus mainly on two sectors namely financial and telecommunication sector without leaving aside relevant information from other services sectors.

Giving the fact that for foreign companies is in high interest (Bijmolt et al., 2004) to see how different types of consumer segments are behaving in specific markets, we chose to analyse the consumers starting from the Kotler's generation segmentation (Kotler and Armstrong, 2018, pp. 97-98) grouping the respondents according to the age they had when the Romanian revolution took place.

The research database on which the article is constructed on is a commercial research developed and used by the business sector in accordance to their needs, and used by the authors based on an institutional learning and academic research agreement.

The research purpose is to see how the Romanian services market has evolved between entering in the European Union and the present time, making a trend analyses starting from 2007 and until 2018 to better understand the development of services and the evolution of consumers, and in the end to be able to make some recommendations with managerial implications for further services market development.

## 2. Literature Review

The countries from eastern Europe are seen as a heterogeneous in terms of main characteristics, but having different degrees of industrial development (Manrai et al., 2001) due to the degree of communism influence. Romania is characterised by a strong value on traditionalism, but also focusing on adopting processes that align its economy to the western ones (Fein et al., 2010). And yet Romania is one of the EU countries with high rate of monetary poverty, material deprivation and low work intensity (Lafuente-Lechuga et al., 2018) which may affect the consumption of services. Romania and other Eastern European countries has based its development on foreign investment, but the companies need to tailor their service offering to match the local demands and requirements (Filippov and Duysters, 2014).

In order to achieve products that benefit both customers and financial entities more than a knowledge and understanding of the categories of consumers, their needs and purchasing behaviour must be anticipated. There is also a need to model the acquisition behaviour according to certain demographic and psychographic criteria (sex, age group, material situation, social situation, risk adaptability, etc.) (Tang et al., 2007) as a prerequisite for knowledge the actual market structure of a particular type of offer. Thus, on the international financial markets there are buying decision-making models, which are extremely complex due to the intangibility of the financial products, on the one hand, the uncertainty of profit generation, on the other, as well as the insignificant financial risk, which may precede a wrong decision. Marketing literature presents a model complex in five steps of decision-making (Assael, 1995; Kotler, 2008) purchase and post-acquisition evaluation.

Understanding consumers is the central element of marketing efficiency, and yet this understanding in the financial products sector is quite limited. For many potential consumers, financial services are not a particularly interesting acquisition, but they are perceived as extremely complicated. Often, potential consumers hardly identify the differences between a financial product or another. At the same time, it is difficult for consumers to carry out product valuation before buying and consequently to get very high-risk levels at the time of purchase. Because financial products do not generate consumer enjoyment, sometimes perceived as diminishing consumer enjoyment, they are seen as "tiring shopping" (Ennew and White, 2007).

Consumer behavior should be seen as a complex, multidimensional process (Catoi and Teodorescu, 2004; Hawkins and Mothersbaugh, 2010), influencing it is almost

impossible, but good knowledge based on thorough and rigorous research can increase the chances of success of products services offered.

As a result of the search process, the consumer, in possession of the information properly organized, takes into account all the possibilities that may lead to a decision. This is the evaluation phase of the alternatives resulting in product selection and decision making (Davis and Cline, 2005).

At this stage the evaluation process involves several variables (Ennew and White, 2007) including:

- the evaluation criteria, respectively the attributes of the product / service;
- the importance of the product or service being analysed (Catoiu and Teodorescu, 2004);
- the concept of self and lifestyle (Hawkins and Mothersbaugh, 2010);

Marketing Strategies (Anghel and Petrescu, 2001) represent a structured set of marketing activities developed by the enterprise in order to achieve its proposed marketing objectives. In our particular case we cannot speak of an enterprise but of a set of cumulative financial entities that form the financial market. What we want to achieve is not a strategic direction to follow a certain type of financial entity but rather to lay the foundations that if a financial market participant would like to define a portfolio strategy to go in its development from the results that we will outline below.

The financial market is a sensitive market not only to the influences of the economic sector but also to consumer perceptions of its characteristics (Stolper, 2018). Thus, the consumer has to be approached differently from the way it is practiced in other consumer markets, and its financial education is essential (Hsiao and Tsai, 2018). By analysis we come to the conclusion that three other types of strategic abstractions remain: the differential approach of future investors, the characteristic approach and the individual approach. The last of the strategies is the one that can fully satisfy the relationship between the financial entity (pension funds, investment funds, insurance companies, banks, SSIF, etc.) and the potential consumer of financial products. Unfortunately, at present, this approach is hampered by the lack of information, the databases on individuals' investors, a general feature of emerging capital markets, and especially of those formed by mass privatization programs, as exemplified by the Market Capital of Romania (Zoicas-Ienciu, A., 2006).

One other problem on the ex-communist economies has been identified as being the lack of demand for some services, including leisure time spending opportunities (Johnson and Vanetti, 2004).

A problem solving of the above, and also other services sector is being identified by Asongu S., Asongu N., (2018) as the appearance of mobile phones and the services that they provide.

### **3. Design methodology/approach**

The data were obtained from the SNA Focus national study, one of the most well-known studies used in the Romanian marketing industry conducted by BRAT (Romanian Joint Industry Committee for Print and Internet) which is a non for profit, independent, tripartite organization for the media and advertising industry, whose members are publishers (media owners), media agencies and advertisers. (BRAT, 2018)

Consumption - Target Group Survey (SNA FOCUS) - is the survey that measures a comprehensive range of consumer characteristics, behaviour and attitudes, like demographics, product, services and brand usage, media usage and lifestyle. The data is collected continuously and covers the entire urban population of Romania, with the exception of 2010 when, due to the economic crisis, the decision was made to reduce collection costs. Only data from cities

with over 50.00 inhabitants were collected. The study accounts for more than 10,000 respondents each year, aged between 14 and 64 from 2007 to 2010 and 14 to 74 from 2011 to 2018 due to population aging and increased life expectancy.

It collects single source information, so any question can be referred to any other question on the survey, whether applicable to media, demographics, the use of product/services categories or brands, or lifestyles. It allows targeting and various complex market analysis. (BRAT, 2018)

The years of major turning points for the Romanian economy are taken into consideration, namely, 2007, the entry into the EU, 2008 the last year of growth before the economic crisis, 2010 the achievement of the minimum point in the crisis, 2012 the technical crisis exit (two consecutive trimesters with economic growth), 2015 the official exit from the crisis (all the macro-economic indicators are reporting positive values) and last available data (July 2017- July 2018) and also the year of the maximum economic development of Romania.

*Table 1: Database details*

| Data Base Name           | Sna Focus       | Sna Focus       | Sna Focus       | Focus Capi      | Focus Capi      | Focus Capi      |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Collected period of time | Jan07-<br>Jan08 | Jan08-<br>Jan09 | Jan10-<br>Jan11 | Jan12-<br>Feb13 | Feb15-<br>Feb16 | Jul17-<br>Jul18 |
| Reference year           | 2007            | 2008            | 2010            | 2012            | 2015            | 2018            |
| Age                      | 14-64 y.o.      | 14-64 y.o.      | 14-64 y.o.      | 14-74 y.o.      | 14-74 y.o.      | 14-74 y.o.      |
| Collection place         | All Urban       | All Urban       | Urban<br>50k+   | All Urban       | All Urban       | All Urban       |
| Sample                   | 22.337          | 16.634          | 13.854          | 10.284          | 11.881          | 10.799          |
| Researched Universe      | 8.996.000       | 8.951.000       | 5.973.000       | 9.704.000       | 8.658.000       | 8.658.000       |

Source: (BRAT, 2018)

First of all, some general trends in the services sector are to be observed, except that three age categories and their consumption conduct on the services market are to be observed, and in the end the goal is to determine the main characteristics of the services core target consumer.

In analysing age categories, three age segments are taken into account. The first segment is composed of those respondents who were over 20 years old at the time of the 1989 Romanian revolution, born between 1943 and 1969, non-digitally (Kotler and Armstrong, 2018, pp. 97-98). The second segment is formed by those who were under 20 years of age, at the revolution time, which was born between 1970 and 1989, digitally migrants (Kotler and Armstrong, 2018, pp. 97-98). And the last segment is represented by those born after 1990, digitally natives (Kotler and Armstrong, 2018, pp. 97-98, and Çelikdemir and Tukul, 2015). Due to the establishment of the communist regime in Romania after the Second World War and the fall of the Communist regime in December 1989, the three above-mentioned Western generations overlap naturally over the generations who experienced different degrees of influence in the communist era.

In this study, we consider the non-digital generation to be the same as the generation that was born, educated and worked in communism, the generation of digital immigrants is the same as the generation of those born and educated in communism, who at the time of the revolution had a maximum of 20 years and who entered the workplace and affirmed themselves during the transition to capitalism. The latest generation, the digital generation, overlaps with those born after the revolution, which had from childhood both, digital access and access to a free press, becoming major in the moment of Romania's entry into the European Union.

We have chosen these three segments to be able to see if there are any differences between those that grow up and were adults in the communist period of time, those that were

educated in the communist period and became adults after the revolution and the ones that were born after 1989 and were not affected by the communist era. For the research a specialized software SESAME is used for descriptive statistical analyses and more complex ones, cross comparing and trend analyses for any variable in the data base.

#### 4. Findings

With the economic growth and the development of the Romanian service sector, the level of education of the consumers increased and also their level of exigency.

The hypotheses on which the article started are that the three researched generations have different buying behaviour, and that the trends in the analysed years will have different developments between the three segments. And yet some cautiousness is in order, due to the fact that Romanians are a conservative nation and there is the possibility that the differences between the three segments not to be very significant.

In the researched period the services sector suffered complex transformations, on one side there are changes due to the financial crises and others because of the industry maturity.

First of all, these changes are at the level of respondents' perception of the banking sector, for example:

In the banking sector the consumer attitudes have registered some interesting changes. The level of trust in the banking institutions has shifted from the large banks toward the entire sector. For example, if in 2007 more than two thirds of the populations had their trust put just into the large banks, in 2018 the percentage has diminished to less than half of the population, meaning that the trust is now divided between all the participations. The trend is a declining one in all ten years despite the crises. On the other hand, Romanians have a growing preference for keeping their money in cash, which can be explained, on the one hand, by the monetary stability of this period, coming after several decades of devaluation of the national currency. In 2007, Romania knew the beginnings of a new inflationary period with only one figure after a decade of declining inflation from three figures, 155% in 1997, 46% in 1999, 35% in 2001, 15% in 2003, 9% 2005 and 4.8% in 2007.(NIS, 2018) On the other hand, with the fall in inflation, interest rates also declined, and in a certain period, the cost of keeping money in banks was higher than the yields on actual interest rates, making bank deposits no longer a way to increase the value of economies as the public was taught.

Because of the fact that bank deposits do not have attractive interests, and also, the respondents have a preference for paying cash their purchases, but the trend is decreasing from 67% in 2012 to 61% in 2018.

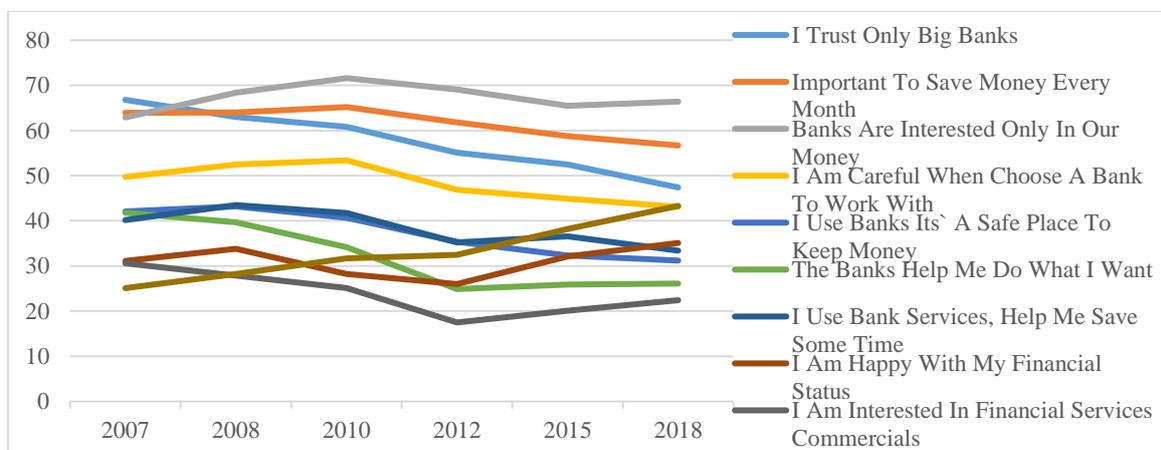


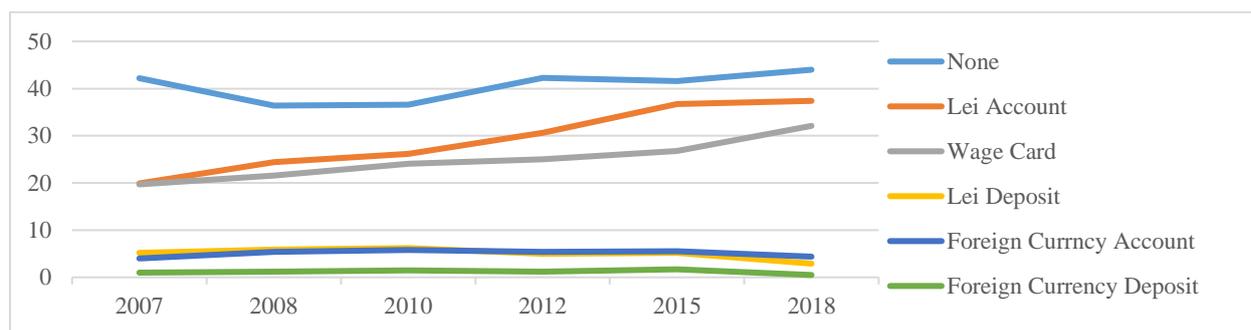
Fig. 1: Perception evolution over the financial services

Source: Authors

2012 was the turning point year, when the crisis broke down and the indicators started to grow again. This has also been seen among the Romanian public whose appetite for financial services has begun to grow again. However, the traces of the crisis make its presence felt, and now only 22% of respondents say they are interested in financial services compared to 30% when Romania joins the EU. Or, banks are seen as “helping them do what they are proposing”, the indicator has fallen from more than 40% in 2007 to less than 25%, in 2012, following a very slight increase since then. In the wake of the crisis, the overall picture of the financial industry has suffered. The statement “Banks are only interested in our money” has reached a record high of over 70% in 2010 and has since kept at more than 65%. “Banks as a safe place to keep money” have lost over 10% since 2007. An interesting trend is the continued decline in the importance of saving money monthly.

The banking sector has known a steady development despite the crisis, having a current account in lei (the national currency), increased from almost 20% in 2007 to over 37% in 2017. But the percentage of people having bank accounts is steel low so the sector is steel in development. The conclusion is sustained by the fact that in 2018 only 9% of the population has credit cards, only 3% have home loans and less than 1% have car loans and only less than 3% are using online-banking.

What is worrying is that 40% of the urban population in Romania does not use financial services, meaning, they do not have a current account, a credit card or a wage card, much less do not buy financial derivatives. Taking into account that Romania has one of the largest rural populations in Europe (over 45%), it means that the percentage is even higher at the national level. The trend is worrying because there is no sign of lowering this indicator. Among the most used financial instruments are the current account in the national currency, which has increased from 20% to over 35% in these 10 years and the salary card rises from 20 to over 25. In exchange, the deposits in lei, in foreign currency current foreign currency accounts remained stable at this time to a relatively low level, below 5% of the urban population. What is noteworthy is that the crisis did not have any visible effect on these issues, the increase in the number of people holding national currency accounts and salary cards is translated into bringing the economy to white and implying a fiscal requirement of the economy with the entry of the country in the EU.

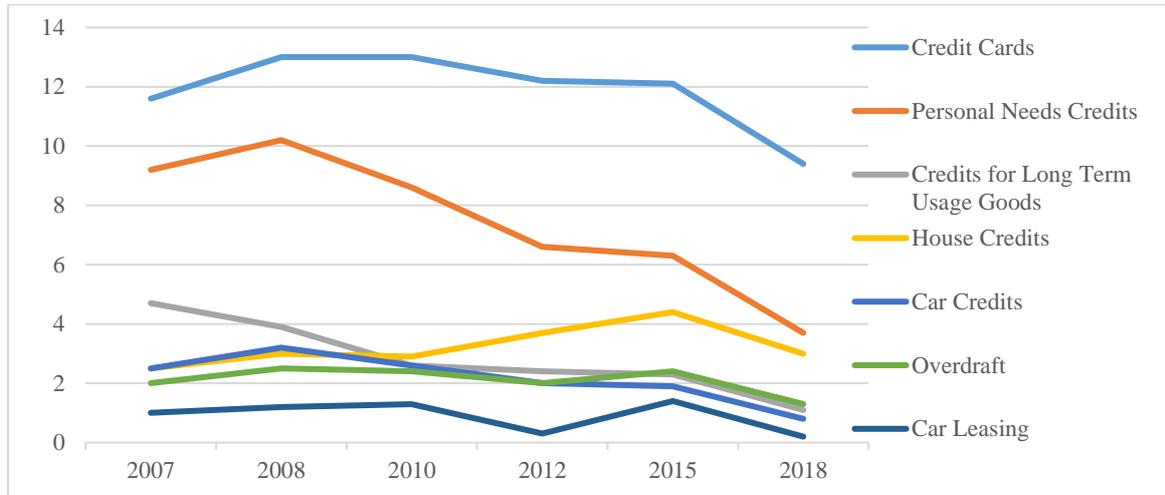


**Fig. 2: Consumption evolution of the main saving instruments**

Source: Authors

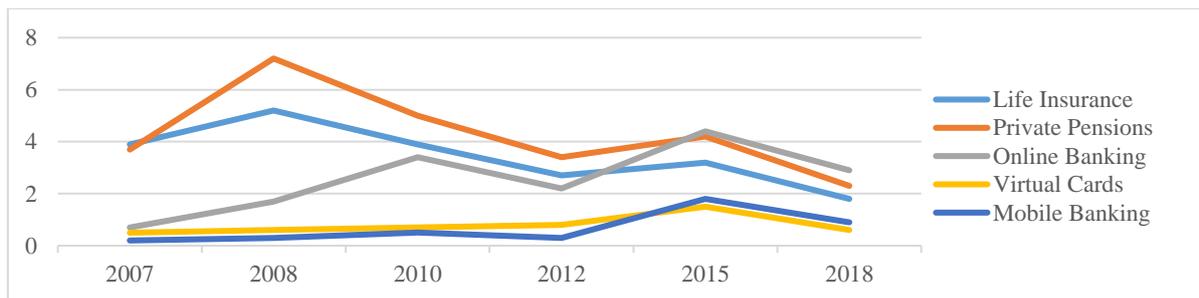
In terms of credits, credit card is the most important instrument, their growth stagnating during the crisis, but also a slight decline even after the crisis. Credits for personal needs have fallen vertically from 10% in 2008, before the crisis, to close to 4%. A similar trajectory also had long-term consumer loans. Here is a combination of the economic crisis and the credit restrictions imposed by the National Bank of Romania to limit the effects of bad credit in the economy. Noteworthy is the increase in house loans, especially due to government support coming through the “First Home” program with very low interest rates for people who wanted to buy a home in the conditions they did not own a property and the desired home is in a certain

price limit. This program helped restart the housing construction industry by restarting the purchase of homes.



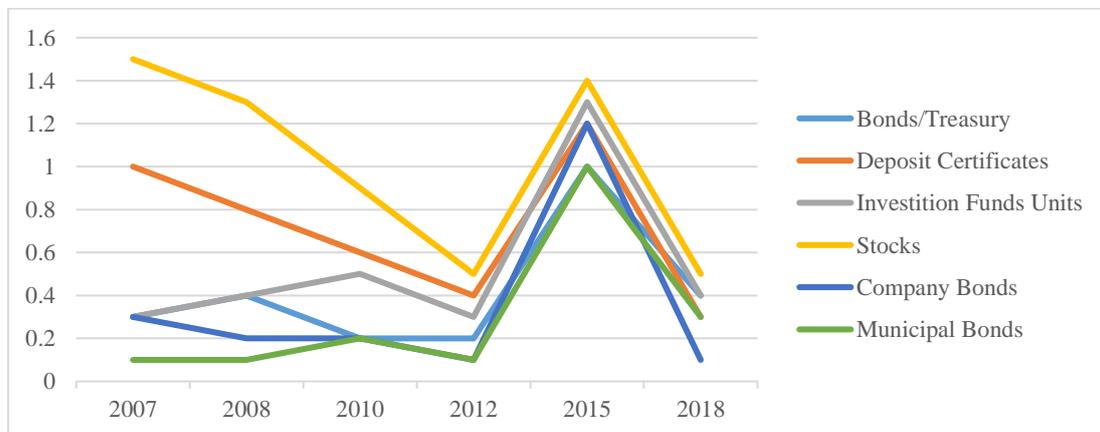
**Fig. 3: Consumption evolution of the main investing financial instruments**  
Source: Authors

Modern financial instruments have also experienced an up and down evolution, but overall, they tend to grow, with the crisis not having a clear effect on them. Online banking has reached a usage rate of 4% while mobile banking is at just 2%, but over the use of virtual cards.



**Fig. 4: Consumption evolution of the main services provided by financial entities**  
Source: Authors

Private pension and life insurance products suffered the most during the crisis, as compared to 2008 when they saw both growth peaks, these two products collapsed until the end of the 2012 crisis, following a slight recovery at the end of the crisis, followed by a further drop.



**Fig. 5: Consumption evolution of the main derivate financial instruments**  
Source: Authors

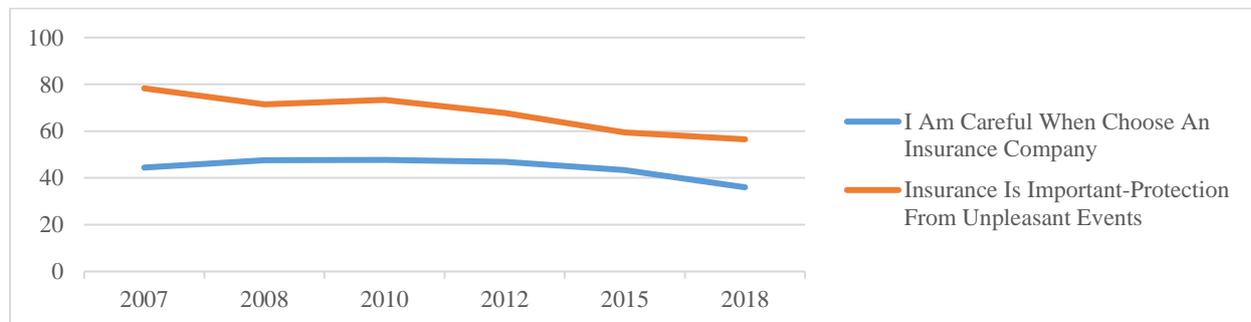
With regard to derivative investment instruments, the crisis has had a major effect on them. Treasury/Bonds, investment fund units, shares fell sharply during the crisis followed by a strong recovery immediately after the end of the crisis. In 2017, on the basis of the political instability in Romania, these instruments known to be the most sensitive had a worrying decline, announcing a probable new financial crisis. Taking into account other economic indicators registered at the end of 2018 and the beginning of 2019, this perspective seems more and more probable.

From the point of view of the three analysed generations there are no significant attitudes differences toward the banking sector but there are significant differences when it comes to using financial instruments. In 2017 only 32% of the people born between `43 and `69 have a current account in lei, and more than 42% of the other two groups own a current account in lei.

The important criteria in choosing a banking card in 2017 are interests 43%, commissions 40% and banks` reputation, all of them suffering a constant diminish between 2007 and 2017. An interesting fact is that banks` unit network, the personal experience and friends` recommendations as choosing factors are increasing in the same period of time.

In 2017 there are some differences in the attitudes of the researched generations in regard with the criteria involving choosing a credit card, even if the main criteria are the same, the younger ones tend to put more importance in friends` recommendations 18,4%, in the employees conduct 33.2% and in the range of services provided by the bank 35.7%, then the oldest with 12.9%, 25.2% and 26.9%. The middle segment is more focused on the banks` reputation 37.7% then the other two. There aren`t some significant differences between the young and the adults in the choosing criteria.

In Romania, the insurance sector is not so well developed. More than 53% of the population declaring that they only sign out compulsory insurance. Although the believes that an insurance is very important in the occurrence of an unpleasant events. However, the agreement on this statement has fallen from 78% in 2007 to 56% in 2018.



**Fig. 6: Perception evolution over the insurance services**

Source: Authors

A drop in insurance interest also stems from the statement that "paying attention when choosing an insurance companies" where the percentages are constantly falling from 47% in 2008 to 36% in 2017. The interest in closing different kind of insurance policies is also diminishing in the researched period of time for example for the life/health insurance from 16 % having an insurance policy in 2007 to 7% in 2018 or for accident and invalidity insurance from 3,7% having one in 2008 to 1.3% in 2018. The only insurance sector that tends to be more develop is the one insuring house and other good but not because of the consumers` personal interest but because of the mandatory regulations from 2008, but the trend is still a decreasing one manning from a total of 28% of Romanians having one in 2012 to 14% in 2018.

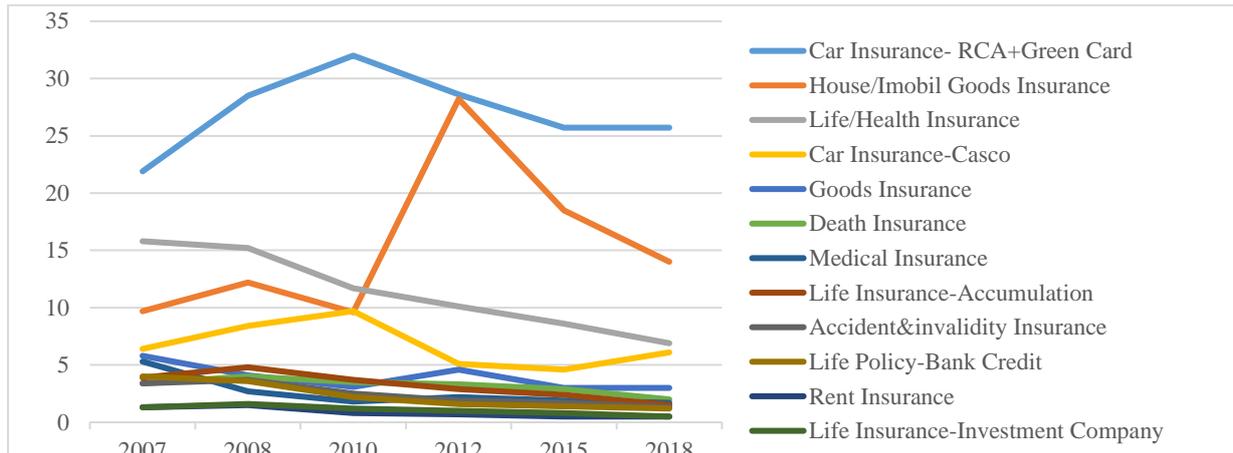


Fig. 7: Consumption evolution of the main insurance instruments

Source: Authors

The younger generation is the one being more interested in closing an insurance policy with a total of 8.1% having a life insurance comparing with 7.9% of the adults and 5.6% of the oldest generation.

In comparison with the financial sector the telecommunication sector is a highly developed one with a total of over 95% of the Romanians having at least one personal service (excepting the telephone services bought by companies which are researched separately) in 2017 increasing from a total of 78% in 2007. The attitudes towards the usage of the mobile phone services shoes a clear differentiation between the youngest analysed category and the oldest one. If more than 55% of the young generation cannot live without internet on their phones, only almost 22% of the oldest generation are saying the same thing. The degree of dependence of mobile phone addiction of the younger generation is significantly higher over 63% of them are declaring that immediately after they wake up they are verifying their phones, in comparison with only 31% of the older generation.

Just in terms of attitude, they like to have the latest model of mobile, we can say that the economic crisis had an effect. Since the beginning of the crisis until the end of her dropping from 32% to 22%, following a rebound with improving economic situation.

In terms of mobile phone services, they have developed vertiginously, showing the integration of the phone in all aspects of life from camera replacement to even the replacement of classic telephony services with Voice Over IP services.

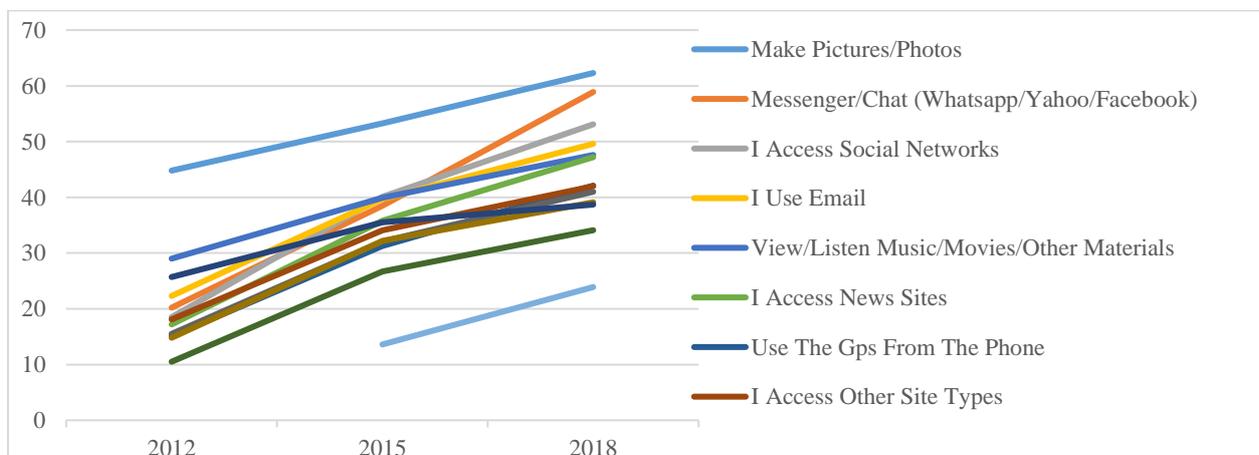
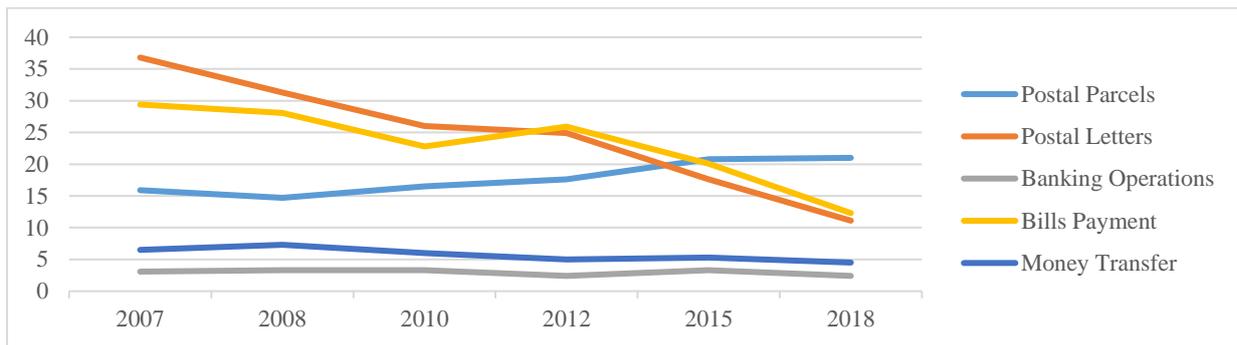


Fig. 8: Usage of mobile applications

Source: Authors

As for the postal services, they experienced a seemingly uninfluenced evolution from the crisis. Sending letters and paying bills at the counter have seen a steady decline, being likely services that are declining in terms of lifecycle due to changing social paradigm, being replaced by online communication and the emergence of new ways of online banking, automatic kiosks, etc.

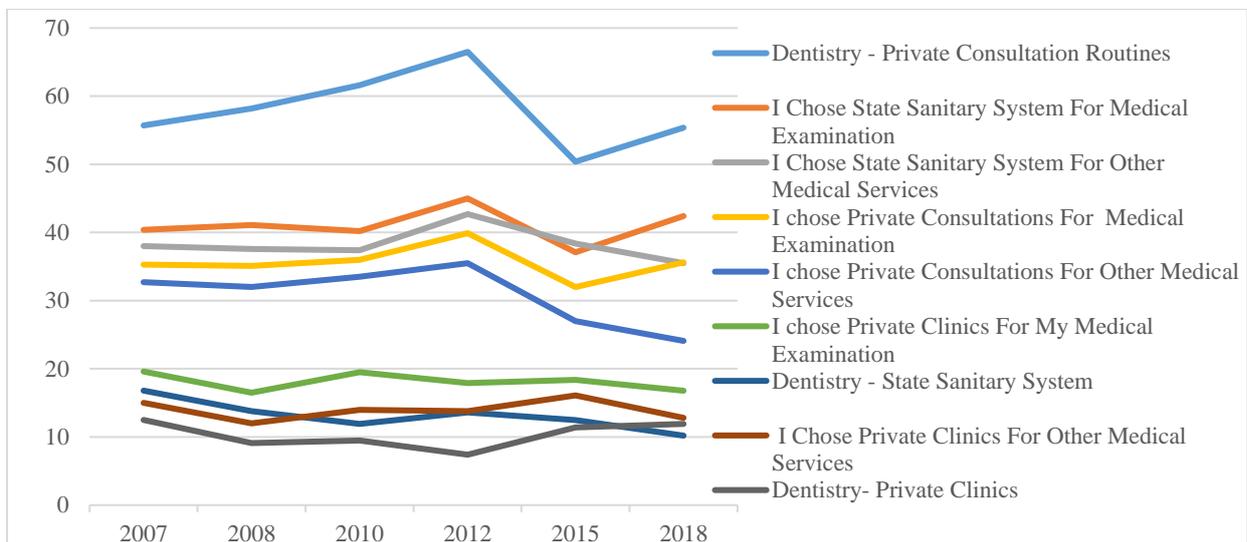
There is an increasing use of parcel services, probably influenced by online commerce but also a slight decrease in money transfers, this service is highly used by those working abroad and sending home money. In 2008, more than 6 billion euros were sent to the country, the amount dropping to almost 4 billion in 2018 (Moraru, 2018), from the nearly 5 million Romanians left to work across borders.



**Fig. 9: Usage of main postal services**

Source: Authors

Neither in medical services can be said to see the traces of the economic crisis. It is worth noting that Romanians resort to private dentistry at the expense of those in the public or pirated clinics, while medical examinations and other medical services make them in the public system closely followed by private offices and private clinics.



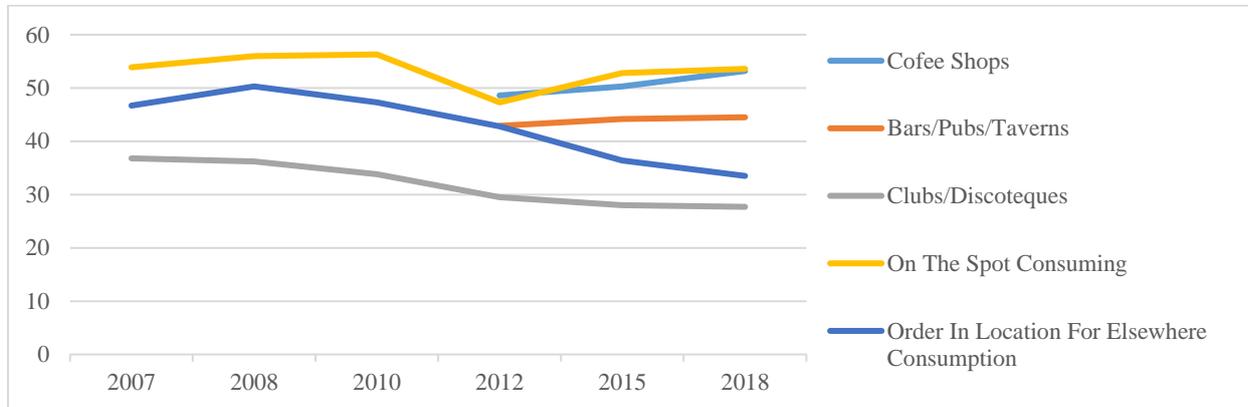
**Fig. 10: Perception evolution over the main medical services**

Source: Authors

And in terms of leisure and outing to cafes, barges, discos, there is an evolution in these 10 years in the service industry.

If going out for a pizza, towards the end of the crises, has fallen, reaching a bottom in 2012, it has risen up back in the next few years. All clubs and discotheques have seen a serious decline from more than 50% in 2008 to below 35% in 2018. Otherwise, spending free time in the city, cafes, bars, pubs and taverns has seen a slight increase starting with 2012, the first year

in which such data were collected. Moreover, we can see a decrease in the frequency among those who frequent these places, especially because of the crises. For example, going out for a pizza in the city has fallen from more than 3.2% to 1.2% among those who go out more than 3 times a week, from 7.4% to 4.7% among those who go out for 1-2 weeks, from 12.3% to 11.3% 1-3 times per month, and from 14.3% to 13.2% of those who go out 1-2 times every 3 months.



**Fig. 11: Consumption evolution of the leisure time services (Source: Authors)**

Source: Authors

In conclusion, it can be said that the crisis influenced the service industry, but not to the same extent. If health services were less influenced, in case of symptoms, even with diminished incomes, the world went to the doctor instead of the leisure services. It can be said the more they went worse, they started to go out in the city more rarely, or even call it quit, they have given up investing in derivatives, probably because of their earnings crash at the beginning of the crisis. They bought fewer and fewer services and changed their mobile phones more rarely but did not give up on telecommunication services, may have changed operators but only to improve the quality of service and in search of cheaper subscriptions.

Furthermore, in our research have posed the question whether in the past years since joining the European Union the hard core of service consumers has changed in some way.

That is why we have defined that as part of the hard core of financial products consumers, who own / use at least three financial instruments as follows: if they own a debit or credit card and have a bank account (in lei or foreign currency) and if they use at least one of the following financial instruments (stocks, treasury bills, insurance, bank accounts for business, overdraft, home loans, car, personal needs, long-term use, vacation, bonds, private pensions, banking). The hypothesis taken into consideration is that having a bank account, a card, and the use of any other banking financial service are self-evident for a large majority of the urban population in the European Union. The results for Romania are slightly surprising, indeed in the 10 years analysed, this tough nucleus grew by about 15% but rose from only 6.8% to 7.9%. This shows us the degree of development of the financial services market.

If were to demographically analyse this nucleus and here we had some interesting results, although we expect that as time passes, the difference between the two sexes will diminish, was notice an increase in this difference in the sense that men have a higher incidence of this group increased from 50.2% in 2007 to 51.2% in the conditions in which they represent 48.2% in Romania. of the total population.

In terms of age, the 25-54 age group has an affinity index of more than 100 (the share of the 25-54 yo population in the target group over the 25-54 yo population of the total population), indicating that there is a higher incidence of this age groups to use financial services. Interestingly, however, this affinity index falls within the age of 25-54 yo from 124 to 116, the number of people aged up to 24 years increases from 49 to 70 and that of 55-64

people increases from 71 to 89. This shows that although the two segments presented are not part of the hard core, the use of financial services equals to age groups. With regard to the last graduate school, only those with college or higher education graduates remain in the hard core, but there is also a decline in affinity for those with higher education for the financial field from 225 in 2007. This is happening on the one hand due to the increase in the incidence of those with maximum 8 or 10 classes from 28, respectively 31 in 2007 to 46 respectively 50 in 2018 and on the other hand because of the increase of the share of the population with higher education in Romania in the last 10 years, a sustained pace from 16.7% in 2007 to 22% in 2018.

High Level Employees have the highest incidence of 239 in 2007 and 185 in 2018 and Low-Level Employees are the largest group of 45% of 2007 and 39% of 2018.

Both in terms of income and the social category of Esomar, the higher categories, high incomes and AB Esomar categories have both the highest and the highest groups but the same decrease is observed here incidence that shows a democratization (the transition to all categories of population).

Regarding the views of this group, we can say that they are happy with their financial situation, they use banking services to save time, think banks are safe and help them in what they do, so pay special attention to the choice of bank. Interestingly, over the past 10 years, this affinity has grown, which means that these characteristics better define the group. From another point of view, I'm the kind of guy that keeps you up to date, they are informed people, they are reading all the time to know about what's going on, the internet is considered as essential in their work, they're careful about what products and which brands compare and are willing to pay extra to make their lives easier.

## 5. Conclusions and Implications

This analysis is useful in terms of correlating the level of investment growth and, implicitly, the level of service development with the exigencies of consumers in order to determine a sustainable growth of the services sector.

Even if the research is based on a commercial research, highly used by managerial teams to base their strategical and tactical decisions on, we analysed the data from a different perspective. So, the data were consolidated to better see the evolution of different services sectors, on a 10 years' period of time, from the Romania's accession to the EU until now, with a focus on the 2008 economic crises, and also a comparison between the chosen services sectors and between the selected generation segments.

We focus on two service sectors (i.e., financial and telecommunication) because they are captured in all survey's editions. Furthermore, these sectors constitute prime examples of Romania's transition from a planned economy to a service economy: after the 1989 revolution that marked the end of communism in Romania, both sectors went from state-controlled to privatized. The goal of our analysis is to (1) describe the development of consumers' attitudes towards banking and telecommunication services and (2) identify differences in consumer segments and provided services. In terms of the former, we focus on consumers who were adults (non-digitally generation), who were minors (digitally migrants) and who were not born when Romania transitioned from communism to capitalism in 1989 (digitally natives).

Firstly, our results show that different services sectors have different stages of development. While the financial crisis had a minimal impact on the telecommunication market, which during the 10 years reached a penetration rate in consumption of over 95% of the total population, population's interest in the banking tends to stagnate or even to decrease, with the crisis having a direct influence on medium term. Nearly 5 years after its completion, the indicators analysed have a downward trend. Taking into account the penetration rate of these services, which record penetration in consumption below 40% on services such as current

account and debit card, below 10% on credit card, less than 5% on household loans, personal needs loans, online banking and private pension or under 2% in insurances, a decision at the industry level is appropriate. Some of the collected data from different research modules tend to contradict. For example, in the **financial-banking module** the usage of online banking, 4%, and mobile banking, 2%, but the same services Mobile banking (as realising various banking operations, meaning it also includes mobile and online banking) when asked in the **telecommunication market** module, over 25% of the respondents are declaring that they are using that service. Knowing that one cannot use mobile banking on phones without having the services activate on their account, it can only conclude that respondents, in their majority, do not seem to understand the aspect, that they are paying an extra service to their banks to facilitate the usage of that service on their phones. If this conclusion will demonstrate in a further in-depth research, we may have a starting point on way the banking sector tends to stagnate and the mobile sector is almost reaching its full capacity. For the financial services, to be better understood by the end consumer a more elaborate financial education is needed, may be based on the easiness of using mobile applications.

Secondly, one of our hypotheses is that the 3 researched consumer segments have different behaviours in service consumption, regardless of the service type. In reality our results show that the consumer behaviour is more differently from industry to industry than from generation to generation. There are notable differences in between the 3 generations in the telecom industry then they are in the financial industry. So, our conclusions cannot be generalized on the hole services industry but on each service sector individually.

On the **telecommunication market** there are large differences in consumption between the digitally native generation and the non-digitally generation, but the digitally migrants are highly similar to the digitally natives` one.

In the **financial-banking sector** the differences between the 3 generations are insignificant suggesting that the sector is still insufficient developed.

Thirdly, the research shows that the financial crisis didn`t affect so much the consumption behaviour on the analysed markets. On the telecom market the indicators tend to have a continuous grow showing that the crisis didn`t affect so much the industry, but on the financial sector a fluctuation of the indicators it can be observed suggesting that the crisis had an effect on the industry.

A **limit** of this paper is given by the analysis software used, SESAME, through which we were unable to use the raw data collected in this research. The software widely used in the commercial domain does not have advanced statistical functions. Data as complex on the service industry is not available. Another limit of research is given by way of data leakage that does not have a balanced access to all sectors of the services industry. Most data are collected for the financial and communications sector where banks and communications service providers have invested more in collecting these data. Hospitality industry firms, for example, have not invested in this research so there are no conclusive data to analyse. From **managerial implications** point of view, two directions can be highlighted: product/service development and marketing communication.

On the telecommunication industry there are two major segments that need different approaches. The two segments are one the digitally natives` and the digitally migrants – who copied the first so much that there are no significant differences, and the second the non-digitally generation who has a totally different consumption pattern. For the first the product mix should be a highly complex and innovative one, abounding in technology. On the other hand, the second one needs a stable product mix, easily to understand and to use.

On the financial-banking market, a different approach is needed for each researched generation. The digitally natives` are highly opened in using new financial instruments, highly

based on internet access, so the products developed for them can be complex, because the generation is self-educating, integrated and easily accessed from online platforms. The digitally migrants need to be educated in using the offline and online banking facilities. On this generation, in comparison to the way they are using the telecommunication services, there is an unjustified reluctance toward having currency accounts, card payments, or using online banking platforms. They need to understand firstly the classical products like saving and investing on long term, to see the security level offered by them, and then to develop mix products, that contain shares, bonds or other types of financial products. The third generation, the non-digitally natives, needs simple and easy to understand financial products. A plus for the industry to attract their money should be an improvement of the saving facilities and having a reasonable interest on deposits.

From **marketing communication point of view**, the 3 generations should be approached in different manners. For the digitally natives the communication should be migrated in the online. They are born after the revolution and not at all affected by the communist period of time being highly similar to the rest of the digitally natives Europeans. The way they are using the technology is bonding them to the behaviour of the rest of the Europeans then the other 2 researched generations. The digitally migrants are highly complex from marketing communication point of view. They still remember the communist period of time, from their childhood, the lack of the communication channels, and they understand the power of information. They are attracted by the online but they are still consuming the classical media communication channels. This is the reason way the integrated marketing communication campaigns have a superior effect on them. The non-digitally generation is hard to be changed, because they adopted the technological development in a limited way. They prefer the classical information channels, the TV being the most important one.

As a general conclusion, the digitally natives are very similar to the same European generation, but the communist period of time left an important effect on the development of the digitally migrants' generation and the non-digitally generation, these two having different behaviour patterns from the European generations not effected by communism.

### Acknowledgments

This research was supported by the project “Partnerships for Competitiveness for the Transfer of Knowledge through the Development of Innovative Computational Models for the Growth and Sustainability of the Romanian Business Sector” (ASECOMP), project code MySMIS: 2014+ 119598, contract ID P\_40\_382.

### References

- ASONGU S., ASONGU N., (2018) *The comparative exploration of mobile money services in inclusive development*, International Journal of Social Economics, Vol. 45 Issue: 1, pp.124-139, <https://doi.org/10.1108/IJSE-08-2016-0221>
- ANGHEL L.D., PETRESCU E.C., (2001), *Business to Business Marketing*, Uranus Publishing, Bucharest.
- ASSAEL H. (1995), *Consumer behaviour and Marketing Action*, 5th edition, South-Western College Publishing, Cincinnati, USA,
- BIJMOLT, T.H.A., PAAS, L.J., VERMUNT, J.K., (2004). *Country and consumer segmentation: multi-level latent class analysis of financial product ownership*. International Journal of Research in Marketing 21, 323–340. <https://doi.org/10.1016/j.ijresmar.2004.06.002>
- BRAT (2018), *Romanian Joint Industry Committee for Print and Internet*, source: <https://www.brat.ro/sna?lang=en>

- CATOIU I., TEODORESCU N., (2004), *Comportamentul consumatorului*, Uranus Publishing, 2<sup>nd</sup> edition, Bucharest
- ÇELIKDEMIR, D.Z., TUKEL, I., (2015). *Incorporating Ethics into Strategic Management with Regards to Generation Y's view of Ethics*. *Procedia - Social and Behavioral Sciences* 207, 528–535. <https://doi.org/10.1016/j.sbspro.2015.10.123>
- DAEDALUS (2011), *Financial behaviour research*, source: [http://www.daedalus.ro/financing/comportament\\_eng.pdf](http://www.daedalus.ro/financing/comportament_eng.pdf)
- DAVIES A., CLINE T.W., (2005), *A consumer behavior approach to modeling monopolistic competition*, *Journal of Economic Psychology* 26, 797–826, op. cit. Payne, J. W., Contingent decision behavior. *Psychological Bulletin*, 1992, 382–402.
- DIJMĂRESCU E. (2009), *Economisirea în timp de criză*, Seminarul EU-COFILE “Efectele crizei economico-financiare în România”, Sinaina, 9 decembrie 2009 surce: <http://www.fgdb.ro/uploads/publications/edijmarescu091209.pdf>
- EDWARDS S., GARCIA M. (2008), *Financial Markets Volatility and Performance în Emerging Markets*, The University of Chicago Press, Chicago and London, pg. 1
- ENNEW C. T. and WAITE N. (2007), *Financial Services Marketing*, Elsevier
- FEIN, E.C., TZINER, A., VASILIU, C., (2010). *Age cohort effects, gender, and Romanian leadership preferences*. *Journal of Management Development* 29, 364–376. <https://doi.org/10.1108/02621711011039169>
- FILIPPOV, S., DUYSTERS, G., (2014). *Exploring the drivers and elements of subsidiary evolution in several new EU member states*. *International Journal of Emerging Markets* 9, 120–146. <https://doi.org/10.1108/IJoEM-03-2011-0022>
- HAWKINS D. I., MOTHERSBAUGH D. L., (2010), *Consumer Behavior – Building Marketing Strategy*, McGraw-Hill Irwin, 11th edition, NY
- JOHNSON, C., VANETTI, M., 2004. *Market developments in the hotel sector in eastern central europe, in: Advances in Hospitality and Leisure*. Emerald (MCB UP), Bingley, pp. 153–175. [https://doi.org/10.1016/S1745-3542\(04\)01010-0](https://doi.org/10.1016/S1745-3542(04)01010-0)
- KOTLER P., ARMSTRONG, G., (2008), *Management Marketing*, 13th edn, Prentice Hall, USA,
- KOTLER, P., ARMSTRONG, G., (2018) *Principles of Marketing*, 17th Edition. Pearson Education Limited, United Kingdom.
- LAFUENTE-LECHUGA, M., FAURA-MARTÍNEZ, Ú., GARCÍA-LUQUE, O., (2018). *European social models in times of crisis: Sapir's contribution reviewed*. *International Journal of Sociology and Social Policy* 38, 295–311. <https://doi.org/10.1108/IJSSP-08-2017-0095>
- LONDON, T., HART, S.L., (2004) *Reinventing strategies for emerging markets: beyond the transnational model*. *J Int Bus Stud* 35, 350–370. <https://doi.org/10.1057/palgrave.jibs.8400099>
- MANRAI, L.A., LASCU, D., MANRAI, A.K., BABB, H.W., (2001). *A cross-cultural comparison of style in Eastern European emerging markets*. *International Marketing Review* 18, 270–285. <https://doi.org/10.1108/02651330110396479>
- MORARU A. (2018), *Date BNR: Sumele uriașe trimise de românii din diaspora în țară, pe ani*, *Stiri Diaspora*, source: [https://www.stiridiaspora.ro/date-bnr-sumele-uria-e-trimise-de-romanii-din-diaspora-in-ara-pe-ani\\_2077.html](https://www.stiridiaspora.ro/date-bnr-sumele-uria-e-trimise-de-romanii-din-diaspora-in-ara-pe-ani_2077.html)
- NIS, (2018), *National Institute of Statistics*, source: <http://www.insse.ro/cms/ro/content/ipc-serii-de-date>
- TANG L., THOMAS L.C., THOMAS S. and BOZZETTO J-F. (2007), *It's the economy stupid: modeling financial product purchases*, *International Journal of Bank Marketing* Vol. 25 No. 1, pp. 22-38

ZOICAS-IENCIU, A., (2006), *Caracteristicile investițiilor pe piețele de capital emergente*, Economie-teoretică și aplicată, nr.2, pag. 13-18, ISSN 1841-8678.

