International Conference on
Marketing & Business Development

Vol II, No. 1/2016

Bucharest 2016

This volume comprises the full papers accepted by the Scientific Committee of the **fourth** Edition of the **International Conference "Marketing and Business Development"** MBD2016, **June 30th - July 2nd 2016, 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 will use 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 should characterize the review process. The editor has the final authority for the acceptance or rejection of any article.

Authors who publish in **International Conference on Marketing and Business Development** journal 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 this journal.
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 this journal.
3. Authors are permitted and encouraged to post their work online (e.g., in institutional repositories or on their website) prior to and during the submission process, as it can lead to productive exchanges, as well as earlier and greater citation of published work.

International Conference on Marketing and Business Development, ISSN: 2344-5130 will be sent for approval of inclusion in the **Conference Proceedings Citation Index** - an integrated index within **Web of Science** (Thomson Reuters). Moreover, the journal will be indexed in the following international databases **Index Copernicus, RePEc, EconPapers, IDEAS, Cabell's Directories, Scribd, Microsoft Academic Search** and **Google Scholar** and respectively on the site of the journal: **http://www.mbd.ase.ro/journal** in electronic format, with free access to full text.

TABLE OF CONTENTS

Food Shopping Behaviour in Older Consumers´ Segment

Dagmar Lesakova
University of Economics in Bratislava
lesakova@euba.sk

Abstract

The focus of our research is to provide a theoretical rationale and empirical evidence for determining the behaviour and perceptions of older customers during their food shopping process. Perceptions of older shoppers are in contrast to younger shopper, affected by their biological ageing, reduction of mobility, declining vision, chronic illnesses, etc.

Two principal aims are formulated in our paper: to identify the factors with positive and negative impact upon food shopping experience in older customers segment during their food procurement process and to propose some recommendations to retail managers aiming at better consideration and meeting the expectations of the older people. Data collection involved two focus groups with older customers aged over 65 years. Both focus groups consisted of twelve adults. The purpose of the interviews was to identify the main food shopping issues experienced by older people and to find out whether or not they were satisfied by the current food retail service. The focus group interviews were analyzed according to principles of thematic content analysis, where substantive categories were identified from individual statements. The findings from group interviews were supported by the results from a questionnaire distributed among 468 seniors. To determine the food shopping experience, respondents were asked to evaluate 12 substantive categories impacting on their food shopping satisfaction.

Both qualitative and quantitative results have indicated that age dimensions influence perceptions and behaviour related to store evaluation. Older people experience a range of distinct positive and negative factors in their food shopping. Negative factors identified by this segment include several in-store design and layout factors, in-store assistance, product-size of foods and also promotion of multi-purchase products. Positive factors associated with food shopping include variety and quality of products. Based on the findings, areas to improve the service for older shoppers´ segment have been recommended to retail management.

Keywords: Shopping behaviour, shopping satisfaction, seniors.

JEL classification: M 20

1. Introduction

The paper presents the findings of research into the development of shopping satisfaction of older people. We find that there are still segments of elderly consumers dissatisfied when shopping for foodstuffs, which cannot be ignored.

Seniors have been traditionally viewed as making up an unattractive market due to the perception that they have low income and spending power and are frail. However, this perception is a sign of myopia, because not only is this market constantly growing, but also new pensioners with higher income and pensions will move into the segment (Lesakova, 2013). There are a number of factors that differentiate the elderly population from other age groups, and justify studying it. These factors depend on changes in health and psychographic characteristics which result in special shopping and interior store needs (Sandor, 1994; Szmigin & Carrigan, 2001). Within the existing literature there is agreement that lower prices, behaviour of the service staff, avoiding long queues at checking points and product accessibility on the shelves are particularly important to senior shoppers. Older people also consider as important that shopping places are clean and easily accessible (Moschis, 2003; Moschis et al., 2004).

In the following chapters the factors influencing seniors' satisfaction with food stores are presented, based on the results of empirical research.

2. The attributes of shopping satisfaction

The core of marketing strategy and an essential goal in business is to identify effective ways of serving customers and satisfying their needs. Companies that satisfy their customers achieve better results, while those with dissatisfied customers fail. These findings are valid across the consumer goods, services markets and also when individuals are choosing a store to shop at (Giese & Cote, 2000; Lesakova, 2009).

Customer satisfaction in general is the customer's evaluation (from good to bad, pleasant to unpleasant) of a specific purchase or shopping experience. This means, satisfaction is how the customer feels about a specific product, store or shopping experience.

Customers evaluate shopping experiences and arrive at „satisfaction judgments" by comparing what they actually received against their expectations (Schiffman & Kanuk, 2010). Research confirms that satisfaction is an important variable driving positive word-of-mouth recommendations and loyalty. The tendency of customers to stick with a store or brand, loyalty is closely tied to firm profitability. Consumer dissatisfaction can result in negative word of mouth and lost sales. Building satisfaction is especially important in the retail sector.

Several areas for building satisfaction in the shopping process have been identified in the existing literature: product-related aspects, internal store environment, staff service, and store accessibility. Within the store environment, critical aspects have been reported in the use of facilities including large trolleys or large baskets (Pettigrew et al., 2005). Difficulties with product labels and price displays on shelves were also identified as being important for satisfaction (Moschis, 1991; Goodwin & McElwee, 1999). Several studies have revealed that seniors have problems reaching high and low shelves and using deep freezers (Moschis, 2003; Moschis et al, 2004). In fact, older shoppers indicated that in such cases they either did not purchase the item or had to ask the staff for help. Research aimed on the oldest seniors found that they expect stores to provide seats they can use when they feel tired.

Product location on shelves and ease of finding products are very important. Retailers often move products around the store as a part of their business and display policy in order to force customers to walk around the whole store. This tactic has come under criticism from both older and younger consumers (Oates et al., 1996; Lesakova, 2013). Numerous studies have also found that long queues at checking points are another source of dissatisfaction among older consumers (Goodwin & McElwee, 1999). Product-related aspects are in general very important for both older and younger consumers (Lumpkin et al., 1985; Schewe, 1988). However, differences exist in the importance attached by various segments to particular product aspects.

Price is recognised as one of the most important attributes to older people, particularly for those with low incomes (Lesakova, 2013). In fact, price is the most influential attribute for oldest seniors, and is central to the vast majority of seniors for their store choice. Seniors are focused on price and actively seek out products with lowest possible price. They are prepared to do a considerable amount of traveling to find the lowest prices. The importance of the price goes up with age. Older people like to use discount stores and stores with frequent and sales. Lambert reported that people with low incomes were forced to compromise quality for price (Lambert, 1979).

Another frequently reported cause of dissatisfaction was that the quantity of packaged food. It is not efficient for older people with smaller appetites to buy family packaging, especially when a purchase is made for a single individual (Moschis et al., 1997).

On the other hand, an important area in ensuring satisfaction among older consumers is staff knowledge and courteousness (Lesakova, 2013), particularly the availability of staff ready to help with locating products, providing information on products as well as advice on product attributes (Goodwin & McElwee, 1999). Just as staff can bring satisfaction, they can also cause dissatisfaction, when they are unfriendly and unhelpful (Peterson & Wilson, 1992).

Differences exist between the various branches of retail in the factors influencing older individuals' trust and satisfaction. Moschis et al. found such factors as store distance from home, brands familiar to seniors and fast check-outs to be important considerations in food shopping (Moschis et al., 1997). Factors such as hygiene, cleanliness, familiarity of layout, quality and low prices have been revealed as important for both older and younger age segments (Lumpkin et al., 1985; Lambert, 1979).

Hence, there appears to be a broad range of factors influencing the satisfaction of older consumers. In the following chapters these factors will be explored in relation to the level of their importance on satisfaction and the differences among the age subsegments will be explored.

3. Methodology and goals

Two principal aims are formulated in our paper: to identify the factors with positive and negative impact upon food shopping experience in older customers segment during their food procurement process and to propose some recommendations to retail managers aiming at better consideration and meeting the expectations of the older people.

Specifically, we measure the satisfaction level with the shopping experience, discuss the areas of satisfaction and perceived dissatisfaction of older consumers in food shopping and explore the influence of age and seniors´ health on their level of satisfaction. The central aim of the paper is to uncover those areas in which seniors perceive either satisfaction or dissatisfaction when food shopping.

A three-step approach was used to discover and formulate the areas of seniors´ shopping satisfaction. First, a literature review was conducted to indicate general consistencies and specific inconsistencies in the attributes influencing shopping experience (Stewart et al, 2007). Second, focus group interviews delivered introductory data to provide deeper insight into development of satisfaction specific to foodstuffs / grocery stores. Two focus groups, each consisting of eight seniors, were used.. After a brief description of the research project, participants expressed their opinions about attributes important to store choice. Respondents were first asked to recall previous purchase situations and to describe when / where they felt good (or did not feel good) and to use their own words to describe the situation. This was done to generate many responses across various situations and to determine similar and typical features (Hayley et al., 2008). Focus group interviews provided the basis for the third phase, developing the questionnaire. A total of 468 questionnaires were collected from respondents aged 65+ who shopped for food. A profile of the respondents is presented in Table 1. Finally, in order to determine the general outcomes from the research, differences between the seniors regarding their perceived health and chronological age were examined.

To measure satisfaction, 12 factors were selected and respondents were asked to rate the factors according to the food-store in which they regularly/most frequently do their shopping. A five-point scale was used to evaluate the factors, ranging from 1 = very dissatisfied to 5 = very satisfied. Using a scale of this type to measure satisfaction is common, as it enables opinions grading.

The indicators of median and interquartile range were used to measure the central tendency and spread and to present an overview of the results. The interquartile range provides a more detailed picture of the sample's satisfaction levels. The minimum and maximum values are also mentioned in the research in order to identify whether respondents used the full range of the scale. In order to evaluate the levels of satisfaction accurately, frequencies were used. This means that the levels of dissatisfaction were not „hidden" by most of the positive data. Mann-Whitney-U test was employed to explore the impact of the age and perceived health condition of seniors. This is a statistical test for a variable measured on an ordinal scale, and compares the differences in the mean values of two populations based on observations from two independent samples. The comparison between two samples based on the sum of the ranked scores indicates the number of times a score from one of the samples is ranked higher than a score from the other sample.

4. Results and discussion

In order to present an overview of the data, the median and inter-quartile range of the satisfaction ratings were calculated (see Table 2), where 1 = very dissatisfied and 5 = very satisfied. Point 3 on the scale indicates „neutral", meaning „neither satisfied, nor dissatisfied".

Characteristics		n=468 %
Age	65 -74 years	48
	75 + years	52
Health	Health limits in my shopping	55
	No health limits in my shopping	45

Table 1. Respondent characteristics
Source: the author's own calculations

The results were spread across the full range of the 5-point scale, but fell predominantly in the 4 range, indicating a serious degree of satisfaction. However, Table 2 shows that the full range of scale values was used for all factors included in the assessment process except for price and quality of products, where the minimum and maximum were 2 and 5. This reveals that the respondents used the full 5-point range and also that dissatisfaction was expressed, despite the majority indicating satisfaction, which is documented in the inter-quartile range.

Observing the frequency of responses seems to be the best method for analysing the actual results of the data. Table 3 presents details of the frequencies for each factor and it indicates that there are some areas, such as price, store facilities, product quality or staff courteousness that cause dissatisfaction for more than a quarter of respondents. Price was found to be the most critical factor, with nearly 50 percent of respondents indicating they were „very dissatisfied" or „quite dissatisfied".

4.1. Attributes of satisfaction

Satisfaction is spread across all the factors explored. Ranked highest among the product-related aspects, the choice of products was found to be satisfying, though the tendency was more often „quite" satisfying than „very" satisfying. Similar patterns were found in some aspects of the internal store environment, especially in tag readability on shelves, with 65 percent of shoppers indicating they were satisfied. Two aspects of the internal store environment were found to be very satisfying (hygiene and cleanliness, with 77 percent indicating they were „very" and „quite" satisfied shoppers; and fast check-outs, with which 77 percent were „very" or „quite" satisfied shoppers), with the highest ranking and median value of five. Differences in the rates between the first and third quartile in both the factors "store facilities (trolleys, baskets")" or "display of products" indicate that there are different age subsegments within the sample that have different expectations and perception of satisfaction. Two aspects of staff service are perceived differently, with knowledge assessed mostly as „quite" and „very" satisfying, while courteousness received lower satisfaction ratings, with 30 percent of shoppers saying they were „very" or „quite" dissatisfied. These aspects have been identified as important in other studies (Oates et al., 1996; Lumpkin et al., 1985; Moschis et al., 1997), suggesting that they have a crucial impact on a positive shopping experience in the older consumers segment. Courteousness appears to be an area requiring more attention and staff training, as it is important to seniors.

Surprisingly, and in contrast with problems cited in the literature, store accessibility was seen in a positive light. However, satisfaction with this factor may vary depending on the type of store.

Main factor	Individual factor	Median	Inter-quartile range			Min-max
			25	50	75	
Product-related aspects	Choice of products	4	3	4	5	1-5
	Quality of products	3	2	3	4	1-4
	Price	3	2	3	3	1-4
	Promotions / sales	4	3	4	4	1-5
Internal store environment	Display of products	4	2	4	4	1-5
	Store facilities (trolleys, baskets)	4	2	4	4	1-5
	Legible tags on shelves	4	3	4	4	1-5
	Hygiene and cleanliness	5	4	5	5	1-5
	Fast check-outs	5	4	5	5	1-5
External store Environment	Accessibility	4	4	4	5	1-5
Staff	Knowledge	4	4	4	5	1-5
	Courteousness	3	2	3	4	1-5

Table 2. Summary of satisfaction data
Source: the author's own calculations

Main factor	Individual factor	Very satisfied	Quite satisfied	Neutral	Quite dissa-tisfied	Very dissa-tisfied
Product-related aspects	Choice of products	27,3	44,8	21,8	4,3	1,8
	Quality of products	-	27,8	45,6	17,6	9,0
	Price	-	13,4	37,6	26,6	22,4
	Promotions	7,9	23,1	48,0	10,8	10,2
Internal store environment	Display of products	11,1	40,4	19,1	23,7	6,7
	Store facilities (trolleys, baskets)	11,6	29,2	20,1	29,3	9,8
	Legible tags on shelves	12,6	52,3	18,1	10,9	6,1
	Hygiene and cleanliness	55,8	21,7	14,0	5,5	3,0
	Fast check-out	19,2	22,2	34,8	14,2	9,6
External store environment	Accessibility	28,2	30,4	22,9	11,2	7,3
Staff	Knowledge	31,5	36,8	17,1	8,0	6,6
	Courteousness	14,0	21,3	34,3	15,2	15,2

Table 3. Percentage of respondents rating satisfaction performance
Source: the author's own calculations

4.2. Attributes of dissatisfaction

While the general trends in the research findings show a medium level of satisfaction, a number of areas cause dissatisfaction and have been strongly criticized. A remarkable area of dissatisfaction can be found within two product-related factors: product quality and price. Less than 14 percent of respondents expressed little satisfaction with price. Two aspects cause a high level of dissatisfaction in this area: the low incomes (pensions) of the seniors (especially of the oldest age segments 75+) and high taxes on foodstuffs. Nearly half of all respondents expressed a high or medium level of dissatisfaction. Dissatisfaction was expressed about the poor availability of cheap foodstuffs. However, this may be attributable to the type of store selected for shopping.

In the internal store environment category, display policy was an area that was identified to be dissatisfying. Moving goods around a store is a part of common retail strategy, forcing customers to walk through the whole store. However, because of mobility problems, such a strategy came under strong criticism by seniors.

4.3. Differences among age subsegments

The research data were tested for differences in satisfaction across two factors of perceived health and age. Mann-Whitney U-tests were carried out to determine the differences. Significant results were found regarding both factors. As for health, three factors were of significance, as Table 4 indicates.

Seniors who experienced some problems in their food shopping due to health problems, more often expressed dissatisfaction with the internal store environment and store access than those seniors whose health did not limit them. We have expected this to be the case, as people with health problems usually require special facilities, such as seats to rest for a while, or smaller, more manageable trolleys. It also indicates that satisfaction may vary according to different age subsegments of the senior population (Abdel-Ghany & Sharpe, 1997).

Factor	Mean rank		Significance of Mann-Whitney U-test
	Limitation in health status	No serious limitation in health	
Store facilities	28,91	39,04	0,031*
Display of products	26,90	39,32	0,015*
Access to stores	27,36	37,18	0,019*

Table 4. Significance of „limitations of health" and „ratings of satisfaction"
*Significant at the 0,05 level
Source: the author's own calculations

This was also found to be true for the access factor, which was rated as satisfying by seniors with no health limitations more often than by seniors who had health problems. The research results indicate clearly that people who are limited by health are more likely to have a dissatisfying shopping experience, mainly due to the store environment and store access.

Comparing the mean rankings of younger (65-74) and older (75+) shoppers leads to the conclusion that two factors are significant, as can be seen in Table 5. Older consumers were more likely to be dissatisfied with the legibility of tags on shelves and with the price level of foodstuffs.

Factor	Mean rank		Significance of Mann-Whitney U-test
	65-74 years	75+ years	
Readability of tags	23,17	31,98	0,022*
Price level	27,13	43,69	0,009*

Table 5. Significance of „age" and „ratings of satisfaction"
*Significant at the 0,05 level
Source: the author's own calculations

5. Conclusion

The results of the research reported in this paper reveal dissatisfaction with some factors influencing the shopping experience of seniors and indicate that not all expectations of older people are met. Five out of twelve factors in the research were identified as not fully meeting the needs of older shoppers. Even though there was a general trend towards satisfaction, seniors were „very" satisfied or „quite satisfied" with only a few factors, indicating the need for improvement. Retail managers should pay attention to the price policy and internal environment of their stores if they want to gain seniors' trust.

The findings indicate that the critical areas of dissatisfaction vary according to age subsegments of older people. It is therefore important that retailers pay attention to the different needs and expectations of various age subsegments and not simply see seniors as a homogeneous group. Areas that were particularly positive, were: choice of food products, store hygiene and cleanliness, accessibility and knowledgeable staff. Aspects of dissatisfaction included prices, display policy, store facilities and staff courteousness. These areas should be addressed by retailers.

Seniors' special needs need to be recognised not only by retailers, who seek to increase their business success, but also by policy makers who seek to improve retail as an industry.

Acknowledgements

References

ABDEL-GHANY, M. & SHARPE, D.L. 1997. Consumption Patterns Among the Young-Old and Old-Old. *The Journal of Consumer Affairs*, Vol. 31, No. 1, p. 101-113.

GIESE, J.L. and COTE J., A. 2000. Defining Consumer Satisfaction. *Academy of Marketing Science Review,* Vol 20, No.1, http://www.amsreview.org/articles/giese01-2000.pdf .

GOODWIN, D. & MCELWEE, R. 1999. Grocery shopping and an ageing population: research note. *International Review of Retail, Distribution and Consumer Research*, Vol. 9, No. 4, pp. 403-409.

HAYLEY, M. & LUMBERS, M. 2008. Understanding older shoppers: a phenomenological investigation. *Journal of Consumer Marketing*, Vol. 25, No. 5, pp. 294-301.

LAMBERT, Z. 1979. An investigation of older consumers´ unmet needs and wants at the retail level. *Journal of Retailing*, Vol. 55, No. 4, pp. 35-57.

LESAKOVA, D. 2013. Shopping decisions of senior consumers. *Enterprise and competitive environment – Conference papers*. Mendel University, Brno, p. 92-103.

LESAKOVA, L. 2009. *Innovative Management in the Knowledge-based Economy*. University of Matej Bell - Faculty of Economics; Banska Bystrica.

LUMPKIN, J., GREENBERG, B. & GOLDSTUCKER, J. 1985. Marketplace needs of the elderly: determinant attributes and store choice. *Journal of Retailing*, Vol. 61, No. 2, pp. 75-105.

MOSCHIS, G.P. 1991. Marketing to older adults: an overview and assessment of present knowledge and practice. *Journal of Consumer Marketing*, Fall 1991, Vol. 8, No. 4, pp.33-42.

MOSCHIS, G., LEE, E. & MATHUR A. 1997. Targeting the mature market: opportunities and challenges. *Journal of Consumer Marketing*, Vol. 14, No. 4, pp. 14-37.

MOSCHIS, G. 2003. Marketing to older adults: an updated overview of present knowledge and practice. *Journal of Consumer Marketing*, Vol. 20, No. 6, pp. 516-525.

MOSCHIS, G., CURASI, C. & BELLENGER, D. 2004. Patronage motives of mature consumers in the selection of food and grocery stores. *Journal of Consumer Marketing*, Vol. 21, No. 2, pp. 123-133.

OATES, B., SHUFELDT, L. & VAUGHT B. 1996. A psychographic study of the elderly and retail store attributes. *Journal of Consumer Marketing*, Vol. 13, No. 6, pp. 14-27.

PAYNE, A. 2008. Achieving Excellence in Consumer Management. Elsevier Ltd., Oxford.

PETERSON, R.. & WILSON, W. 1992. Measuring customer satisfaction: fact and artefact. *Journal of the Academy of Marketing Science*, Vol. 20, No. 1, pp. 76-89.

PETTIGREW, S., MIZERSKI, K. & DONOVAN, R. 2005. The three big issues" for older supermarket shoppers. *Journal of Consumer Marketing*, Vol. 22, No. 6, pp. 306-312.

SANDOR, G. 1994. Attitude (not age) defines the mature market. *American Demographics*, Vol. 26, No.1, pp. 18-20.

SCHIFFMAN, L. & KANUK, L. 2010. *Customer Behaviour*, 10th Ed. Upper Saddle River, NJ; Pearson/Prentice Hall.

SCHEWE, CH.D. 1988. Marketing to our ageing population: responding to physiological changes. *Journal of Consumer Marketing*. Vol. 5, No. 3, pp. 61-73.

SZMIGIN, I. & CARRIGAN, M. 2001. Learning to love the older consumer. *Journal of Consumer Behaviour*. Vol. 1, No.1, pp. 22-34.

STEWART, D., SHAMDASANI, P. & ROOK, D. 2007. *Focus Groups: Theory and Practice*. Second Ed., Sage Publications Ltd., London.

PROFILE OF LUXURY MALE & FEMALE CUSTOMERS IN WESTERN INDIA

Milind Fadnavis
Institute of management Technology- Nagpur
milind.fadnavis@gmail.com

Abstract

With increasing brand awareness amongst Indian youth and purchasing power of upper class in tier II and III cities, Indian luxury market is expected to cross $18.3 billion by 2016 from the current level of $14.7 billion growing with a compound annual growth rate (CAGR) of about 25%, reveals ASSOCHAM study. In this paper, author has confined to western India and used sex as segmentation variable. Men and women using luxury goods and services have shown different trajectories on different parameters- buying, consumption, outlet and media habits. Only common factor among both segments was- average age of Indian luxury customer has gone down- i.e. customer is younger today. Male customers bought high end cars, Bose speakers, villas, shoes, watches and preferred experiences such as adventure sports, vacation on cruise and visit to unique places. Female customers bought cosmetics, fragrances, bags, jeweler and preferred experiences such as spa, beauty treatment, fine dining and cosmetic surgery. Media consumption habits of both segments were different which impacted place from where luxury items were bought and also brand choices. Aspiration levels were fuelled by internet and information available on various sites. This has particularly impacted travel and tourism preferences and fining dining. Surprisingly, female customers preferred showrooms abroad and some preferred to buy at retail outlets at airports than at luxury malls in metros. Although price was not a barrier in case of both male and female customers, one category- high end car was an exception. Male customers, having preference for particular model of German car approached manufacturer in a group. This resulted in heavy group discount and also after sales service facility in non-metro town where these cars were sold in 150 numbers.

Introduction

If understanding consumer behavior is key to success of any organization, then decoding the black box of a customer should be the starting point of formulation of marketing strategy. When one extends this logic to profiling a luxury customer, the task becomes more difficult. The reason being, a typical luxury customer is much more difficult to decipher and is spoilt by both- choices from supply side and purchasing power at hand on demand side. Normal principle of marketing- 'sale is vanity, profit is sanity and cash is reality' is no more relevant in case of luxury customers. On the contrary, one needs to modify same to - customer is sanity, customer is vanity and customer is reality. This means, sale at profit and realization of cash in reasonable time is non-issue in case of luxury customers. Price normally is not a barrier in case of luxury goods (barring few exceptions- high end car purchase in group), not is recovery of cash. This means other issues such as steps in decision making process luxury customer goes through is critical for a marketer. Author has earlier presented model in MBD 2014 namely AEIOU (approach- explain, induce, obviate and upgrade) to target ulterior high net-worth individuals. An effort is made in this paper to find out typical profile of male and female luxury customers in Western India.

Objective of research/rationale behind paper

The Indian luxury market is expected to cross $ 18.3 billion this year. Although market is growing at a steady pace, the real issue is of conscientious luxury buying. Are customers aware of latest trends such as responsible luxury, sustainable luxury and concept of 'responsibility factor'? The reason for raising such question is small town in India are buying products such as designer handbags, watches, cars and jeweler

and are taking online route and purchase refurbished products from world's best brands (http://www.theweek.in/).

Objective of this research paper was to profile male and female customers from western India buying luxury brands. Apart from age, income, possessions, an effort was made to find out the buying basket of these customers- whether they were focusing on assets or products or services.

Customer profiling is a way to create a portrait of your customers to help marketer make design decisions concerning your product or service. Customers are broken down into groups of customers sharing similar goals and characteristics and each group is given a representative name, and a description. India, being a continent like market cannot have one size fits all strategy. The purpose was to profile luxury customers from western India so that those companies who, in near future, want to introduce their brands in Indian market on phased launch basis can better tap the western India market. The reason for choosing Western India for research was clear. The income tax department has released an 84-page document with information regarding the Indian tax payers. State of Maharashtra topped in number of billionaires. Maharashtra was credited with the highest collection of direct tax which also includes corporate tax. The state registered a total of Rs 2.77 lakh crore in taxes.

Review of literature

Berthon et al (2009), in their article present a philosophical analysis of luxury brands, focusing on their aesthetics and degree of ephemerality. Various conceptions of what luxury represents are discussed, and it is argued that luxury goods typically possess symbolic, functional and experiential value. Various methods of marketing such goods and managing such brands are analyzed. Seringhaus (2005), in his article, developed a profile of the Internet presence of French and Italian luxury brands. France and Italy are the most important luxury brand source countries. This study examines how luxury brands use the Internet, and thus is largely exploratory. A survey of 86 luxury brand Web sites carried out for this study provided the data to create a profile and comparative analysis of these two primary source countries of luxury brands. Prof. Jean-Noel Kapferer (2005), took an experiential approach and defined luxury as items which provide extra pleasure by flattering all senses at once. Several other researchers focused on exclusivity dimension and argued that luxury evoked a sense of belonging to a certain elite group. According to a report titled The Global Luxury Customer Journey published by LUXHUB? the path to purchase was almost never linear, involving interaction with different content and communication assets from owned (i.e. official websites), to paid (i.e. print advertising) and/or earned equity (i.e. word of mouth). A report authored by Jean Vyas Sabot confirms that Luxury brands lose half of their top customers every year. According to same research from Epsilon and the Luxury Institute: *"The New Face of Luxury: Breaking Down the Myths and Stereotypes of the Luxury Shopper"*, luxury brands may miss huge opportunities by not understanding who their best customers are. When brands do not know their customers, they cannot interact with them in a way that is relevant, personal, and meaningful. In turn, they lose the ability to keep their best customers and gain potential customers who are spending with their competition. They routinely misidentified the demographic and economic profile of their customers while also failed to create a personalized sales experience for them.

Luxury brands mistakenly believed their customers were typically female and on average 45-years old with a net-worth over $1 million. However, 57.5% of luxury spenders were, in fact, male. They were likely to be of Asian and Middle-Eastern descent with a net worth over $500,000. Additionally, nearly 13.8% of shoppers with a net worth over $1 million invested mostly in modern, contemporary décor and gifts as opposed to high-ticket apparel items. It was crucial for luxury brands to understand their customers to effectively market and advertise to them.

Indian context

According to Global Wealth report October 2015 by Credit Suisse, wealth has grown rapidly in India since 2000 except during the global financial crisis. Annual growth of wealth per adult in rupees has averaged 8% over 2000–2015. Prior to 2008, wealth also rose strongly in US dollar terms, from USD 2,040

in 2000 to USD 5,100 in 2007. After falling 26% in 2008, it rebounded to reach USD 5,300 in2010, but then fell 13% in 2011 due to adverse exchange rate movements. Depreciation of the rupee has continued since, so that wealth per adult has not regained its previous peak and was just USD 4,350 in mid-2015. A very small proportion of the Population (just 0.3%) has a net worth over USD 100,000. India has 254,000 members of the top 1%of global wealth holders, which equates to a 0.5% share. According to their estimate 2,080 adults have wealth over USD 50 million and 940 people own more than USD 100 million.

According to research conducted by FROST & SULLIVAN, India is fortifying itself as an economic superpower. With more than 25 billionaires and 35 near-billionaires, the country's total wealth stands at over $3.5 trillion, and is expected to reach $8 trillion in 2020. India's economic growth will raise the number of ultra-high net worth individuals (UHNWI) and HNWIs besides multiplying the wealth of the existing UHNWIs, thereby offering immense potential for luxury car makers. Regarding luxury housing is concerned; there are over 5,000 UHNW individuals of Indian descent living outside of India. These individuals are typically wealthier than their counterparts in India, as well as older - albeit by only three years (THE GLOBAL LUXURY RESIDENTIAL REAL ESTATE REPORT 2015- Sotheby's)

Research methodology used

In depth interview method was used for this research project. Numbers of participants chosen were fifty only equally divided between male and female customers. More than 40 % of the chosen sample was from tier II and tier II towns. This was done with a twin purpose. One was to make sample size more representative and second was issue of accessibility. Also customers from tier II and tier III cities have shown bold purchasing pattern. As many as one hundred and fifty buyers formed a group in Aurangabad, a tier II city and negotiated with Mercedes. Earlier experience of this author in eliciting response from luxury customers in metros for other project was not encouraging. Age wise all of them were in age group 35- 55 and each one of them was educated at least to graduation level. Female respondents were again equally divided between housewives and working professionals. In case of some female respondents (housewives) language was an issue and author had to switch to Hindi from English to make respondent comfortable and elicit right response.

Findings

Limited open ended questions were asked to each respondent. Questionnaire included aspects related to understanding of respondent of concept of luxury, key variables while purchasing a luxury brand, occasions of purchase, sources of information, place of purchase, trigger to purchase. Other aspects such as awareness about new trends such as guilt free luxury, buy versus lease, concepts of YOLO & YODO, and items in bucket list were explored.

During interaction, newer concepts such as sustainable or responsible luxury, Butterfly mark- an award created by London based Diana Verde Nieto were explained. The Butterfly Mark according to Nieto, founder of Positive Luxury "is like recognition for a brand working hard to protect the planet. The Butterfly Mark nudges people to buy from brands that care, inspiring trust and, in turn, influencing their purchasing behavior. According to Mr. Nakul Anand, Executive Director ITC Ltd- which is recognized as greenest chain of luxury hotels "Responsible or sustainable luxury is a multidimensional movement. It is about a positive socio-economic impact creating employment and sustainable livelihoods. It is also about being sensitive to the needs of differently abled."

Following matrix emerged on basis of findings which divided respondents into four distinct quadrants.

ARRIVED – MALE (ACQUIRED)   ARRIVED- FEMALE (ACQUIRED)

DERIVED- MALE (INHERITED)   DERIVED- FEMALE (INHERITED)

1)   Profile of Arrived- Male**:** Respondents falling in this quadrant were relatively young between ages 35- 45. All of them made it big through own ventures and were either first generation entrepreneurs or professionals. They did not inherit much wealth from parents and hence were in acquired category. All, without a single exception bought luxury brands to give signal to society that they had arrived. As a result, priority was on buying assets (villa, automobile) and products (watches, high end mobile handset, apparel). Interestingly, they were at this stage not ready for services in general and experiences related to travel and hospitality in particular.

Following were specific responses to questions asked:-

- Their concept of luxury was limited to price, quality, brand name and scarcity.
- Key variables while buying a brand were whether it was owned by many and if others could appreciate the same.
- There were no specific occasions to purchase except wedding anniversary and birthday.
- Their sources of information included magazines, websites, and international airports, in fight magazines and also friends and relatives.
- They preferred to buy products at airports after getting boarding pass. In case of a standard luxury brand where specifications are crystal clear, some preferred to buy on line also.
- Trigger to purchase was either windfall gain or availability of brand in limited version.
- After detailing on concept of 'guilt free luxury' all of them were ready to have a go for it.
- Only in case of high end yachts, were they ready for lease against buy.
- They believed in concept of YOLO- you only live once and as a result were ready to experiment.
- Items in their bucket list included Mercedes – Benz S class Cabriolet, dining at Le Stresa.

2. Profile of Derived- Male**:** These customers were typically in age group 40-55 and had inherited wealth from their parents or grandparents. As a result, their buying pattern and their perception to luxury was different from earlier quadrant i.e. arrived category. Here focus was not on display of personal wealth. This segment believed in concept of authentic luxury and preferred antiques and collectibles.

Following were specific responses to questions asked:-

- For them, luxury is not merely a product; it is a fine art. Scarcity, authenticity was other connected to concept of luxury.
- While buying a product less emphasis was placed on brand name but lot of faith on the actual producer. Antique, unique, collectible were the catch words.
- Occasions were least important. The luxury products bought by this group were from specialized goods category.
- Sources of information were friends, relatives, magazines related to décor, museums, and auctions.
- Places from where they bought brands were open auction, individuals or dealers in such goods.
- Trigger to purchase was additional information about the article i.e. a painting or a car or an idol.
- They did not believe in concept of guilt free consumption. The reason given was their purchases had less relevance to larger section of society.
- Only buying and possession and no lease.
- They believed in concept of YODO- you only die once and as a result were not ready for adventure and experiences such as bungee jumping or Para gliding. However, due to exclusivity, they were comfortable with luxury cruise.
- Items in bucket list: - A bespoke trunk from The Trunks Company Jaipur, Idol of Lord Ganesha from Lladro .

3. **Profile of Arrived Female:** These female customers were in age group 35-40 and were first generation entrepreneurs. They were keen on buying services and interested in hospitality, travel and beauty treatment. Contrary to normal belief, they were not much interested in jeweler. However, in products category, they were buyers of watches, handbags, apparel (western). Price was not an issue for them but place of purchase was. In their opinion, latest range was not available in India and hence completed their shopping abroad during vacation or on business trip.

Following were specific responses to questions asked:-

- For this segment, luxury was about leadership. It did not necessarily mean ownership but an experience of lifetime one needs to go through.
- Key variables while buying a product or a service were craft, sophistication, culture and conservation of dying art.
- Occasions of purchase were not limited to birthdays or anniversaries. Overseas travel and weddings were other important ones.
- They gathered information from websites, exhibitions related to paintings and arts, websites, magazines related to fashion and in flight magazines.
- Place of purchase were limited. They bought either on line or at airport. In case of buying an experience, the deal was at home.
- Trigger to purchase were The Butterfly Mark, design stories, sustainability.
- They believed in concept of sustainable luxury. Of the three pillars of sustainability namely environmental, social and economic; they put their money on environmental and social aspects.
- They preferred to buy products than using on lease. The segment also did not believe in concept of refurbished luxury.
- They believed in concept of YOLO- you only live once and as a result were buyers for unique experiences than unique products.
- Items in their bucket list were – visit to salt cave in Poland, stay at glass igloo in Scandinavia, experience northern lights. They believed in socially relevant extravaganza.

4. Profile of Derived Female**:** These customers were in age group 40-55 and were not earning now. However, they had inherited wealth and their focus was on jeweler, apparel (Indian), handbags and watches. They were not ready to experiment with food and all but two were vegetarians. They did not like foreign travel to unknown places because of non availability of typical Indian cuisine. When asked about bucket list, none could tell about particular category or specific brands in their mind to be purchased in future.

Following were specific responses to questions asked:-
- For this segment, meaning of luxury was confined to excess and bottomless princely indulgences.
- Price, uniqueness of a particular item, fashion and flamboyance were key variables while buying luxury brands.
- Marriage anniversaries, marriage of kids and annual day celebrations in social clubs were important occasions.
- Their sources of information were limited to friends and relatives. Majority of them were not comfortable with information on websites although all of them were possessing tablets.
- They bought brands from traditional, known outlets. In their opinion, duty free shopping did not give them option to compare and choose at leisure and hence not preferred.
- Triggers to purchase were windfall gains through sale of an asset or additional information about a product or a service through a trusted source.
- They did not believe in concept of guilt- free luxury.
- For specific items such as handbags and jeweler, they preferred lease over buy.
- They believed in concept of YODO- you only die once and as a result, focus was on possession than on experimentation and experience.
- None could specify items in their bucket list. However, they specified what they did not want to do. This referred to avoidance of overseas travel.

Limitations

There were limitations to this work and the findings could not be extrapolated to Indian luxury market.

i. Sample size was very small.

ii. Responses to few questions were either negative or lukewarm. This happened either because of lack of awareness on the part of respondents or was done deliberately. This happened in case of question related to bucket list for future.

iii. Getting an appointment and then smooth conduct of interview was tough task. This happened in case of male respondents predominantly. As a result, author had to recap earlier conversation which again was irritating for respondents.

iv. An important limitation that came to fore was lack of knowledge of respondents on differentiation between genuine and fake luxury brands. Author had to elaborate on this aspect by detailing aspects such as serial stamp, code, other identification mark to ensure no fake product is being purchased.

Conclusion

To conclude, Luxury meant different things to different rich customers. Customers intending to buy luxury assets, products or services were either self made or had inherited wealth. As a result, marketer needs to tap these segments with variations in their approaches and strategies. More importantly, female luxury customers irrespective of age have shown similar patterns of purchase and consumption in few categories and so was not the case with male customers. They had entirely different preferences depending upon age and mode of acquisition of wealth. Another important conclusion was majority of respondents were not

aware of concept of responsible luxury and concept of butterfly mark. If a marketer can rightly profile his customers and match them with his product portfolio, the chances of winning and retaining these set of difficult customer groups are higher.

References

Income tax payers in India (2016) New Delhi: Income tax Department Government of India.

BERTHON P., PITT L., PARENT M., & BERTHON, J.,P*., 2009.'Philosophical analysis of luxury brands'*, Vol. 52(Issue 1), pp., p 45–66.

SERINGHAUS F., H., R., (2005) 'French and Italian Luxury brands', *Journal of Euromarketing,,* Vol. 14 ,(Issue 4), pp. p5–34.

The Global Luxury Customer Journey LUXHUB par of HAVAS.

SABOT, J. (no date) *Why knowing your luxury customer is necessary*.

Global Wealth Report,(2015). CREDIT SUISSE, p 49

Analyzing the Potential of the Luxury Vehicle Market in India (no date) FROST & SULLIVAN.

The Global Luxury Residential Real Estate Report (2015) Sotheby's, http://www.theweek.in/, [Online]. Luxury with conscience – The Week- March 13, 2016, http://www.theweek.in/theweek/cover/luxury-with-a-conscience.html [Accessed on 10 March 2016]

Trade Business Communication Policy

Dilyana Yaneva
South-West University "Neofit Rilski"
d_janeva@swu.bg
Vyara Kyurova
South-West University "Neofit Rilski"
verivasileva@abv.bg

Abstract

The purpose of the paper is to examine the specifics and peculiarities of the communication activities of entrepreneurial business of the trade enterprises, to identify the main problems and make recommendations for their improvement. To achieve the aim of the research a survey was conducted among 112 managers of trade enterprises on the territory of Bulgaria. The survey was conducted in March - July 2015. The direct survey is used as a main research method. For analysis and evaluation of the results are used statistical methods and for their visual graphic representation - EXCEL from Microsoft. The questionnaire includes five blocks of issues related to corporate advertising, personal selling, sales promotion, public relations and publicity, sponsorship.

The analysis and evaluation of the survey's results shows that businesses in the trade enterprises are still not sufficiently aware of the need for planning, organizing and competently managing their communication policy.

The representatives of major companies in this economic activity systematically develop advertising strategies, plans and programs, plan their advertising budget and also feature a private PR specialist or use the services of PR agency.

At the same time it was found that SMBs do not recognize sufficiently the needs of the consumers in the chosen segment and do not take any action to influence the general public, do not devote adequate resources to the development and management of their communication policies.

Ignoring advertising can lead to serious problems in implementing the marketing policy of the company. Observations reveal that it is essential for the trade companies to make better use of media, traditional forms of advertising and self-promotional tools. Marketing management must pay attention not only to the marketing of its individual products, but focus the interest of the consumers to the brand, business values, corporate image, mission, etc.

Keywords: communication policy, trade business, advertising, personal sales, public relations

JEL classification: M3, M37.

1. Introduction

Essential for the sustainable development of the entrepreneurial business in trade is to achieve long-term success in the process of addressing the needs of consumers. At the same time the proper functioning of any company is associated with the continuous transmission of different information (Bogdanska, 2013), satisfying the constantly growing demands of consumers. Moreover - in the modern organization it can be an important factor in the ultimate success or failure of the implementation of the objectives of the company (Usheva, 2014, p.138).

"Technological, economic and social trends are changing the context of communication policy" (Just & Ruppis, 2012, p.3). Thanks to advertising and public relations, personal selling and measures to boost sales, using the integrated use of tools of communication mix, management of enterprise demonstrates not only its production capacity but also the quality of its products (Filipova, 2015, p.34). Providing high quality products is a key factor for the effectiveness of the overall business. Therefore from the knowledge and popularity of offered by entrepreneurial trade business products largely depend on demand and attracting of more users.

Moreover, the higher the degree of satisfaction of the users, the higher the level of consumption. This in turn affects the state of business in trade, increasing sales volume and retention of its market positions. Obviously, the success of entrepreneurial business in trade depends largely on the efficiency of its marketing communications. Essential for the product to reach the consumer is informing them of its existence and the benefits they will receive in the consumption thereof. The availability of information

leads to the formation of loyal customers. Furthermore, in order to retain or increase their sales entrepreneurs pursuing their activities in trade, it is necessary to invest in more interesting advertising campaigns and communications with customers (Anastasova, 2010, p.33).

The aim of the study is to examine the peculiarities of the communication activities of entrepreneurial business from the retail sector, to identify the main issues and make recommendations for their improvement.

2. Problem definition

Marketing is a process involving the exploration, forecasting and satisfaction of needs through the development, production, transportation and sale of the product and service (Melikyan, 2011, p.24). It is clear that the realization of marketing activities of the business in trade is inextricably linked to its communication policy. Moreover, the creation of an idea of a product that does not correspond to the real situation is a prerequisite for failure of the most well-developed marketing strategy (Kyurova, 2014, p.75). In this connection, the question arises about the essence of communication policy. In our opinion, communication policy is a set of deliberately planned and carried out activities aimed at targeting consumers' aspirations to a particular product. In support of this is the opinion of A. Katernyuk, according to whom the entity is required to perform a set of different types of activities in order to bring the information about the quality of the product to potential customers and stimulate their desire to purchase (Katernyuk, 2008, p.316).

Based on the fact that consumer behaviour is a major driving force in today's market, we can say that the market demands increase, which in turn necessitates the search for new opportunities for more fully satisfying consumer needs (Kyurova & Yaneva, 2012, p.58). In this regard, Yu. I. Smirnov stressed that the key rule for clients - orientated communications is to estimate the dominant needs of the client (Smirnov, 2013, p.145). In this the important objective of communication policy, according to E. Avdokushin is the motivation for buying the greatest possible quantity of products by way of transmitting the user specific information (Avdokushin, 2007, p.290). A.V. Sak and V.A. Zhuravlev defined as basic objectives of the communication policy of the business the formation in the target audience of a positive image of the company and its product, motivating consumers and middlemen to buy the products of the company and motivate other target audiences to cooperate with the company (Saк and Zhuravlev, 2010, p.210).

Given that advertising contributes significantly to the marketing of products is imperative "to establish by what means to influence the actual and potential partners and buyers to expand the interest and purchases" (Mencheva, 2003). The division of communications tools within the promotional mix helps companies to describe which will be most useful in achieving particular marketing objectives (Mullin, 2008, p.37).

Essential for effective marketing activities of businesses in trade, to increase demand for products and expand market position are the means which this business can use to inform consumers about the products, their properties and acquisition conditions. In this respect in the scientific literature are recommended various ways to attract customers and turn them into real buyers that could be used by businesses in trade presented in Table 1.

Author	Components of communication policy
Ph. Kotler	sales promotion, advertising, PR (public relations) sales team, direct marketing
A.V. Sak, V.A.Zhuravlev	advertising, personal selling, sales promotion, public relations, exhibitions and fairs, branding
I.M.Sinyaeva,S.V.Zemlyak, V.V.Sinyaev	public relations, advertising, sales promotion, personal selling, fair-exhibition activities, telemarketing, interactive marketing, packaging
I.M.Sinyaeva	direct marketing, sales promotion, personal selling, exhibition marketing, advertising, public relations, interactive marketing

A. V. Katernyuk	advertising, PR, sales promotion, direct marketing, personal sales, additional funds/collateral, advertising property
V. Blagoev	sales promotion, PR, advertising, personal selling, advertising mail, direct marketing, participation in events on the company performance and goods, outdoor advertising, advertising on the Internet
L.Karakasheva, L.Mencheva, B. Markova	advertising, public relations, sales promotion, personal selling and sponsorship

Table 1. Systematization of components of communication policy

Source: Kotler, 2005, p. 21; Sak & Zhuravlev, 2010, p. 210; Sinyaeva, Zemlyak & Sinyaev, 2013, p. 92-93; Sinyaeva, Sinyaev & Maslova, 2011, p. 297; Katernyuk, 2008, p. 316-317; Blagoev, 1998, p.445; Karakasheva, Mencheva & Markova, 2001

Based on the opinions of the authors of the inherent components of the communication policy of a business presented in Table 1, we consider that the most appropriate tools for assessing the communication activities of enterprises in the field of marketing are advertising, public relations, personal selling, promotion sales.

3. Methodology

To reveal the specifics of the communication activities of entrepreneurial business trade sector a survey was conducted among 112 managers of enterprises on the territory of Bulgaria, dealing with trade business. The survey was conducted in March - July 2015.

For collecting information has been used the direct poll in which respondents themselves complete the questionnaire. For analysis and evaluation of results are used statistical methods and for their visual graphical presentation - EXCEL from Microsoft.

The questionnaire includes five blocks of issues related to corporate advertising, sales promotion, public relations, direct marketing and sponsorship.

4. Results and Discussion

Communication policy is an integral part of marketing. It is an essential element of the marketing mix aimed at establishing effective communication between the enterprise and its users. Essential role in the sustainable development of any business plays the development of its advertising activity.

In this respect, the survey results indicate that managers of small and medium-sized enterprises in trade do not pay enough attention to their communication policy. Under 7.0 percent of them take concrete action in this direction. In contrast, representatives of large companies in the sector systematically develop advertising strategies, plans and programs (91.1%). Most of them periodically collect process and summarize information about the status and trends of the market, analyse consumer behaviour and the effect of advertising impact, take concrete actions for the formation of preferences, maintain consumer demand, boost sales and influence public opinion.

The results of this survey show that respondents' commercial enterprises use all types of advertising according to the advertising channel. The most widely used is advertising in print media, electronic media and the Internet. Among them, the most commonly used tools are ad slots in newspapers and magazines, radio spots and announcements, TV commercials, websites and banners on the Internet. However, it can be said that the media are underused as an important source of informing and persuading consumers. Respondents indicate that they do not carry out a television advertising on national television channels (0.9%) and use mainly regional television. 15.2% of respondents use the radio as an opportunity to send messages to users. It was found that 28.4% of the managers of the enterprises in commerce advertise their products in the form of slots in newspapers, mostly in local newspapers and magazines.

At the same time it was found that a lower proportion of respondents (13.9%) use self-promotional tools - brochures, leaflets, flyers and more. Only 1.8% of respondents have printed thematic catalogues. Very few of commercial enterprises realize outdoor advertising (12.9%) through the use of posters on billboards and transport advertising (0.8%). 18.1% say they conduct telephone advertising.

It was found that the Internet is the most common means of advertising and sales promotion. The share of the respondents (61.7%) who deliberately disseminate information about their offered product through various web portals, blogs and social networks is high. Many of the respondents (65.5%) point out that they have developed their own website. They provide information to regular customers about the conditions of seasonal discounts, discounts, bonuses, payment options, recommendations and remarks. At the same time a significant proportion of respondents (39.7%) said they use direct mail as an active tool to boost sales as an opportunity for optimal targeting of messages to target groups of users.
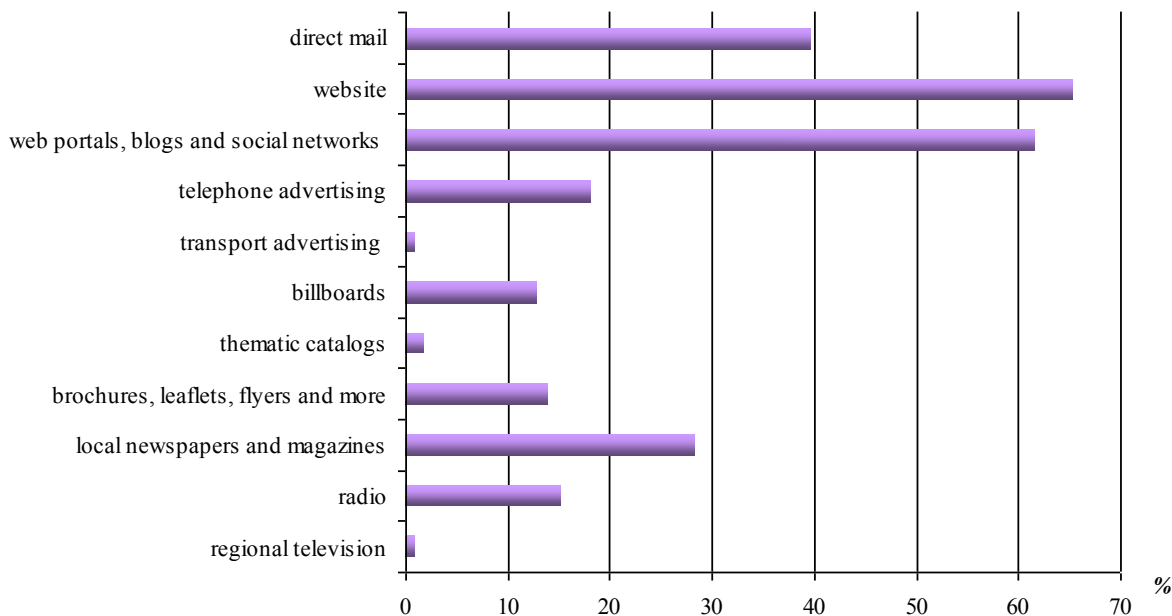
Figure 1. Advertising channels used by commercial enterprises
Source: authors' inquiry survey
Note: The answers exceed 100% because the respondents gave more than one answer

Ignoring advertising can lead to serious problems in implementing the marketing policy of the enterprise.

As regards the advertising budget it was found that the company management of most surveyed companies do not plan their advertising budget. Moreover - they are not aware of what funds will be needed in order to implement an effective advertising campaign. The survey results show that 73.1 percent of respondents fix a specific amount that think they will cover their needs for advertising. In most cases these are residual funds of the total marketing budget. It became obvious that for advertising 16.1% of respondents use a fixed percent that is part of the sales, while 4.1% of them allocate resources as a permanent part of the unit cost. A key point is that only 1.6% of the surveyed businesses have updated their advertising budget in the past two years, which is indicative of ineffective planning of advertising costs for businesses in this sector.

From the results it is apparent that all managers of commercial companies do advertise the goods and brand. However, in 17.7% the subject of advertising is the company itself. Low is the share of respondents - 14.1%, impacting on consumers using the combined advertising. We can conclude that the marketing department focuses primarily on individual products and brands not bind them with company name, activity, style, image and so on.

The survey results reveal that a significant proportion of respondents are not sufficiently aware of the needs and demands of users in their chosen segment. Confirmation of this statement is the fact that a significant proportion of respondents (61.9%) do not conduct market segmentation. It is noteworthy that the respondents engaged in this activity, predominate - 36.6 percent direct their advertising to specific target

group, and 2.5% - to individual recipients.

The data in Figure 2 shows that respondents advertise in the following cases: when entering a new market (87.3%), for the presentation of a new product or service (94.1%), for informing users about changes in the characteristics or application of goods (62.1%). A small portion of respondents aim at permanently maintaining the interest in the company and the brand (13.4%) or overcoming negative preconceptions about goods (5.7%). Less than 1% of respondents mentioned that they use advertising in an effort to extend the lifecycle of their product.
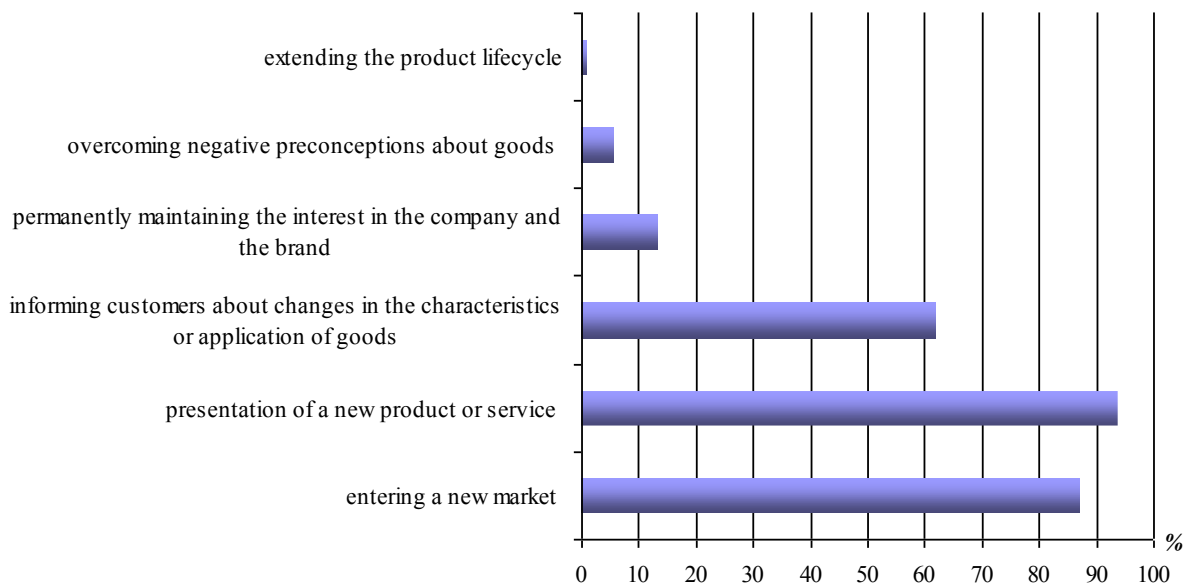
Figure 2. Reasons for advertising
Source: authors' inquiry survey
Note: The answers exceed 100% because the respondents gave more than one answer

A key factor for the formation of a successful communication policy is the effective organization of public opinion. It turns out that only large commercial companies have their own PR specialist or use the services of a PR agency. Nearly one-fifth of SMEs do not take any action to influence the public. For all those, however, who carry out such activities, the activity is entirely in the hands of senior management. Obviously, the role of the PR whose primary objective is to maintain a positive internal and external image of the company is not sufficiently understood. In this regard, some authors (Barney, 1991, p. 99-120; Van Riel, Cees & Balmer, 1997, p. 340-355; Vella & Melewar, 2008, p. 3-34) stress that corporate image (internal and external) is an intangible asset, adding more value to the enterprise and this value is reflected in its ability to raise directly or indirectly its competitiveness.

The survey results indicate that the majority of the managers of the enterprises in the commercial sphere still do not realize the need for planning, organizing and competently managing its communication policy. It was found that only 3.4 percent of respondents organize campaigns to maintain public relations. The most commonly used means of individual impacts are corporate gifts, cocktails and thank-you letters (71.4%). The main drawback is the lack of PR events for mass effect, i.e. lack of periodic newsletter about the products, radio and television appearances, competitions, conferences and so on.

An important question for any business is to establish links with potential partners and customers, as well as strengthen existing ones. Good opportunity in this regard provides participation in various events such as exhibitions, fairs, forums, markets and more. The survey data reveals that only 19.3% of respondents have participated in similar events.

It is noteworthy that all commercial enterprises take concrete measures to promote sales, including: price rebates (100%); credit sales (21.4%); lotteries, competitions and quizzes (43.2%); aftersales (19.3%); free samples (33.4%).

With the development of modern marketing concept theory, personal contact and interaction with consumers are becoming very important. Moreover, personal communications with users contribute most significantly to the success of sales (Madgerova, 2004, p.69). It was found that 24.3% of commercial enterprises implement their products through direct sales (Fig. 3). A significant drawback, however, is the insufficient training of sellers and middlemen, which could have a negative impact on potential buyers.
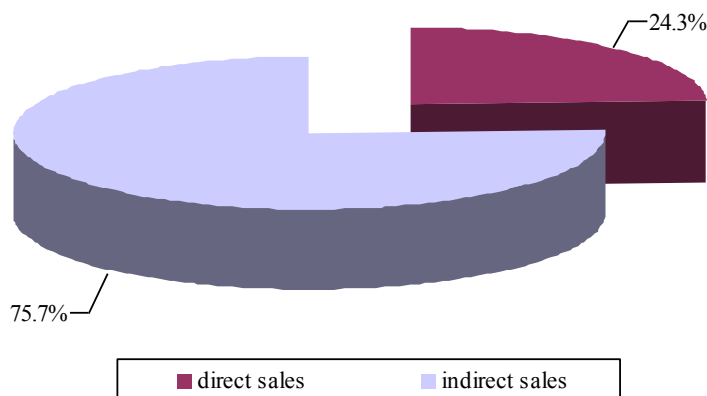
Figure 3. Distribution of the realization of products through direct sales
Source: authors' inquiry survey

The analysis of results shows that 6.3% of respondents promote their company or brand through sponsorship activities - primarily through sporting events, concerts and shows.

The analysis of the survey results shows that it is imperative to significantly improve overall communications business activity in trade. In this connection R. Madgerova indicates that an important condition for the effectiveness of entrepreneurial activity is the created product to be brought to its users, which is why important are management decisions related to its advertising (Madgerova, 2004, p. 66).

It was found that the most common mistakes of trade business is the lack of in-depth studies on specific needs and requirements of users. In order to realize greater sales volume this business directs its advertising message to the general public, rather than to users of a particular target segment. Moreover, they are not familiar with the level of knowledge of their proposed product, the reputation of the brand and the image of their company.

They seek the effect of the psychological impact and the conviction of customers to buy, without binding advertising with general corporate purposes.

The majority of businesses in trade use introductory advertising. It is apparent that at the stage of development and maturity of the product insufficient attention is paid to promotional events. It is necessary to strengthen the support reminder advertising, by consolidating the advantages of the company, the brand and the product in the minds of customers, which will contribute to the preservation and expansion of its market positions and repel competitors.

Our observations reveal that businesses in trade should imperatively use traditional forms of advertising such as media and publishing catalogues, brochures, etc. This in turn is a precondition to better informing of consumers about the merits of the product and persuasion for purchase.

Still business in the field of trade is not fully aware of the role of PR for the overall successful development of this business, including the increasing of its competitive advantages.

5. Conclusions

In today's dynamic business environment characterized by intensified competition, communication policy can be seen as a key factor for sustainable business development in the field of trade. Knowing the nature of the communication policy is a prerequisite for good organization and achieving high efficiency of marketing activity.

Effective communication policy contributes significantly to the creation and implementation of high-quality products, to increased consumer awareness and to achieving better economic performance of business in the field of trade. The communication policy of the business in trade has decisive influence over its productivity. Especially important to the prosperity of business in trade is to develop a communication policy based on thorough research, analysis and assessment of market demand, opportunities to meet the needs of customers and their behaviour and of current plans and strategies of communication. Likewise, the creation of an idea of offered product corresponding to the actual state is a prerequisite for the success of this business in the long term.

Better use of the full range of advertising funds of the communication mix is a prerequisite for the presentation of comprehensive information on the product range of these   enterprises and of influence of consumers both at home and abroad.

References

ANASTASOVA, L. 2010. *Predizvikatelstva pred savremennia marketing: izvodi za balgarskite firmi v usloviata na zasilena globalna konkurentsia*, Ikonomicheski alternativi, 2, Sofia.

AVDOKUSHIN, E. F. 2007. *Marкeting v mezhdunarodnom biznese*, Dashkov & K, Moskva.

BARNEY, J. B. 1991. *Firm Resources and Sustained Competitive Advantage*. Journal of Management, 17.

BLAGOEV, V. 1998. *Marketing: printsipi, segmentirane, analizi, strategii, marketing miks*. VEKKO LTD, Sofia.

BOGDANSKA, D. 2013. *Communications within company environment*, International scientific and practical conference " Theoretical and practical aspect of modern science and ducation development, Bishkek, Kyrgyzstan.

FILIPOVA, M. 2015. *Firmena kultura i liderski sti*l, South-West University "Neofit Rilski", Blagoevgrad.

JUST, N. & RUPPIS M. 2012. *Trends in Communication Policy Research: New Theories, Methods and Subjects*, Intellect Books, Bristol, UK, Chicago, USA.

KARAKASHEVA, L., MENCHEVA, L. & MARKOVA, B. 2001. *Marketing,* Prizma, Sofia.

KATERNYUK, A. V. 2008. *Osnovi sovremennogo marketinga*, Feniks, Rostov-na-Donu.

KOTLER, P. 2005. *Upravlenie na marketinga*, Klasika & Stil, Sofia.

KYUROVA, V. 2014. *Marketing v predpriemacheskata deynost*, South-West University "Neofit Rilski", Blagoevgrad.

KYUROVA, V. & YANEVA D. 2012. *Human resources – a tool for effective marketing policy of tourism enterprises*. Economics & Management, 8/4.

MADGEROVA, R. 2004. *Predpriemachestvo I malak biznes v turizma (osobenosti, problem, reshenia)*. Intelekt A, Blagoevgrad.

MELIKYAN, O.M. 2011. *Povedenie potrebitelei*, Dashkov & K, Moskva.

MENCHEVA, L. 2003. *Reklamna politika,* NBU, Sofia.

MULLIN, R. & CUMMINS J. 2008. *Sales Promotion: How to Create, Implement & Integrate Campaign that Really Work*, Kogan Page Publishers, Business & Economics.

SAK, A. V. & ZHURAVLEV, V. A. 2010. *Optimizatsia marketingovih resheniy*, Grevtsova, Minsk.

SINYAEVA I.M., SINYAEV V.V. & MASLOVA V.M.. 2011.*Upravlenie marketingom*, VU, Moskva.

SINYAEVA I.M., ZEMLYAK S.V. & SINYAEV V.V.. 2013. *Marketing v predpriematelskoi deyatelnosti,* Dashkov & K, Moskva.

SMIRNOV, YU. I. 2013. *Klientoorientirovannost kak sposob poluchenia dopolnitelnoi pribili,* FLINTA, Mosкva.

VAN RIEL, CEES B.M. & BALMER, J. M. T. 1997. *Corporate Identity: The Concept, Its Measurement and Management*. European Journal of Marketing, 31 5/6.

VELLA, K. J. & MELEWAR T. C. 2008. *Explicating the Relationship between Identity and Culture. A multi-perspective conceptual model*. In: Melewar, T. C. (ed.) Facets of Corporate Identity, Communication and Reputation. Routledge, NY.

USHEVA, M. 2014. *Kommunikativnih menedzhment sovremennogo menedzhera – rukovoditelia organizatsii*, Kachestvo zhizni v XXI veke: tendentsii, problemi, perspektivi.

Influence of customer relationship management in optometric practice

Polixenia Aurora Parescura
Bucharest University of Economic Studies
polixeniaparescura@yahoo.com

Abstract

Faced both with the current context of the vision care services' market (high qualification of eye care practitioners, specific technologies for eye examination, highly-customized optical equipment) and the social trends (consumers' behavioural change, demographic growth and population aging, increase in the rate of technological change, etc.), the eye care providers seek to adapt their methods in approaching and communicating with their clients through specific marketing techniques. In order to reach their medium and long term sales targets, as well as achieve a constant profit level, the retail players in the eye care services field need not only to generate the immediate satisfaction of the client but to develop and maintain long relations, based on reliability, stability and added value.

This is a line of business well-known for the co-producer role of the customers, whether referring to the optometric-ophthalmologic prescription or to frames or sunglasses selection or choosing the contact lenses – all these forming several complex linked processes resulting in a highly customized equipment: the individual optical equipment (IOE). In this context, the adoption of the customer relationship management (CRM) principles particularly targets the customer retention strategy, making use of informational platforms able to ensure continuous, flexible and efficient interactions with all the customers of the organization, in all stages of contact. The importance of the CRM is emphasized also by the fact that the cost of acquiring a new customer is five to ten times higher than maintaining an existing one.

This paper attempts to identify the factors determining a long-term relationship on a vision care services' market which uses direct marketing techniques, one-to-one or relational, offering a relevant competitive advantage for the consumer: the successful management of the eyesight capital. Thus, CRM becomes an essential tool for a sustainable business growth in a highly competitive climate, difficult to anticipate.

Keywords: customer relationship management (CRM), customer loyalty, individual optical equipment (IOE), eye care services, CRM software.

JEL classification: 31.

1.   Introduction

The World Health Organisation (WHO) has outlined since 1986 that health is much more important to be left only in the hands of the practitioners from the medical field; health education and the elaboration of health policies should be considered by the appropriate government institutions as priorities at individual, community and national level. Therefore, in today's conditions, the eye health matter needs a multi-sectoral approach involving both government organizations and specialized professional associations – ophthalmologic research or educational institutions, ophthalmologic centres or clinics, optical and optometry providers, as well as humanitarian associations (SNSPMS, 2006). Taking into account that a healthy eyesight is based in part on the periodical examination of the visual acuity, and the fact that "the corrective eyeglasses represent the most predominant tool for correcting visual impairment" (Acuité, 2016), this paper will seek to emphasize that an efficient implementation of the CRM principles can lead to both an improvement of the quality of life of the IOE wearers, as well as an increase in the loyalty of the eye care services consumers and, therefore, turning into a successful business as a specialized visual care store or ophthalmologic centre.

No.	Statistical parameter	Unit value	Value	UM	Observations
1	Romanian population on 1st of January 2015 (INSEE, 2015)		19,800,000	persons	
2	Need for visual correction		11,880,000	persons	1st position x 60%
3	Population wearing visual corrective devices		**8,316,000**	persons	2nd position x 70%
4	Sunglasses users		5,000,000	persons	estimated
5	Contact lenses users/ Refractive surgery		166,320	persons	3rd position x 2%
6	Corrective glasses users		8,149,680	persons	3rd position x 98%
7	Ready-to-wear corrective glasses users		1,222,452	persons	6th position x 15%
8	Made-to-measure corrective glasses users		6,927,228	persons	6th position x 85%
9	Renewal rate of corrective glasses		4	years	
10	Estimated value of corrective lenses for glasses market (annual turnover - excluding the ready-to-wear glasses)		3,463,614	pieces	(8th position/4 years) x 2
11	Estimated value of eyewear frames market (annual turnover)		1,731,807	pieces	8th position/4 years
12	Estimated value of sunwear (annual turnover)		1,250,000	pieces	4th position/4 years
13	Corrective lenses market (annual estimation)	23 Euro/piece	79,663,122	Euro/Lenses	23€ x 10th position
14	Corrective eyewear frames market (annual estimation)	20 Euro/piece	34,636,140	Euro/Frames	20€ x 11th position
15	Sunwear market (annual estimation)	10 Euro/piece	12,500,000	Euro/Sunglasses	10€ x 12th position
16	Contact lenses market (annual estimation)	120 Euro/set	19,200,000	Euro/Contact Lenses	120€ x 160,000 persons
17	Total value of eye care devices in Romania (annual estimation)		**145,999,262**	Euro	

Table 1. Romanian population with refractive problems and the volume of the optical market in Romania
Source: Romanian Association of Optical Business Owners, 2015

As a result, the need to raise the awareness of the population in the importance of the eye health and the increase of the individual responsibility in an efficient management of the eyesight capital throughout the entire life become essential to our endeavour.

For an optical and optometry services provider, focused on the increase of his/her business profit, the active role of the CRM implementation is best described by a responsible behaviour towards the visual care offered to his/her clients. According to Kotler (2004), the satisfaction is measured through the pleasure or disappointment felt by the individual when comparing his perception to the performance of the purchased brand. On one hand, the *respect* proved *by the services provider* represents a differentiation factor and determines the customers' satisfaction degree. For example, even on a mature market, the customers' relationship can be improved on one of the most basic methods: the follow-up call after a sale offering assistance and measuring the customer satisfaction. An online survey published at the end of February 2015 and carried out by GfK in five European countries – the UK, Germany, France, Italy and Spain – on a sample of 6,029 respondents, aged over 16, revealed that the satisfaction level of more than 40% of the customers was below the expectations because the opticians failed to question them a few days or weeks after the purchase to ensure that they are satisfied with what they bought (Eyewear Intelligence, 2015).

On the other hand, there is the *respect* reflected in *the wearer*'s care for his/her own health, best illustrated by an increased rate of renewal of the IOE. The average renewal rate for corrective eyeglasses (corrective eyeglasses average life cycle) is 4 years in Romania (the 9th position in *Table 1*), situating our country under the European average calculated to 2.5 years. (WMido.com, 2015).

In conclusion, the eye health statistics and behaviour and a good CRM practice are interrelated and therefore, they shall be equally analysed in this paper which shall be structured as follows:

Chapter 2 will emphasise the relevance of the literature chosen as statistical and theoretical reference to our study.

Chapter 3 will present the methodology used for our analysis of the influence of the CRM in optometric practice.

Chapter 4 will analyse the data obtained and, finally, Chapter 5 will present the conclusions to our findings and further recommendations.

2. Literature review

The references used to document this paper were selected to support both the presentation of the theoretical concepts mentioned throughout this study (relationship marketing, CRM, customer loyalty, satisfaction level, perceived value, etc.), as well as to clarify specific elements from the eye care sector and its players' role.

It is important to specify here that there is no specialized literature in Romanian on the chosen topic, the only scientific papers covering the optical-optometric subject being obtained as a courtesy from Mrs. Mihaela Baritz, University Professor PhD at Faculty of Product Design and Environment within Transilvania University from Brasov.

For updated statistical data and the elaboration of more comprehensive conclusions regarding the implementation of the CRM techniques in the above-mentioned field, both the *collection* of data from the territory and the *analysis* of the current data to be published by the Centre for Information and Statistic in the Optical and Ophthalmological Field (CISOOF) would be necessary. As concerns the first aspect (the *collection*), the e-CRM platforms are still too expensive to be acquired at national level and there is only a small number of private ophthalmological centre able to implement and manage such a software – approximately 15 – 17 companies have succeeded in acquiring the Appsmart Ophthalmology EMR Solution over the last three years. In terms of the *analysis*, the data from CISOOF shall be published at the end of June 2016 (to be accessed at: http://cisooromania.wix.com/snoo2016) and they shall comprise a summary of the results of the first survey ever conducted in Romania and seeking to increase the performance of the managers from the primary eye care field.

3. Methodology

As we established in a previous chapter, the eyesight health is very important for a long and productive life and the CRM practice is equally important in developing a successful business satisfying both consumers and contributing to their health and business owners.

Therefore, we will describe in short terms what the eyesight means for all of us and the importance of maintaining it healthy throughout our entire life, we will use statistical data regarding the eye health of the global population and the impact of the current life style on our eye health, and also information regarding the optometric and ophthalmologic market.

Also, we will give a basic description of the CRM system and principles and its implementation in our specific field, the optometric practice.

We`ll use information obtained from studies and surveys conducted by health associations and institutions, articles from optometric newspapers and magazines, references from specialty books both in the optometric and CRM field.

4. Data analysis & Findings
4.1. The visual health
4.1.1. The importance of the eyesight

The eyesight represents a vital sense for our orientation in space, being a long term ally in our integration to the environment. For any individual, the importance of the eyesight is essential in the development of the entire body and the acquiring of the adaptation skills – over 83% of what we know comes from eyesight (Golu, 1985, apud Creţu Tinca, 2009). The eyes comprise more than 2 million component parts, ranking as second among the most complex organs of the human body, the first place being occupied by the brain. The primary function of the ophthalmologic system is the eyesight, considered the most important and, therefore, the most useful human sense. The eyesight is polyvalent, being at the same time a *means of integration* of the human body into the environment, and a finite and non-renewable ability.

4.1.2. Visual care – a major public health problem

In the current socio-economical context, the quality of the eyesight and the visual health have

become factors of major interest for their implications at both individual and global level. A recent study published in the Ophthalmology magazine (Daien, 2016) reveals the fact that the myopia will become a public health problem, with the risk that, in 2050, five billion persons being affected by it, meaning half of the worldwide population. Comparing to the beginning of the 3rd millennium, the loss of the eyesight caused by myopia will be seven times higher in 2050, this disease becoming the main cause for permanent blindness at global level (Bretan, 2016).

The importance of the eyesight is emphasised not only by the increase of the number of people with abnormal refractive condition and the aging of the population at global level – in 2050, one of five persons will be 60 years old (Popa, 2016); correlated with the proliferation of visual displays emitting blue light (also known as high energy visible light) – PC monitors, LED screens, mobile terminals, etc. (Enache, 2014), but also the low vision or the failure to correct the refractive error. From the information provided by the Vision Impact Institute from Dallas, the annual economic worldwide loss due to visual impairment is of 243 billion Euros. Annually, Germany loses approximately 4.38 billion Euros; Japan loses 6.13 billion Euros, while USA loses 19.26 billion Euros (Smith et al, 2015).

4.1.3. The volume of visual corrective devices on the global eyewear market

According to a study elaborated by Exane BNP Paribas (Mellery-Pratt, 2015), the size of the global eyewear market, comprising *visual corrective devices* – i.e. corrective frames, sunglasses and contact lenses – is totalling approximately 90 billion US dollars. Until 2020, it is estimated that this market will grow with more than 55%, to app. 140 billion US dollars. In 2015, the frames and the sunglasses represented 36 billion US dollars, almost 40% of global eyewear market in visual corrective products.

4.1.4. The corrective eyeglasses – the most predominant tool for correcting visual impairment

As optometric and optical services are concerned, the offer covers two categories of products: *ready-to-wear articles* (plano sunglasses, contact lenses and accessories) and *made-to-measure products* (the corrective glasses made according to the ophthalmologic prescription).

An article published on Acuité.fr portal (2016) and based on a study conducted by GfK Institute, on the demand of Club Inter-Optiques, shows that the French optical services market reaches annually 6,680 million Euros, being dominated by the sales of corrective ophthalmic lenses (60.9%), followed by the spectacles frames (25.3%), the two components forming the so-called *Individual Optical Equipment (IOE)* or the pair of eyeglasses, totalling approximately 86% of the turnover. The statistic also outlines the dominant role of the corrective eyeglasses among the entirety of the means for visual correction. In conclusion, in the primary eye care sector, a large part of the optical and optometric services result in the execution of a made-to-measure personal object, the corrective eyeglasses encompassing the entire process of personalised examination and consulting.

Taking into account the relational grounds as subject for our paper, it has to be outlined here that the eyeglasses play an important *socio-relational* role, their mission being ensured by the stable *relation* between the frames structure and the optical system they support. Moreover, the choice of eyeglasses is based on complex selection criteria – medical, esthetical, psychological, emotional and social – thus the eyeglasses acquiring multiple roles. Strictly *functional*, they correct defects of sight; *anatomically,* they improve facial traits; *psychologically,* they emit stimuli and express feelings; *socially,* they define and introduce a certain social standing.

4.1.5. Particularities of the visual care services (optical and optometric)

Optometry deals with the examination of the visual system and the integration of the individual in the social environment, having at the same time a *preventive* and *curative* role. The optometrist should be able to prescribe to each patient the appropriate IOE that would suit and solve his/her visual needs. According to a study conducted in the five most important European countries (Wmido, 2014), the optometrist or optician is perceived as the "eye care professional", his role being essential in disseminating the information regarding the primary eye care, the configuration, adjustment and maintenance of the IOE

following the ophthalmologic prescription. The way in which the visual care *services* are carried out, based on an optical aid device, is closely correlated to the unforgettable experiences that these interactions generate during the direct communication with the customer.

The *three services* delivered by most of the optical and optometric centres are: *examination* of the visual acuity, *fitting* and *maintenance* of the IOE. These services emphasise the *three essential roles* of the optical services consumer, i.e. the *consumer-patient* (active during the visual assessment and the examination of the visual acuity), the *consumer-co-producer* (active during the configuration and the selection of the future IOE) and the *consumer-wearer* (active during the wearing of the actual IOE).

The consumers are *active co-producers* of the IOE (Cetină, 2009) because they participate directly in the selection and the configuration of the proper device (corrective glasses or contact lenses) according to their specific *visual* parameters (refractive error and visual behaviour), *anatomical* parameters (various physiognomies), *psychological* parameters (personality, life style, individual drives, etc.) and specific *conditions of use.*

It is important to state here that the long period of economic recession started in 2008 led to a more pragmatic and cost-efficient approach from our customers. They became more sophisticated and informed, seeking services with high added value, as well as personal objects – corrective eyeglasses or plano sunglasses – which satisfy rather the functional aspect than the emotional or simply, the esthetical aspects (B2Eyes Magazine, 2014).

4.2. The customer relationship management – a component of relationship marketing
4.2.1. Approaches of relationship marketing

According to Bruhn (2009), the relationship marketing is based on the quality of the customer-provider relationship, a variable influenced directly by the customer's satisfaction, commitment and trust in the company, and indirectly by the value perceived (in our case, the satisfaction is considered an intermediary variable), further determining the commitment.

The relationship marketing comprises those marketing activities which target the customer's loyalty by offering added value to all parties involved in the exchange (Țichindelean, 2014). It collects the data and information needed for the understanding of the consumers' needs and in order to create with their help a certain value. The achievement of this goal comprises the functional integration of the marketing persons, operations and processes, an integration which can be determined by information, technology and computer programmes (Țichindelean, 2014).

Conceptually, the relationship marketing is based on the following complementary theoretical approaches: the *behavioural,* the *networking* and the *managerial* perspectives (Pop, 2006).

The *behavioural* approach deals with building and developing long-term relationships between the company and all its stakeholders – resource providers (financial, material and human resources), consumers, employees, public or private organisations – generating trust and preference towards the company, its products, services, brands and image. The preference encompasses various stages such as business partners' retention and loyalty through behaviour that generates mutual benefits.

From the *networking perspective,* the company's connections with the providers and the beneficiaries work within the network, focusing on the interactive aspect of the specific marketing relationships. Based on the informational systems collecting data from the economical activity and analysing databases, the decision factors can evaluate the relationships' level and the interactions between the organisation and its business partners.

The *managerial* approach comprises the complex perspective of the top management in adopting an internal marketing policy having as effect the development of long term relationships with the other players on the market and resulting in a managerial vision oriented towards partnership and collaboration with the customers (Pop, 2006).

4.2.2. The Customer Relationship Management (CRM) – conceptual aspects

CRM deals with managing the company's strategies in customer relationships, making use of the informational technology. Unlike it, the relationship marketing targets the strategic management with all categories of important stakeholders – including the customers – of the company (Bălan, 2007). The

strategic nature of CRM means developing and maintaining long-term and mutually beneficial relationships with the strategic customers of the company. It is relevant and profitable for the organisation only to the extent of contributing to the achievement of the organisation's goals, generating value both for the customer and the organisation.

CRM is a *business strategy* based on the data obtained through the informational technology, its results optimising the organisation's profitability and incomes, and the customer satisfaction, by organising the databases focused on categories of users, stimulating the behaviours which satisfy their needs and favouring the implementation of the processes generating superior experiences in all contact stages with consumers.

According to the experience economy principles developed by Pine and Gilmore (2010), the experience represents a new stage in the economic offer, superior to goods, products and services. It is a business vision which brings to the brand-consumer relationship an element of sensational, memorable, the company searching more and more creative methods involving the customer in making the service unique and unforgettable (Pine and Gilmore, 2010).

Figure 1 emphasises the transformation of the goods in activities based on the progression of economic value theory, illustrating the direct proportional relationship between the perception of the relevance of the service, the quality of the service delivered under staged conditions and the competitive differentiation level. In this train of thoughts, it is important to outline that all optical devices are objects generating experiences, the optical or optometric services providers being given the chance to transform the visual examination session into an event staged especially for the customer.

The informational technology contributes to the elaboration and the implementation of the strategies able to achieve the organisation's goals regarding *maintaining* the customer relationships and *developing* their loyalty. At the same time, the CRM solutions aid in measuring the performances and the results of the relationship marketing strategies and programmes.
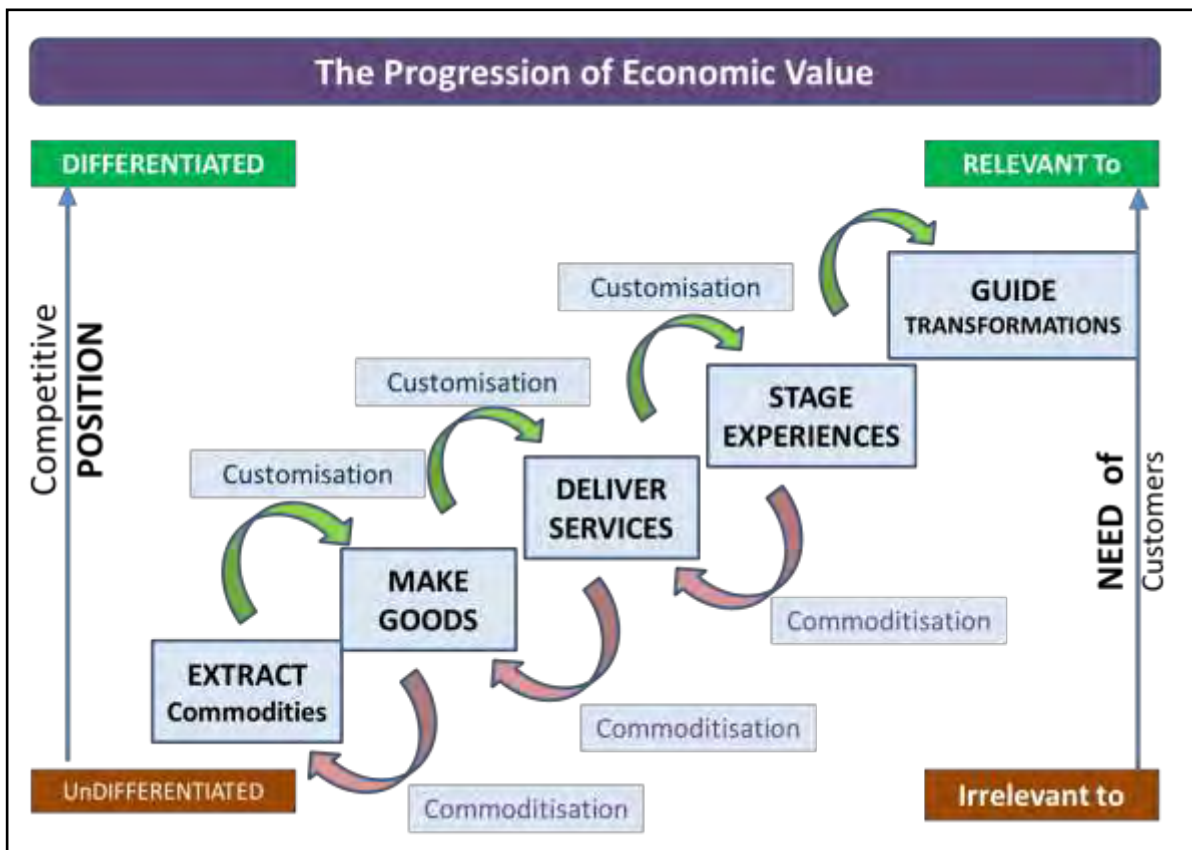

Figure 1. The progression of economic value
Source: Pine B. Joseph, Gilmore H. James, 2010. *The Experience Economy*, page 311.

The elaboration and the implementation of the strategies for increasing customer loyalty and developing a provider profile suitable to the organisation have as major goal the creation of value for both partners of that relationship, the provider and respectively the customer. In order for the value to be acknowledged and adopted by the customer, the organisation must provide it with enough significance and relevance (Bălan, 2007).

4.3. The customer relationship management in the optometric practice

The marketing specialists approach CRM from three perspectives: strategic, operational and analytical.

4.3.1. The strategic perspective

The organisation's goals can be achieved by cumulating the CRM strategies starting from the information regarding consumers' needs, together with the creation of products and services different from those of the competition, and following the principles of total quality management.

Among the specific strategies in the optical and optometric field there are:

a. *Customised-sales* strategies for *existent* customers, as IOE wearers making *recurrent purchases.* From this point of view, the *direct marketing,* as well as the *one-to-one* marketing are useful tools for the implementation of such a strategy. During the personalised sale, the customer experiences and lives new situations under the guidance of the optician-optometrist. Whether we refer to the sensorial component, the emotional one or the social aspect, the delivery of unforgettable experiences represent a challenge for any eye care professional. The interactions between opticians, optometrists or ophthalmologists and their customers are based on the relational capital and are considered sources of experience and success factors in gaining the loyalty of the latter.

The corrective eyeglasses integrate perfectly the customised sales model, their execution being based on the precision of the optometric measurements and their correct transposition into the optical appliance. The parameters of the optical system which compose the IOE reflect a strong adaptation to the visual needs of the customer, taking into account *anatomical* elements (the oculomotor balance, the inter-pupillary distance, the physiognomic dimensions), the structural characteristics of the chosen *frame* (the height of the rims, the pantoscopic tilt, the vertex distance, the length of the temples, etc.), and the *behavioural* variables specific to each individual (posture, eyesight dynamic, etc.).

Most of the optical and optometric stores offer a range of products with similar characteristics. Here, the difference can be made by adding maximum value to *direct communication* with the IOE wearers, either by an efficient management of the database and by sending promotional offers, or using any element which impacts directly on the *sensorial* comfort of the customer (visual/thermal/auditive environment, furniture, personnel outfit, advertising elements, etc.). In other words, *the customisation of the made-to-measure device* is part of the marketing communication strategy, the personalised nature of the eye care services being reflected into the messages towards the target audience.

b. The strategy to *increase the traffic at sales points* functions perfectly for the stores provided with an optometric or ophthalmologic centre. They offer the ideal place for both *a visual assessment* and the customised configuration of an IOE. The direct contact with the customer and the one-to-one dialogue, the clinical visual assessment, the trying and fitting of the optical device represent the strengths of the traditional optical store. And the element reinforcing the stability of such a business is exactly the professional and personalised nature of a consultative sale specific to this store or the traditional optical and optometric centre. It is perceived as both a place where the customer can receive personalised services, specialised information, a dissemination and education centre, and as a place for presenting, promoting unique products which can be tried, fitted and purchased. Today, the online environment offers us a large range of spectacles frames, plano sunglasses or contact lenses which can be subsequently purchased, but the configuration process of a *made-to-measure optical device* remains

the job of a highly qualified optician, known as an "eye care expert" (Wmido, 2015), working in a properly equipped space.

4.3.2. The operational perspective

The operational level deals with the *automation of the activities* regarding the interaction with the company's customers, not only by building a website but also by implementing software platforms or programmes meant to comprise all company's functions related to the management of the customers' data. The e-CRM software platforms implemented in the optical and optometric fields lead to a synchronisation of the activities from all the departments within the company, providing to the marketing personnel significant information to be used in the planning of the *sales and marketing* strategies. The most important effects of using an e-CRM system is the global increase in efficiency of all services delivered. The relevance of the message sent to the customer is amplified, the coherence is improved and the communication is more personal, all these actions impacting on the satisfaction level of the customers and creating memorable experiences.

The famous professor Philip Kotler (2004) outlines that, in projecting the database, the organisation's management makes decisions regarding the *type of information* to be collected and the way in which they will be obtained, the *maintenance* and the *updating* of the data, as well as their *use* in order to bring benefits both to the company and to the customers.

A well organised database, doubled by a complete history of the patient (including both services delivered and the purchase of optical devices), helps in calculating the *customer's life value*, allowing to the organisation to elaborate personalised marketing strategies. In conclusion, the techniques regarding the operational aspect of the CRM represent a capital to be used in order to increase the profitability of the company by individualising the approach to the customers and maintaining and developing long term relationships with them.

According to Total Soft, one of the most important software services providers in Romania, the main function of an e-CRM digital platform is the electronic recording and storing of the customers' data, which then can be easily accessed on the occasion of a new interaction or when planning a sales or marketing campaign (Charisma-CRM, 2016).

The information stored by an e-CRM system comprise the *contact details* of the customer (name, sex, age, date of birth, social security number, address, phone, e-mail, profession), based on which a *patient file* is generated. The file integrates both variables pertaining to the *medical profile* (refractive error, medical ocular history, appointments' dates, etc.) and the *commercial profile* (purchased products, history of invoices and payments, customer status, etc.). The system allows also the introduction of additional data related to the customer: found out about the company on a friend's recommendation or by searching online; comes from the urban/rural environment or data found on his/her social profile (for example, Facebook, Twitter, etc.).

Figure 2. Patient's file – interface of Appsmart Ophthalmology EMR Solution platform
Source: Appsmart Software Solutions, Bucharest

For example, *Figure 2* represents the interface "Patient's file", a computer module belonging to Appsmart Ophthalmology EMR Solution, a local platform developed by Appsmart Software Solutions. This module contains all essential elements of an integrated system for the patients of an ophthalmological clinic. The modules defined in the e-CRM platform – medical information, patients' data, scheduling of appointments, optical management and integration of equipments – facilitate the identification of the patient, the monitoring of the treatment, the elaboration of premium assistance programmes, the awarding of certain warranties or privileges, etc., thus contributing to the long term loyalty process, the consolidation of the organisation's image and the business development.

4.3.3. The analytical perspective

The data collected determines the customers' behaviour, the detailed analysis of the selection, purchase and use of the optical equipment, as well as the analysis of the appointments for the periodical examination of the visual acuity, representing key elements in the implementation of a customer focused e-CRM. Moreover, the *points of interaction with the client* must be also evaluated and analysed. They usually generate situations which attract the attention and the interest of the customer, encouraging him/her to get involved in the delivery of the service. The reference point is the *customisation of the relational strategies* based on the implementation of the e-CRM platform resulting in good services and customer's satisfaction.

The analysis of the information regarding the purchasing behaviour (the financial value allocated, the rate of renewal, the typology of the optical device, etc.) and the analysis of the diagnostic specific to each patient (refractive error, low vision caused by aging or internal diseases, ocular diseases related to solar exposure, excessive use of visualisation displays, exposure to professional risks, etc.) constitute essential elements for an ideal CRM (see *Table2*). The result is a series of actions focused towards the increase of the customer's satisfaction level in answering to his/her needs and the achievement of total quality.

Aspects	Characteristics
One-to-one marketing	Individual assistance for the customers
Brand	The brand as a distinctive sign for reliability
Customers' loyalty programme	The incentives determine further relationships
Establishing partnerships with supply chains	The supply chain is based on the partners' mutual trust
Permission marketing	Opt-in systems, communication with the clients, community
Complete information and personalised consulting	Transparency, recommendations, objectives

Table 2. – Aspects of an ideal CRM
Source: Urban, G. (2010), page 140

For an eye care professional, the elaboration of the offer must be adapted depending on the visual needs of the consumers, first taking into account the *segmentation* of the database by using all the information provided by existent customers.

4.3.4.   The market segmentation in the optical and optometric practice

The market segmentation can be defined as a classification of all distinctive elements, having as result the formation of sub-groups based on common characteristics (Holdford, page 231). The most usual segmentation criteria are: *demographic* (age, sex, occupation, education, income, etc.), *geographic* (country, region, urban/rural environment, etc.), *psychographic* (life style, personality, values) and *behavioural* (rate of purchase of certain goods and services, availability to try new products, loyalty to certain brands, etc.).

In the optical and optometric field, the customer segmentation can be achieved on the following specific criteria: *refractive error* (patients with myopia, hypermetropia, astigmatism, presbyopia, etc.), *typology of ophthalmic lenses* purchased (customers wearing spherical, cylindrical, progressive, bifocal lenses, etc.), the *optical equipment* selected (customers using sunglasses, corrective eyeglasses, contact lenses, etc.), *purchased brands* (sunglasses or contact lenses wearers repeating the purchase from the same brand) or *rate of repurchase* (wearers of contact lenses using daily maintenance solutions).

Following a close segmentation of the customers and knowing their particular needs, the organisation can transmit them the relevant information through their preferred media channel (phone, SMS, e-mail, direct marketing, social networking, etc.).

Glen Urban (2010) emphasises the fact that *permission marketing* offers to the customers the possibility of choosing the way in which to receive the information by accessing online the website of the company. The voluntary agreement of a customer to provide complete personal information means to the organisation a sign of trust. Used wisely, this information is very useful both to the company in elaborating a personalised offer and to the customer in reducing the searching time for the purchase of new products.

5.   Conclusion

CRM plays an essential role in the eye care sector whether we refer to the periodical *functional exploration* of the visual analyser (comprehensive eye health and vision examinations) or the configuration, selection and use of an IOE customised to specific visual needs. The first puts the customer in the role of *consumer-patient*, while the second needs the *consumer-co-producer* role. The common aspect of these two situations is the direct contact between the services provider and the beneficiary, the 100% *personalised* nature of the service being reflected both through the optometric prescription and the optical corrective individual equipment.

As a result, the main objective of any relationship marketing strategy in the eye care sector is *maintaining and stimulating the customers' interest* in a healthy eyesight and the *periodical recurrence of the vision examination* at the sales point. The eye care practitioners – optician, optometrist or ophthalmologist – will focus especially on an efficient and individualised management of the *eyesight capital* in order to improve the quality of life of their customers.

An important indicator of the interest for a continuous monitoring of the eye health is represented by the rate of renewal or the average life cycle of the IOE. According to OMO – Optical Monitor, a survey conducted by GfK in five of the most important European countries and published in September 2015 at the eyewear trade fair in Paris, the corrective eyeglasses are replaced after approximately 2.5 years (WMido, 2015). With an average rate of renewal of 4 years, our country is significantly behind most of the European Union countries, the reasons being both of financial and educational nature. For example, the average value of a pair of corrective eyeglasses (66 Euros = 23 x 2 + 20, see *Table 1, 13th and 14th positions*), including a standard examination of the visual acuity (10 Euros) reaches 76 Euros, a value perceived by the population as a significant investment in relation to their monthly income; the average net salary in Romania was 450 Euros according to INSSE in March 2016 (INSSE, 2016). Also, the Romanian population with visual impairment does not benefit from national public campaigns regarding the need of a periodical preventive assessment of the visual acuity.

On the other hand, Romania does not have a health insurance system able to cover part of the expenses generated by the visual impairment needs of the population. The only exception is met in the Ministry of Justice. Actually, the only category of people benefiting from insurance coverage for purchasing corrective lenses for corrective eyeglasses are the public servants with special status working in the National Prison Service. According to the Order 1297/C of 8th of April 2016 (Judicial Monitor, 2016), the maximum limit of the compensation comprises three levels – 110, 200 and 300 Euros, calculated based on the refractive errors (dioptres of up to ±4 or higher than ±4) and the correction prescribed by the ophthalmologist (monofocal or multifocal).

The continuous monitoring of their own customers, the permanent information of the existent and potential ones, as well as the increase in public awareness are three other reasons which support the implementation of the CRM software platforms in the activity of the Romanian eye care practitioners.

References

Acuite.fr, 2016. *GfK et Bien Vu dévoilent les chiffres du marché au club Inter-Optiques*. [online] Available at: http://goo.gl/kwbnb9 [Accessed on 17.06.2016]

B2Eyes Magazine, 2014. *Dal luxury addicted al digital oriented*. Study by GFK Retail & Technology. Milano: Fabiano Gruppo Editioriale. [online] Available at: https://goo.gl/jM2l1I from B2Eyes Magazine no. 2, pages 4-8. [Accessed on 08.03.2014]

BĂLAN, C. 2007. *Managementul relaţiilor cu clienţii: valenţe strategice, operaţionale şi analitice*. Marketing Online Magazine – Vol. 1, No. 3. Bucharest: Uranus.

BRETAN, L. 2016. *Jumătate din populaţia lumii va suferi de miopie în 2050*. Bucharest: Agerpres. [online] Available at: http://goo.gl/y09Wlp. [Accessed on 23.02.2016]

BRUHN, M. 2009. *Relationship marketing-Das Management von Kundenbeziehungen*. Munchen: Verlag Vahlen

CETINĂ, I. 2009. *Marketingul serviciilor*. Bucharest: Uranus.

Charisma-CRM, 2016. *Ce înseamnă un software CRM* [online] Available at: http://goo.gl/FajyYl. [Accessed on 21.05.2016]

DAIEN, V. 2016. *Crise mondiale de santé publique avec 7 fois plus de myopes en 50 ans*. [online] Available

at: http://goo.gl/s8a9jT. [Accessed on 23.02.2016]

DUMITRESCU, N., 2005. *Optometrie funcţională practică.* Bucharest: UPB.

ENACHE, B. 2014. *Lumina albastră emisă de telefonul mobil afectează vederea şi somnul* [online] Available at: http://goo.gl/uDh53N [Accessed on 18.06.2016]

Eyewear Intelligence, 2015. *Customers expect more from their optician. Vol. 16 - N° 6+7 - May 6, 2015.* Bry-sur-Marne: EDM Publications.

GOLU, P. 1985. *Învăţare şi dezvoltare.* Bucharest: Scientific and Encyclopaedic Publishing House cited in Cretu, T. 2009. "Psihologia varstelor",POLIROM, Bucharest.

HOLDFORD, D. 2012. *Marketing pentru farmacişti.* Bucharest: Humanitas.

INSSE, 2016. *Câştigul salarial mediu pe economie. Comunicat de presă 112/ 9 mai 2016.* [online] Available at: http://goo.gl/nqqJAh [Accessed on 18.06.2016].

KOTLER, P. 2004. *Marketing insights from A to Z: 80 concepts every manager needs to know.* Bucharest: Codecs

MELLERY-PRATT, R. 2015. *Sunglasses Shape Up.* London: Business of Fashion [online] Available at: http://goo.gl/9KknEB [Accessed on 10.07.2015].

Judicial Monitor, 2016. *Ordinul ministrului justitiei nr. 1.297/C din 8 aprilie 2016.* [online] Available at: http://goo.gl/dQDz9z [Accessed on 15.06.2016].

PINE, J. & GILMORE, J. 2010. *Economia experienţei.* Bucharest: Publica.

POP, N. A. 2006. *A new paradigm in contemporary marketing: relational marketing.* Management & Marketing no. 3/2006. [online] Available at: http://goo.gl/usyNkX [Accessed on 10.06.2016].

POPA, D. 2016. *Îmbătrânirea populaţiei se accentuează.* [online] Available at: http://goo.gl/A6rXZ8 [Accessed on 20.05.2016].

Romanian Association of Optical Business Owners, 2015. *Romanian population with refractive problems and the volume of the optical market in Romania,* [online] Available at: http://www.epf-fepi.com/en/p513db0c789674/romanian-association-of-building-owners.html, *[Accessed on 20.05.2016].*

SMITH, T.S.T., FRICK K.D., HOLDEN B.A., FRICKE, T.R. & NAIDOOC, K.S. 2015. *Potential lost productivity resulting from the global burden of uncorrected refractive error. Bulletin of World Health Organization 2009, 87: 431-437 (adjusted to 2015 population data).* Dallas (USA): Vision Impact Institute. [Article] Available at: http://visionimpactinstitute.org/ [Accessed on 10.05.2016].

Şcoala Naţională de Sănătate Publică şi Management Sanitar (SNSPMS), 2006. *Promovarea sănătăţii şi educaţie pentru sănătate,* Bucharest: Public H Press. [E-book] Available at: http://goo.gl/QZ2tk [Accessed on 21.05.2013].

ŢICHINDELEAN, M. 2014. *Marketing relaţional.* Bucharest: Pro Universitaria

Urban, G. 2010. *Cum să ne păstrăm clienţii.* Bucharest: All.

WMido.com, 2015. *Le tendenze del settore dell'ottica.* [online] Avalable at: http://goo.gl/TrxeR5 [Accessed on 08.10.2015].

Exploring the Traits of Marketing Strategy Approaches: The Latte Arborea Case Study

Moreno Frau
University of Cagliari
moreno.frau@unica.it
Francesca Cabiddu
University of Cagliari
fcabiddu@unica.it

Abstract

In the marketing literature there are three main approaches related to strategy: the outside-in, inside-out and mixed approach. Although many researchers have given their contributions to this field of research, there are no studies that fully identify and define the distinctive characteristics of these three perspectives. Moreover, there is a lack of empirical studies on firms marketing strategy approaches. For these reasons, this article has two different objectives: 1) identify and describe the main characteristics of the three approaches and hierarchically structure them in a theoretical framework; 2) provide an empirical qualitative contribution to the marketing strategy debate (Latte Arborea case study). In order to achieve the first objective, we used a conceptual matrix (Webster and Watson, 2002) to locate the most quoted characteristics by the literature. Then, we discarded the less frequently quoted characteristics and joined some other similar ones that can be used together. The result is a theoretical framework which shows the hierarchical relationship between characteristics and their affiliation to the three approaches. For the second objective, we used a qualitative in depth single case study (Yin 1994; Dubois & Gadde 2002). The firm we studied is Latte Arborea, which is a leading company in the dairy industry within the Sardinian market (Italy). Data were collected from three sources: semi-structured interviews, Latte Arborea' social media and website (Dubé and Paré 2003). All the transcriptions coming from the data sources were uploaded and coded using the tools of Nvivo10. We based the semi-structured interview protocol on our theoretical framework and through the answers of the interviewees and the other data sources, we were able to identify Latte Arborea's characteristics in developing its marketing strategies. The result of this research is a managerial diagnosis tool which allows firms to identify their marketing strategy approach and their eventual problems.

JEL classification: M31.

Keywords: outside-in, inside-out, mixed approach, marketing strategy approach, single case study.

1. Introduction

Over the last three decades, marketing scholars have been paying an increasing attention to the role played by marketing strategies in obtaining and maintaining long-lasting competitive advantages (Barney, 1991; Srivastava et al., 1998; Russell, 1999; Miller at al., 2002). In particular, these studies highlighted the critical importance of both the firms' external environment and their internal resources for marketing strategy development (Ulrich and Smallwood, 2007; Riezebos and van der Grinten, 2012). Strategy researchers can be divided into two schools of thought focusing on two opposite strategic approaches: the outside-in approach and the inside-out approach (Miller at al., 2002; Day, 2011). The first approach focuses on players from the firm external environment, such as: clients, competitors, suppliers, external stakeholders, etc. (Tracey et al., 2005) as well as external knowledge, technology and innovation (Carter et al., 2011; Saeed at al., 2015). According to this approach, firms use external originated inputs to tune their internal resources and capabilities in order to fit in with the external environment dynamics (Day, 2011). On the contrary, the inside-out approach focuses on internal firm-specific resources and capabilities (Barney, 1991; Miller et al, 2002). According to this perspective, the success of a firm is based on the ability to leverage and exploit its current internal resources and capabilities by means of inside-out processes. That is, firms use their valuable, scarce, inimitable, and non-substitutable resources to create opportunities and manage threats coming from the external environment (Barney, 1991). In recent times, these two schools of thought have been converging in order to overcome the limits of the single-taken approaches (Combs and Ketchen, 1999; Makadok, 2001; Barney, 2014; Day, 2013; Kozlenkova et al., 2014). The result is a new perspective that combines the advantages provided by the inside-out and outside-in approaches. This

new approach, proposed by several scholars, has been named mixed approach.

Although research on marketing strategy has provided a wealth of insights about the three different approaches (Miller at al., 2002; Day, 2011; Kozlenkova et al., 2014), almost no attention has been devoted to examining the characteristics needed to describe and classify marketing strategy approaches. Therefore, the first aim of this work is to fill this gap through the identification and definition of the distinctive characteristics of the three different approaches and hierarchically structure them in a theoretical framework.

Once we did this, we focused on the second objective of this research which is to provide an empirical qualitative contribution to the marketing strategy debate. So, we looked for a suitable company to test the previously defined characteristics. In order to do so, we used the Single Case Study methodology (Yin 1994; Dubois & Gadde, 2002) and we looked for a medium size company located in Sardinia (Italy) with at least a 5-year long activity and with a wide range of products. The choice fell on 3A, with particular attention to its top brand Latte Arborea. After taking contact with the firm's top management we arranged several interviews. Then, the collected data (semi-structured interviews, social networks and website contents) have been coded using the software Nvivo.

Summing up, this article is structured as follows: at the first paragraph we suggest a theoretical framework which hierarchically organizes the characteristics and sub-characteristics of the three different approaches. In the second paragraph, we describe the methodology used for the single case study and, consequently, there is the data analysis, followed by the discussion of our findings and the conclusion of our study.

2. Theoretical Framework

The first part of the previous section has briefly illustrated how marketing strategy approaches have evolved in recent decades. In line with the literature evolution, it is clear that companies which want to compete successfully must understand and be aware of their marketing strategy approach and adopt one of the three of them coherently with their context. In this section, we briefly describe the path we followed to develop the theoretical framework that can also be used by the firms as a diagnostic tool to analyse their marketing strategy approach. Therefore, in order to fulfil the first goal of our research, we needed to carefully analyse the literature related to the marketing strategy.

In this way, the first step of the literature analysis was selecting articles relevant to our research and its core topic, marketing strategy. We did this by searching the Scopus and ISI Web of Knowledge databases with the "outside-in", "inside-out" and "mixed approach" keywords. We obtained a base of 975 articles that has been further refined by limiting the research to the management, business, decision sciences and social sciences fields. The result was undergone to another selection based on the titles, keywords and abstracts of the articles themselves. By reading these, we decided whether the articles appeared to be concerned with, or relevant to, marketing strategy. This process provided 38 articles for in-depth review and coding, we added 12 more papers taken from the same articles references. Then, we obtained a final corpus of 50 articles covering a period going from 1978 to 2015.

From the 50 articles, we identified a first wide range of characteristics that can be associated with the marketing approaches. We matched the characteristics expressed by literature with the approaches. The criterion used to carry out the matching process was the coherence between characteristics and approaches' definition. Then, we used a conceptual matrix (Webster and Watson, 2002) to locate the most quoted characteristics by the literature. Finally, we discarded the less frequently quoted characteristics and joined some other similar ones that can be used together. The result is a theoretical framework (Table 1) which shows the hierarchical relationship between characteristics and their affiliation to the three approaches.

Mixed Approach																		
Outside-in											Inside-out							
Environmental monitoring					External stakeholder satisfaction	Market-based assets and capabilities	Demand pull and Open Innovation		Spanning Capabilities	Inter-firm cooperation	Internal efficiency			Resource endowment	Distinctive assets and capabilities	Internal stakeholder satisfaction	Technology Push	Internal knowledge
Client monitoring	Competitor monitoring	Supply chain monitoring	Technological change monitoring	External knowledge monitoring			Technology innovation	Product/Service and Process/Activity Innovation			Resource efficiency	Process and activity efficiency	Organizational efficiency					

Table 1. Theoretical framework: The table shows the hierarchical relationship between characteristics and sub-characteristics and their affiliation to the three approaches.

2.1. Outside-in Approach

Firms have an outside-in approach when they shape their marketing strategy according to the external environment's dynamics (Baden-Fuller, 1995; Lilis and Lane, 1997; Day and Moorman, 2011). This means that the management of a firm firstly considers the environment's dynamics and then develops the marketing strategies to adapt the internal firm features to them. When a firm can achieve a client satisfaction level higher than those of its competitors, it can lead to a Sustainable Competitive Advantage (from now on SCA) (Barney, 1991). We identified the most important outside-in approach characteristics from the literature and we hierarchically organized them as characteristics and sub-characteristics: Environment Monitoring (D'Aveni, 1994); External Stakeholders Satisfaction (Srivastava et al., 1998); Market-based Assets and Capabilities (Miles and Snow, 1978; Conant et al., 1990; Barrales et al., 2014); Demand Pull Innovation and Open Innovation (Slotegraaf and PAUWELS., 2008; Saeed at al., 2015)), (blue part of Table 1).

2.1.1. Environment Monitoring

Drawing on our theoretical development, regarding the outside-in perspective, we considered the external environment to be subdivided in five dimensions: client, competitor, supply chain, technology and external knowledge monitoring. Each of them is focused on an important element of the external environment.

Client Monitoring: Clients are the key variable for firms that base their marketing strategies on the outside-in approach (Rashid, 2012). Therefore, clients monitoring refers to the firm's attitude to look at the market and get information about new clients' needs and new market opportunities or market changes (Kohli and Jaworski, 1990). A good outside-in marketing strategy is built on reliable information about clients and markets which provides the insights to produce client value and improve firm's performance (Day and Moorman, 2011).

Competitor Monitoring: Firms considering the marketing strategy of their competitors assess the strengths and weaknesses of current and potential competitors and they are aware of a range of information, such as competitors' products, marketing and communication activities. By doing so, firms can discover competitors' resources and capabilities, in order to predict their strategies. Moreover, firms can evaluate the degree of industry competitiveness and their attractiveness (Porter, 1985).

Supply-Chain Monitoring: It consists of a set of practices performed by the firm in order to acquire information about new products, materials or other changes taking place in the supply-chain. These activities are performed on both fronts of the firms: on the side of suppliers and on the side of distributors (Tracey et al., 2005).

Technological Change Monitoring: It concerns all activities performed by the company in order to identify all the technological innovations that can be applied in the firm activities. The firm monitors both the technological change taking place in its own industry and in other sectors. When a firm is aware of technological innovations, it can have a proactive behaviour in adopting them before its competitors do (Carter et al. 2011). On the contrary, if a firm doesn't pay attention to the aspect of the external environment, its competitors can gain a technological advantage.

External Knowledge: This label refers to the knowledge existing outside of the firm and also outside of the firm's industry borders. In fact, knowledge that radically changes the dynamics of a market usually comes from other industries (March et. al 1991). Thus, an outside-in firm must monitor the external knowledge and develop market-based capabilities in order to absorb and exploit it (Barrales et al., 2014).

2.1.2. External Stakeholders Satisfaction

The satisfaction of external stakeholders is crucial for firms which want to develop outside-in marketing strategies. Classical external stakeholders are: clients, shareholders, suppliers, creditors etc. (Srivastava et al., 1998). Nevertheless, in the outside-in approach the most important stakeholders are clients. Client satisfaction is based on the creation of a valuable offer which is perceived from the client and the satisfaction of clients' needs (Ordanini et al., 2013).

2.1.3. Market-based Assets and Capabilities

Depending on the context, market-based capabilities can be distinctive (Conant et al., 1990), dynamic (Barrales et al., 2014) or simple. A capability is distinctive when a firm is better in doing an activity or process compared to its competitors (Selznick, 1957). Moreover, distinctive capabilities are market-based if they are strictly related to the market. Dynamic market-based capabilities help other capabilities and assets change coherently with the evolution of the market (Teece, Pisano and Shuen, 1997). Finally, the last category to mention is the simple market-based capabilities. It is a residual category, due to the fact that a capability is considered to be simple in case it is neither dynamic nor distinctive but still important for companies applying an outside-in approach to their marketing strategy. Market-based assets are resources deeply rooted in the market: *"an asset can be defined broadly as any physical, organizational, or human attribute that enables the firm to generate and implement strategies that improve its efficiency and effectiveness in the marketplace [...] the value of any asset is realized, directly or indirectly in the external product marketplace"* (Srivastava et al., 1998). For example, they can be a firm's client portfolio or its reputation. They can be intangible, and if so, they can have a distinctive value as intangible assets are difficult to imitate.

2.1.4. Demand pull Innovation and Open Innovation

Even if Demand Pull Innovation and Open Innovation are two completely different kinds of innovation, both are triggered by external inputs. The first, in contrast with the technology push, highlights the role of demand as a source of innovation. The second refers to the fact that innovation can be also generated by the knowledge coming from a wide range of external stakeholders. More precisely, Open Innovation uses external knowledge to improve internal innovation and it expands the markets for exploitation of innovation. Therefore, firms looking for innovation are induced out of their borders (Chesbrough, 2003). In line with the literature, we divided innovation in two different sub-characteristics: Technological Innovation and Product/Service and Process/Activity Innovation.

Technological Innovation: this concept does not only refer to new tools or devices, but also includes better solutions that can be implemented to meet new explicit or tacit needs of the market. Nowadays, the majority of technological innovations comes from external insights. Demand Pull

Innovation and Open Innovation are both important for a company willing to implement an outisde-in marketing strategy because they allow the firm to gain and maintain SCA on the long term.

Product/Service and Process/Activity Innovation: To face the external changes, firms modify and innovate their products and services under the inputs received by their clients or other stakeholders (Ordanini et al., 2013). Consequently, firms also have to adapt their producing processes and/or employees' tasks and activities when they launch new products/services or change the old ones.

2.2. Inside-out Approach

Firms have an inside-out approach when they focus on internal firm-specific resources and capabilities to shape their marketing strategies (Barney, 1991; Miller et al, 2002). For example, a firm can exploit an internal developed technology (by means of R&D) to reduce production costs and promote new marketing initiatives (e.g. launching a new product). The main characteristics of an inside-out approach are: Internal Efficiency (Williamson O.E., 1991; Carter et al., 2011); Resource Endowment (Srivastava et al., 1998); Distinctive Assets and Capabilities (Teece et al. 1997); Internal Stakeholder Satisfaction (Lillis and Lane, 1997); Technology Push (Jaakkola et al., 2010); Internal Knowledge (Nonaka et al., 2000).

2.2.1. Internal Efficiency

The Internal Efficiency is the ability of a firm to rationally exploit its internal resources. This happens when a firm gets the most out of the relationship existing between its output and the resources needed to obtain it. This characteristic can be divided further into three different sub-characteristics: Resource Efficiency, Process and Activity Efficiency and Organizational Efficiency.

Resources Efficiency: The firm looks for better procedures to identify and use its tangible and intangible resources with the purpose of reducing costs and increasing the income (Williamson, 1991).

Process and Activity Efficiency: This characteristic refers to the activities and the processes performed by the employees during their jobs, whereas by **Organizational Efficiency** we mean the manner in which the employees are organized in groups and the hierarchical relationships between them (Carter et al. 2011). These two characteristics are strictly related to each other because reshaping them can improve the workforce efficiency and reduce the costs of the firm.

2.2.2. Resource Endowment

The Resource Endowment of a firm is the firm's resource stock with regard to both the quality (variety and composition) and quantity of resources controlled by the firm (Srivastava et al., 1998). Considering the overall industry resource endowment, it is possible to determine the resource rarity. According to the literature, the development of "*sustained competitive advantage depends, in a critical way, on the resource endowment controlled by a firm*" (Barney, 1991). Therefore, companies, which develop marketing strategies from an inside-out perspective, have to carefully consider their resource endowment in order to generate SCA.

2.2.3. Distinctive Assets and Capabilities

In the Inside-out perspective, the only assets and capabilities that we take into consideration are the distinctive ones because of their relevance for this kind of approach. An asset can be considered distinctive when it belongs only to the firm or it rarely appears in the firm's industry. The firm must also be able to use it to gain SCA. For a capability to be distinctive, the firm forced to do better a particular activity compared to its competitors (Selznick, 1957).

Moreover, firms need to analyse their assets and capabilities in order to pinpoint their asymmetries with the competitors (Miller et al., 2002). Asymmetries are assets or capabilities that a company owns and its competitors do not. These asymmetries can be exploited in order to obtain SCA (Miller et al., 2002). This means that a firm which developed its distinctive assets and capabilities can be protected from imitation by the competitors.

2.2.4. Internal Stakeholder Satisfaction

Internal Stakeholder Satisfaction can be achieved by the firm through actively identifying and satisfying this category's needs. While the outside-in approach takes care of the external stakeholders, the inside-out approach deals with the internal ones. The main internal stakeholders are company owners, employees and managers. In general, owners, in order to be satisfied, require a repayment for their investments. This means that they desire a constant increase of income rate in the long term. Employees need a stable job and salary, improvements in working conditions, and a stimulating working environment (Burmann et al., 2009a; Burmann et al., 2009b) to became strategic players in the company (Lillis and Lane, 1997). Managers demand the same similarly to employees but, en plus, they desire that the company builds leader brands (Ulrich and Smallwood, 2007) and it expands its dimension and prestige.

2.2.5. Technology Push

The firm performs a technology push when it forces a technological innovation into the market developed by its internal unit (e.g. R&D), without considering whether that innovation is needed by its clients. Firms, in order to beat the competitors, need to develop proper strategies to manage the innovation. When R&D is an internal unit and innovations come from an engineering cultural heritage (Jaakkola et al., 2010), it will likely develop new technologies based on the previous ones. Moreover, firms can patent their innovations and exploit them in the long term gaining an SCA. Finally, pushed technological innovations need to be disruptive in order to be put onto the market without considering the users' satisfaction, otherwise they could be rejected.

2.2.6. Internal Knowledge

The Internal Knowledge of a firm is the knowledge developed and shared within the firm borders. Hence, differently from the outside-in approach, in this case the knowledge comes from the inside of the firm and in particular from employees (Spender, 1996). The employees are broadly considered, so the contribution of knowledge is required for all employees, it is not limited to those who work in the R&D unit. This means that an inside-out firm is required to include as much workers as it can in the knowledge producing processes and it should formulate marketing strategies based on this internal asset (Nonaka et al., 2000).

2.3. Mixed Approach

Even if the outside-in and inside-out approaches are usually seen as rivals, the still open academic debate is currently converging on a joined use of them (Hunt, 2011; Barney, 2014; Srivastava, 2001). The result is the mixed approach, a new perspective that combines the advantages provided by inside-out and outside-in approaches (Hunt, 2011; Kozlenkova et al., 2014; Day, 2013; Barney, 2014).

Researchers are exploiting the mixed approach to conceive theories capable of explaining more clearly the relationships between firm's performance, resources and their external environment (Kozlenkova et al., 2014; Day, 2013). In the meantime, managers are developing mixed approach marketing strategies with the goal of taking advantage of both the approaches in order to achieve SCA faster than competitors (Humbert et al., 1997; Urde et al., 2013).

Firms have a mixed approach when their marketing strategies present characteristics belonging to both the inside-out and outside-in approaches. Moreover, the mixed approach presents its own specific characteristics: Spanning Capabilities (Day 1994); and Inter-firm Cooperation (Combs and Ketchen, 1999), (the orange part of Table 1). To decide whether a marketing strategy belongs to the mixed approach, we need to check if its characteristics come from the outside-in and inside-out approaches at the same time, from the mixed approach itself or from the three approaches simultaneously. This is graphically represented in Table 1 by a row above the approaches.

2.3.1. Spanning Capabilities

Spanning Capabilities are able to create links and connections between outside-in and inside-out capabilities, in order to make them working together. Therefore, they can be seen as the link connecting the strongest points of the outside-in and inside-out perspectives. It is almost impossible to list each single spanning capability, but at least it is possible to provide some examples: client order fulfilment, pricing, purchasing, client service delivery, new product/service development and strategy development (Day, 1994). Since spanning capabilities can integrate abilities from both categories, they belong to the mixed approach.

2.3.2. Inter-firm Cooperation

Inter-firm Cooperation concerns partnerships between two or more companies. The cooperation between companies allows them to achieve their common aims more effectively thanks to the use of complementary assets and capabilities. When a company decides to cooperate with other companies, its aim is to reduce or share costs, to improve internal efficiency. This is clear mark that refers to the inside-out approach. But in the attempt to do this the firm needs to take a step outside its borders and join one or more companies in order to achieve a common aim (Combs and Ketchen, 1999), which is a trait of the outside-in approach. This is the reason why Inter-firm cooperation belongs to the mixed-approach.

3. Methodology

The methodology used to carry out the empirical part of this research is a qualitative in depth single case study. (Yin 1994; Dubois and Gadde, 2002). We choose this methodology because it enables the study of complex multi-variable phenomena evolving over time (Eisenhardt, 1989).

3.1. Research Setting

Regarding the case selection process, four criteria were used: 1) location in the Sardinian region of Italy; 2) long-running company; 3) wide range of products; 4) medium or big company size.

First of all, the ideal company is located in an economically developed area in Sardinia since our aim is to provide an example for a successful marketing strategy development in a region characterised by strong geographical limitation. Secondly, the chosen firm has been operating for more than five years. This is a specific reason, due to the fact that a marketing strategy requires not less than five years to be properly implemented. Besides longevity, the firm has to be developed in its size and in its products range since, we need to study a company, where the marketing is structured as a function and it has also been involved in different kind of products.

The choice fell on the cooperative 3A (Assegnatari Associati Arborea) which is a leading company in the dairy industry on the Sardinian market (Italy). In particular, we focused on its top brand Latte Arborea. We selected Latte Arborea since its headquarter is located in Arborea, a Sardinian municipality in a well-developed agricultural and farming area. 3A has been on the market since 1950 and it was doing consolidated marketing activity. It currently employs 292 workers and it has 240 associates. It owns 82% share of the Sardinian fresh milk market and it has an annual turnover of EUR 150,8 million in 2014. 3A is keeping pace with the times and the needs of the modern market context. For this reason, it developed a really wide and complete range of products. Besides of different kinds of milk, ripened and curd chees, mozzarella, yogurt, etc., 3A also launched a lactose-free full line production on the market, an innovative product called WEY, designed specifically for athletes and the most recent ice-cream mix.

3.2. Data Source

In this study, the primary unit of analysis is the firm 3A, in particular its top management (Benbasat et al., 1987). Data were collected from three sources: semi-structured interviews, Latte Arborea social network pages and the company website (Dubé and Paré 2003). We chose to differentiate our sources of data to triangulate the analysis and generate better and more robust conclusions (Benbasat et al., 1987;

Eisenhardt 1989; Yin 1994; Dubé amd Paré 2003;).

Semi-structured interviews. Since *"asking questions and getting answers is a task more complex than what may seem"* (Fontana and Frey, 2000) we wrote an interview protocol to be used as a base for the interviews. This protocol is made of fifteen open-ended questions preceded by and introduction and followed by a conclusion (see Appendix A). The protocol was pilot tested on the Head of Customer Service at Toptal LLC to verify if the questions were all clear and well formulated (Yin, 2008). The feedback on ambiguities and difficult questions enabled us to refine the protocol prior to full scale utilization (Teijlingen et al., 2001). Afterwards, we conducted the first two interviews with interviewees Latte Arborea Milk Category Manager (and Head of Marketing) and Dairy Product Category Manager (Table 2). The interviews took respectively 45 and 60 minutes and they have been recorded, transcribed and coded with the software Nvivo 10. After the interview analysis we sent an e-mail with five additional questions to clarify some points and collect additional information (see Appendix B). A second round of interviews was organized and conduced with the Board Chairman, the CEO and the Production Manager (Table 2). These interviews took from 55 to 70 minutes and they have been recorded, transcribed and coded too. We decided to interview Latte Arborea top management since the five interviewees are key informants of the firm. Two of them deals with the firm's marketing, one is concerned with the technical-productive area and the last two persons have a systemic vision and an overall point of view of the company. Choosing different informants with different roles within the company allowed to reduce the mono method bias, since the interviewees expressed their opinion on the same subject from different perspectives.

Data source	Interviewee	Position
Semi-structured interview	Interviewee A	Milk Category Manager and Head of Marketing
Semi-structured interview	Interviewee B	Dairy Product Category Manager
Semi-structured interview	Interviewee C	Board Chairman
Semi-structured interview	Interviewee D	CEO
Semi-structured interview	Interviewee E	Production Manager

Table 2. Summary of the interviews administered to Latte Arborea top managers

Social Networks. Latte Arborea Facebook page and Youtube channel have been carefully examined. For the company's Facebook page, we used Ncapture, one of Nvivo tools, to extract the page contents. To include the promotional videos published on the company's Youtube channel we uploaded them onto Nvivo 10 and then we transcribed the contents needed for the research (Table 3).

Website. We followed the same process for the firm's website: we used Ncapture to generate a Pdf file of the pages that we needed to code (Table 3).

Data source	Tipe	Number
Social network	Facebook Posts	831
Social network	YouTube Videos	5
Website	Page	24

Table 3. Summary of the social media sources

3.3. Research Process

As mentioned above, all the data from the three sources were uploaded and coded using Nvivo 10 tools. With Nvivo, the data were structured according to our theoretical framework (Table 1). NVivo allowed to use nodes to organise the data sources and to structure the data in it, in order to understand the marketing strategic approach used by Latte Arborea.We have identified three main nodes corresponding to the three strategic marketing approaches followed by 19 child-nodes which represent the characteristics of the outside-in inside-out and mixed approach. We also hierarchically organised three of them with additional child-nodes representing the sub-characteristics (Table 1). We want to find whether one approach prevails on the another two, or whether Latte Arborea is one of the companies that fall within the mixed approach.

To verify the correspondence between theory and practice, we compared each code with the definitions of the characteristics and sub-characteristics provided in the theoretical framework. We matched the codes and the definitions and we decided, case by case, whether a code matches a characteristic rather than another one. We used this process throughout the whole data. The coding process required careful reading of the interviews in order to consider the meanings of the phrases said by the interviewees to contextualize the meaning and get more robust results. We followed the same process to contextualize the contents published on Facebook and Youtube by Latte Arborea. We provide code examples for each approach in the tables below (Table 4, Table 5 and Table 6). The coding process was conducted separately and simultaneously by the two coauthors and, at the end of the process, we run a Coding Comparison Query by Nvivo 10, we discussed the inconsistencies and found a common solution until the value of Kappa coefficient was above 0.75.

Outside-in	Code Sample
Environmental Monitoring:	
Client Monitoring	"Then… we conduct an annual survey […] to measure the brand health status…this on the consumer side, market"
Competitor Monitoring	"There are certain countries that are big milk producers, which can cause fluctuations in the price... this brings about market changes, consequently, significant implications in marketing strategies"
Supply-chain Monitoring	"The Cooperative 3A manages and controls all stages of the production chain: the food administered to lactating animals come from the direct cultivation of fields, ensuring the preparation of balanced food rations; the farming methods from Friesian and Brown Swiss are at the forefront; milking operations are carried out directly by the various farmer's companies with technology that ensures compliance with strict hygiene standards"
Technological Change Monitoring	"Technological changes are mainly related with suppliers and considering the milk area it's a monopolist… and it's Tetra Pak. So, we and our competitors have that reference. Often, technological developments are followed almost simultaneously by other [competitors]"
External Knowledge Monitoring	"taking advantage from the opportunities that the company gives us to get out [of firm border], to confront ourselves [with other organizations], to improve our knowledge, to see what happened in other industries, we refine the ability to overthrow the knowledge gained on the initiatives that we must carry on in our firm"
External Stakeholder Satisfaction	A mission tightly focused on a main goal: "Increase the Cooperative members' production value through sustainable management of the entire milk-chain and of all those who contribute to it: employees, workers, customers, consumers, territory. The commitment to support the local economy and the growth Cooperative members' production value are closely intertwined with the values of mutuality, solidarity, social relations that are the basis of the business strategy".
Market-based Assets and Capabilities	"Over the past five years, the company has mainly dealt with an issue: market volatility. The milk market is particularly volatile, the product price changes very significantly from year to year. So, this aspect is new, actually it begun in 2006, however, we can state that it has been even more significant over the past 5 years"
Demand pull Innovation and Open Innovation:	
Technology innovation	"Often, inputs come from the law, legislation protects animal welfare. Therefore, most of the investments made by livestock farms comes from regulatory input. To give some examples, during the summer, cattle farmers activate large fans to give more ventilation to the cowshed and keep a fresh temperature; for the same reason they activate a kind of "showers" to entice cows to eat, consequently, cows always have a stable [milk] production"
Product/Service and Process/Activity Innovation	"Well… the lactose-free milk… has been an input coming from the market… We created an ad hoc product line that we are still implementing…"

Table 4. Outside-in approach code sample

Inside-out	Code Sample
Internal Efficiency:	
Resource Efficiency	"Let's say that profit margins have become thinner for everyone and we worked on every business unit trying to improve performance and reduce costs."
Process and Activity Efficiency	"I ask [my providers] to find economy in the activities I do and then divide it by two, I do not if it's clear ... so, it's a collaboration, I think, it is working properly, especially in these times of economic difficulties because of the cost impact on the various production stages"
Organizational Efficiency	"The company is structured and organized with key employees able to give value to the precious product that is produced in the company. Actually, we have a very efficient organizational structure, key employees in charge at the departments and units are aware of really give that added value to the products"
Resource Endowment	In fact, we clash with the budget, cost or market size limitations (which are still at the regional level, or not very big). Reason why we can not do certain investments compared to others that have broader markets and, therefore, can better amortize certain types of machinery.
Distinctive Assets and Capabilities	"Because of the characteristics of the cooperative, milk has the peculiarity of being collected and processed in a few hours. This gives a different perception of taste and qualitative level than the milk which is purchased in Germany and then packaged in Parma and distributed long-life"
Internal stakeholder Satisfaction	"Our [company] is a cooperative and it has the purpose to reward at the best conditions the milk to the farmers company, who are the owners of the cooperative"
Technology Push	"We have taken advantage of this [lactose-free milk] innovation and then move it on other products. From these, the high digestibility line was born, the line of products with the orange box that then passes from milk, fresh cheeses and, at this point, we have the technology for each product, we are only waiting the marketing people say "it's time". So, we are ready to apply this innovation to every product"

Table 5. Inside-out approach code sample

Mixed approach	Code Sample
Spanning Capabilities	"Research and Development .... plays a role that has grown in importance and it's ... how can I say ... as an intermediary, it's a glue between the production, trade, marketing, suppliers, etc ..."
Inter-firm Cooperation	"Without cooperation it would be ... it would be hard! Especially for those who are on a small island like us... collaboration ... is fundamental for the company growth.... Even among companies of different sectors, the interchange knowledge always brings you to grow, and you could absolutely do not successful without this... For example, we have a great cooperation with Tetra Pak. They tested new machineries on us and this has been useful to become a market leader."

Table 6. Mix approach code sample

3.4 Data analysis

As mentioned above, the data analysis was performed using the software NVivo 10, more precisely it was given a structure to interpret data obtained through interviews and other data sources such as company's Facebook page, YouTube channel and website. Through the data structuring, it was possible to obtain the necessary information to identify the marketing strategies approach used by Latte Arborea. We see each of them in detail:

Outside-in approach. Our data reveals that Latte Arborea has a focus on the market dynamics and its external environment. The outside-in approach enables Latte Arborea to adapt itself to market changes. This adaptation takes place using innovation-based marketing strategies. In particular, Latte Arborea considers important the monitoring of what happens outside the enterprise. As it has emerged from the dataset, this is an input for new products development, for the processes and operations modification and the related technology changes. The characteristics involved are Demand pull, Open Innovation and Environmental. Most of the codes related to this characteristic are assigned to the child-node Product/Service and Process/Activity Innovation. An example which explicates and summarises the Latte Arborea demand pull innovation attitude is: "*Well… the lactose-free milk… has been an input coming from the market… We created an ad hoc product line that we are still implementing...*" (Table 4). The creation of the product line HD (high digestibility), designed for consumers with lactose intolerance, manifests Latte Arborea's sensitivity to market input. Latte Arborea is also careful to convert market inputs into strategic and operational activities. This shows how company is opened to changes and it allows Latte Arborea to be competitive on the market. Therefore, change and innovation are the consequences of the external environment monitoring. Another characteristic that often emerges from interviews and from the Latte Arborea web channels is the Environmental Monitoring. The firm carries out periodic analysis to keep their clients control: "*Then… we conduct an annual survey […] to measure the brand health status… this on the consumer side, market*", but also the competitors are monitored: "*There are certain countries that are big milk producers, which can cause fluctuations in the price... this brings about market changes, consequently, significant implications in marketing strategies*" (Table 4). In other words, Latte Arborea to be dynamic in the market, catches information which describe external environment dynamics. This situation is achieved through its constant observation of the external environment. Latte Arborea gives the opportunity to its key employees to monitor and catch external knowledge through "contamination" with other realities: "*taking advantage from the opportunities that the company gives us to get out [of firm border], to confront ourselves [with other organizations], to improve our knowledge, to see what happened in other industries, we refine the ability to overthrow the knowledge gained on the initiatives that we must carry on in our firm*" (Table 4). Another strategic external environment variable is the supply chain monitoring: "*The Cooperative 3A manages and controls all stages of the production chain: the food administered to lactating animals come from the direct cultivation of fields; [...] milking operations are carried out directly by the various farmer's companies with technology that ensures compliance with strict hygiene standards*". Because of Latte Arborea presents a market offer characterized by certified quality, it must rely on a supply chain with features which ensure high performance. Technological changes are less controllable because: "*Technological changes are mainly related with suppliers and considering the milk area it's a monopolist… and it's Tetra Pak. So, we and our competitors have that reference*" (Table 4). As for the External Stakeholder Satisfaction, in addition to the quality and attention on client needs, from 2010, the year when Latte Arborea began using the Facebook page more frequently and giving greater importance to the channel, the number of client iterations has increased. In the dataset, there are a few items which allow to identify Market-based Assets or Capabilities. Considering the importance paid by Latte Arborea to Environmental Monitoring, this is an unexpected data. However, 3A has a very close relationship with its territory. The brand Latte Arborea is named after the village where the 3A headquarters is established, Arborea: "*we are set in a context which is typical in economic, political and social terms. Above all, we must take into account that Latte Arborea is in the centre of the town of Arborea... so it's very tied to the territory, it's rooted in*

this village... It has very long time relationship with the surrounding territory... we are here for 60 years...".

Inside-out approach. Our data shows that Latte Arborea faces Internal Efficiency in a very peculiar way. Latte Arborea, as the most companies of today's economic environment, is influenced by the global economic crisis. Furthermore, 3A has a peculiarity that has great influence on internal efficiency and raw material costs: the milk suppliers are simultaneously shareholders, so, the firm owners. In the interests of Internal Stakeholders Satisfaction managers claim: "*Our [company] is a cooperative one and it has the purpose to reward at the best conditions the milk to the farmers who are the owners of the cooperative*" (Table 5). This brings the company to "*[...] pay the raw material, which is the first company's production cost, [at a price] as high as possible*". This is a really evident trade-off between Internal Stakeholders Satisfaction and Internal Efficiency. However, Latte Arborea's strategies have been able to cope with this problem with a triple action: 1) reduce costs in areas where the company has the opportunity to do so and increase process and activity efficiency; 2) improve the internal organization efficiency in order to give value to products; 3) give emphasis to the production processes and products quality through long-term marketing efforts. As regards the first strategic action, Latte Arborea has no possibility to reduce the cost of milk, so it must decrease costs in other areas (Resource Efficiency): *"Let's say that profit margins have become thinner for everyone and we worked on every business unit trying to improve performance and reduce costs"* (Table 5). Moreover, Latte Arborea often makes partnership with suppliers with the purpose to reduce costs (Process and Activity Efficiency): *"I ask [my providers] to find economy in the activities I do and then divide it by two, I do not if it's clear ... so, it's a collaboration, I think, it is working properly, especially in these times of economic difficulties because of the cost impact on the various production stages"* (Table 5). Referring to the second strategic action, the following statement is emblematic of how Latte Arborea organizes its staff to add value to its products: *"The company is structured and organized with key employees able to give value to the precious product that is made in the company. Actually, we have a very efficient organizational structure, key employees in charge at the departments and units are aware of really give that added value to the products"* (Table 5). Through the first two strategic actions, Latte Arborea has put the bases for the third action: use marketing to emphasize production processes and products quality. This allows to justify the products placement in the medium-high price range to clients and to convince them to pay a premium price. As evidence of this marketing strategy, it is available on the Latte Arborea website: *"Thanks to the constant controls we produce a surprisingly good milk which, with its starting excellent health and sanitary properties it just needs a minimum heat treatment of pasteurization that guarantees the maintenance of all its features"*. In an advertisement broadcasted in the local television channels, which is still available in the Latte Arborea YouTube channel, states: *"We are united by the desire to be genuine in everything (high selection of the animal feed). We are united by the attention to the health and welfare of animals (control of the cows health status). We are united by a commitment to always be transparent (accurate hygiene procedures during milking). We are united by the desire to raise the welfare of everyone (high-tech safeguards to protect the goodness)"*. The result of the triple action, like the managers acknowledge, is that *"The company has managed to win an important challenge: to develop [its dimensions] managing to keep intact the authenticity and quality of its products"*. Moreover, fully adhering to the inside-out approach, Latte Arborea bases its marketing strategies considering what are its capabilities and assets that allow it to be competitive on the market and differentiate itself from the competitors (Distinctive assets and capabilities): *"Because of the characteristics of the cooperative, milk has the peculiarity of being collected and processed in a few hours. This gives a different perception of taste and qualitative level than the milk which is purchased in Germany and then packaged in Parma and distributed long-life"* (Table 5). Among the assets that the company believes are distinctive there is *"the fact that there are cows in Sardinia"* because *"it's an element that amazes and attracts at the same time"*. Based on these new pieces of information and adding the already certified product quality, Latte Arborea has completely overhauled its image in 2010 and re-launched its brand. All because Latte Arborea wants to expand its market to the rest of Italy, and lay the foundations for export all over the world. Evidence of internal elements in the marketing strategies is the change of the payoff, among others. It became from "*Only from Sardinian farms*" to "*The happy island of cows*". The new payoff, as well as introducing the animal welfare,

gives emphasis to the element of surprise, namely, even in a Mediterranean area there are herds of cows. In fact, a survey conducted by the Latte Arborea, showed that in the collective imagination, the breeding of cows is associated with an alpine context or, more generally, with the mountains. Consequently, since there are cows in Sardinia, new clients are amazed and attracted and it has become a Latte Arborea distinctive element.

Mixed approach. A very strong Latte Arborea characteristic which clearly emerges from the dataset is Interfirm Cooperation. Partnerships are considered essential by Latte Arborea. They are source of advantage for several reasons. For example, Latte Arborea works closely with advertising agencies to handle some specific activities: "*Another important supplier, especially for marketing department is the advertising agency [...]. So [this advertising agency] is our main contact for the marketing activities and it is our leading supplier service*". While, with very important suppliers like Tetra Pak, Latte Arborea has a strong cooperation for other strategic reasons, for example, to have cutting edge machineries. The firm also cooperates with companies from other sectors to increase their knowledge. "*Without cooperation it would be ... it would be hard! Especially for those who are on a small island like us... collaboration ... is fundamental for the company growth.... Even among companies of different sectors, the interchange knowledge always brings us to grow, and we could absolutely do not be successful without this... For example, we have a great cooperation with Tetra Pak. They tested new machineries on us and this has been useful to become a market leader*" (Table 6). In our data, the word "collaboration" is often associated with "growth" and reflects a strategic importance on marketing strategies too.

Spanning Capabilities are able to connect inside-out and outside-in approach capabilities. In the available data sources, we found that "*Research and Development... plays a role that has been growing in importance and it's... how can I say... as an intermediary, it's the glue between the production, trade, marketing, suppliers, etc...*" (Table 6). Such statement makes us think that the company considers crucial to its marketing strategy both approaches because it creates connection between strong inside-out oriented functions like R&D and production with marketing and trade.

Concluding, 3A, in particular its top brand Latte Arborea, adopts the mixed approach to develop its marketing strategies. Latte Arborea, as it has emerged from the dataset, has characteristics belonging to inside-out, outside-in and mixed approach at the same time (Table 7). Despite of 3A and its top brand Latte Arborea follow a mixed approach, it is observable a sharp shift of the needle toward the outside-in approach on the "strategic balance". This attitude, in the long term, it could divert attention from the important elements of internal nature.

Firm	Mixed Approach																		
	Outside-in									Spanning Capabilities	Inter-firm cooperation	Inside-out							
	Environmental monitoring					External stakeholder satisfaction	Market-based assets and	Demand pull and Open Innovation				Internal efficiency							
	Client monitoring	Competitor monitoring	Supply chain monitoring	Technological change	External knowledge			Technology innovation	Product/Service and Process/Activity Innovation			Resource efficiency	Process and activity efficiency	Organizational efficiency	Resource endowment	Distinctive assets and capabilities	Internal stakeholder satisfaction	Technology Push	Internal knowledge
Latte Arborea	X	X	X		X	X			X		X	X	X	X			X		

Table 7. Latte Arborea main marketing strategy approach characteristics.

4. Discussion and Conclusion

In this study, we sought to contribute to the understanding of marketing strategies approach in the milk and dairy products industry. We have accomplished this by achieving the two aims of the current work. First, we identified and described the main characteristics of the three approaches and hierarchically structured them in a theoretical framework. Second, we provided an empirical qualitative contribution to the marketing strategy debate through the Latte Arborea case study. For these reasons, our study has theoretical and practical implication. Regarding to the theoretical implication, the main characteristics which discern the outside-in, inside-out and mixed approaches are comprehensibly divided, organized and described. This study also clearly represents the case when a firm is adopting a mixed approach and it also helps to reduce the shortage of empirical contributions in this field.

While our work is theoretical as well, it has the most implications of interested to managers and marketers. Specifically, we contribute to raise management's awareness about their style used to implement marketing strategies, through definitions of the three approaches' main characteristics. Furthermore, this study can also be used as a guide to the different approaches. Thus, it facilitates changing processes in the marketing strategy orientation and the identification of marketing objectives. Finally, it makes managers aware of the potential of Mixed Approach which can be used to exploit internal resources and, at the same time, helps take into account clients' needs.

This study also has its limitations. The first limitation is related to the research context. The qualitative and empirical data analysis was undertaken with data collected from just one company. To improve the debate further, yet maintain a link with practice, future researchers may want to explore gathering data from a larger sample. This further research could refine or expand upon our findings in several ways. Larger scale survey research could be used to triangulate our data and statistically confirm our findings at a more general level. In addition, studies in different organizational or industry settings could potentially increase the applicability of the theoretical framework. Another limit of this work is that it does not clarify the relationship between those three approaches (outside-in, inside-out and mixed approach) and the strategic orientations (market orientation, entrepreneurial orientation, innovation orientation, learning orientation). So, further research could illustrate the relationship among tactical and strategic levels.

Our findings underline the fact that marketers must be keenly aware of the marketing strategy approach of their firms and they have to be ready to modify it when their business changes.

References

BADEN-FULLER, C. 1995. Strategic Innovation, Corporate Entrepreneurship and Matching Outside-in to Inside-out Approaches to Strategy Research. *British Journal of Management*, 6(s1), S3-S16.

BARNEY, J. B. 1991. Firm resources and sustained competitive advantage, *Journal of Management*, 17, pp. 99-120.

BARNEY J.B. & HESTERLY W.S. 2009. Strategic Management and Competitive Advantage. *Pearson: Upper Saddle River*, NJ.

BARNEY, J. B. 2014. How marketing scholars might help address issues in resource-based theory, *Journal of the Academy of Marketing Science*, 42(1), 24-26.

BARRALES-MOLINA, V., MARTÍNEZ-LÓPEZ, F. J., & GÁZQUEZ-ABAD, J. C. 2014. Dynamic marketing capabilities: Toward an integrative framework. *International Journal of Management Reviews*, 16(4), 397-416.

BENBASAT, IZAK, DAVID K. GOLDSTEIN, & MELISSA MEAD, 1987. "The case research strategy

in studies of information systems. *MIS Quarterly* 369-386.

BURMANN, C., JOST-BENZ, M., & RILEY, N. 2009a. Towards an identity-based brand equity model. *Journal of Business Research*, 62(3), 390-397.

BURMANN, C., HEGNER, S., & RILEY, N. 2009b. Towards an identity-based branding. *Marketing Theory*, 9(1), 113-118.

CARTER, M., GROVER, V., & THATCHER, J. B. 2011. The emerging CIO role of business technology strategist. *MIS Quarterly Executive*, 10(1), 19-29.

CHESBROUGH, H. 2003. The logic of open innovation: managing intellectual property. *California Management Review*, 45(3), 33-58.

COMBS, J.G., & KETCHEN, D.J. 1999. Explaining interfirm cooperation and performance: toward a reconciliation of predictions from the resource-based view and organizational economics. *Strategic Management Journal,* 20 (9), 867-888.

CONANT, J., MOKWA M. P. & VARADARAJAN P. R. 1990. Strategic types, distinctive marketing competencies and organizational performance: A multiple measures-based study, *Strategic Management Journal*, 11, 365-338.

DAY, G. S. 1994. The capabilities of market-driven organizations. *The Journal of Marketing*, 37-52.

DAY, G. S., & MOORMAN, C. 2011. An Outside-In Perspective to Strategy-Step outside to see what's important. *Marketing Management,* 20(3), 22.

DAY G. S. & MOORMAN C. 2013. Regaining customer relevance: the outside-in turnaround. *Strategy & Leadership* 41.4: 17-23.

DAY, G. S. 2014. An outside-in approach to resource-based theories, *Journal of the Academy of Marketing Science*, 42(1), 27-28.

D'AVENI R. 1994. Hypercompetition: Managing the Dynamics of Strategic Maneuvering, *New York: Free Press*.

DUBOIS A. & GADDE L.E. 2002. Systematic Combining - An abductive approach to case research, *Journal of Business Research*, vol. 55, pp. 553-560.

DUBÉ, L. & PARÉ, G. 2003. Rigor in information systems positivist case research: current practices, trends, and recommendations. *MIS Quarterly*, 597-636.

EISENHARDT, K. M. 1989. Building theories from case study research. *Academy of management review*, 14(4), 532-550.

FONTANA, A., & FREY, J. H. 2000. The interview: From structured questions to negotiated text. *Handbook of qualitative research*, 2(6), 645-672.

JAAKKOLA, M., MÖLLER, K., PARVINEN, P., EVANSCHITZKY, H. & MÜHLBACHER, H. 2010. Strategic marketing and business performance: A study in three European 'engineering countries'. *Industrial Marketing Management*, 39(8), 1300-1310.

HUMBERT M., DOMINIQUE J. & FRANÇOIS T. 1997. Building strategy on technological resources and commercial proactiveness: the Gemplus case. *European Management Journal* 15.6: 658-666.

HUNT, S.D. 2011. Developing successful theories in marketing: insights from resource-advantage theory, *Academy of Marketing Science Review*, 1, 72-84.

KOHLI, A. K., & JAWORSKI, B. J. 1990. Market orientation: the construct, research propositions, and managerial implications. *The Journal of Marketing*, 1-18.

KOZLENKOVA, I.V., SAMAHA, S.A. & PALMATIER, R.W. 2014. Resource-based theory in marketing, *Journal of the Academy of Marketing Science*, 42(1), 1-21.

LILLIS B. & LANE R. 1997. Auditing the strategic role of operations. *International Journal of Management Reviews*, Volume 9 Issue 3 pp. 191–210.

MAKADOK, R. 2001. Toward a synthesis of the resource-based and dynamic-capability views of rent creation. *Strategic management journal*, 22(5), 387-401.

MARCH, J. G., SPROULL, L. S. & TAMUZ, M. 1991. Learning from samples of one or fewer. *Organization science*, 2(1), 1-13.

MILES, R.E., SNOW, C. C., MEYER, A.D. & COLEMAN, H.J. 1978. Organizational strategy, structure,

and process. *Academy of management review*, 3(3), 546-562.

MILLER D., EISENSTAT R. & FOOTE N. 2002. Strategy from the Inside Out: building capability-creating organizations. *California Management Review* Vol 44, No. 3

NONAKA, I., TOYAMA, R., & KONNO, N. 2000. SECI, Ba and leadership: a unified model of dynamic knowledge creation. *Long range planning*, 33(1), 5-34.

ORDANINI, A., PARASURAMAN, A. & RUBERA, G. 2013. When the recipe is more important than the ingredients a Qualitative Comparative Analysis (QCA) of service innovation configurations. *Journal of Service Research*, 1094670513513337.

PORTER, M. E. 1985. Competitive advantage: creating and sustaining superior performance, 1985.

RASHID, T. 2012. Web-based customer-centric strategies: new ways of attracting religious tourist to religious sites. *International Journal of Tourism Policy*, 4(2), 146-156.

RIEZEBOS, R. & VAN DER GRINTEN, J. 2012. Positioning the brand: an inside-out approach. *Routledge*.

RUSSELL, S. 1999. Business Excellence: From outside in or inside out? *Total Quality Management*,10(4-5), 697-703.

SAEED, S., YOUSAFZAI, S., PALADINO, A. & DE LUCA, L. M. 2015. Inside-out and outside-in orientations: A meta-analysis of orientation's effects on innovation and firm performance. *Industrial Marketing Management*, 47, 121-133.

SELZNICK, P. 1957. Leadership in Administration, *Harper & Row*, New York.

SLOTEGRAAF, R. AND PAUWELS, K. 2008. The Impact of Brand Equity and Innovation on the Long-Term Effectiveness of Promotions. *Journal of Marketing Research*, XLV (June), 293-306.

SPENDER, J. C. 1996. Making knowledge the basis of a dynamic theory of the firm. *Strategic management journal*, 17(S2), 45-62.

SRIVASTAVA, R.K., FAHEY, L., & CHRISTENSEN, H. K. 2001. The resource-based view and marketing: The role of market-based assets in gaining competitive advantage. *Journal of Management*, 27 (6), pp. 777-802.

SRIVASTAVA, R.K., SHERVANI, T.A. & FAHEY, L. 1998. Market-based Assets and Shareholder Value: A Framework for Analysis, *Journal of Marketing*, 62 (January), 2-18.

TEECE DAVID J., GARY PISANO & AMY SHUEN 1997. Dynamic capabilities and strategic management, *Strategic Management Journal*, Vol. 18:7, 509–533.

TEIJLINGEN, E. R., HUNDLEY, V. & GRAHAM, W. 2001. The importance of conducting and reporting pilot studies: The example of the Scottish births surveys. *Social Research Update*, 35, 1–4.

TRACEY, M., LIM, J. S. & VONDEREMBSE, M.A. 2005. The impact of supply-chain management capabilities on business performance. *Supply Chain Management: An International Journal*, 10(3), 179-191.

ULRICH, D., & SMALLWOOD, N. 2007. Building a leadership brand. *Harvard Business Review*, 85(7/8), 92.

URDE, M., BAUMGARTH, C., & MERRILEES, B. 2013. Brand orientation and market orientation—From alternatives to synergy. *Journal of Business Research*, 66(1), 13-20.

WEBSTER, J., & WATSON, R. T. 2002. Analyzing the past to prepare for the future: Writing a literature review. *MIS Quarterly*, 26 (2), 13-23.

WILLIAMSON, O. E. 1991. Strategizing, economizing, and economic organization. *Strategic management journal*, 12(S2), 75-94.

YIN, R. 1994. Case Study Research, 2nd ed. (Thousand Oaks, CA: Sage). Desing and methods. *Thousand Oakz: Sage*.

YIN, R. K. 2008. Case study research: Design and methods (4th ed.). Beverly Hills, *CA: Sage Publications*.

Appendix A: Interview Questions

0) I would like to start with the zero question, to introduce yourself and your firm, thus, what your company does and what is your role in it?

1) Could you tell me the main changes that in the last five years have characterized your firm's industry and, consequently, the firm itself?

1) During the time, did your company modify the way it interacts with its clients?

- Why?
- Could you mention some examples that help to understand this change?
- What kind of interaction did your firm have with clients in the past and what is it using now? (E.g. is the firm using social media to interact with its clients?)

3) What are the main competitors of the firm?

4) What are the capabilities and/or resources that make your company unique compared to its competitors?

- What is the role of brand?
- Did your key capabilities and/or resources change during the time?

5) What are the most important suppliers for your company?

- Why?
- What are their characteristics?

6) What are the practices that the firm regularly applies in order to monitor the operational environment (competitors, suppliers, new technologies, clients, knowledge, ect.)?

- Could you mention some examples?

7) Could you introduce an episode, if there is any, when the firm has started an innovation process due to inputs coming from clients or other stakeholders?

8) What are the main stakeholders of the firm?

- How are their needs being met?

9) How does your company do to reduce its operating costs?

10) Could you explain what are the practices, if there are any, with which the firm creates and supports internal knowledge?

- What are the practices that bring the external knowledge into the company?
- Which is the role of the R&D in these practices?

11) What kind of relationship is there between the external change detecting practices (competitors, suppliers, new technologies, clients, knowledge, ect.) and internal efficiency improving practices?

- Are they balanced or is one more important than the other?
- Could you make an example?

12) Could you tell me which organizations does your company collaborate with in order to develop new products and new technologies?

- What are the criteria your company has used to select these organizations?

13) Can we state that your company considers the partnership with other organizations a strategic value?

- Why?

14) How does your firm employ internal and external information in order to formulate and implement marketing strategies?

Appendix B: Additional questions asked by mail

After the interviews with the Latte Arborea Milk Category Manager (and Head of Marketing) and Dairy Product Category Manager we realized that more information is needed on the past of the 3A, so we decided to integrate the interviews asking further and more specific questions. Question number 4 here is similar to the question number 11 in the Appendix A due to the fact that interviewees' answer to the question 11 was not complete. Therefore, we reformulated the question and we focused on the marketing function. The questions that we sent by e-mail are:

1) Your company has been changing the way to communicate with clients during the past years. Why have you felt the need to do so? In which years (or period of the firm's "life") were made these changes?

2) The factors where 3A based its success have changed during the time. What are the success factors that you can pinpoint referring to the past? What are the current 3A success factors? What has determined these changes and what have been the most important circumstances (if it is possible to indicate the years) for these changes?

3) What are the practices that your company regularly applies to monitor its competitors? (e.g. monitoring competitors' new product launch, competitors new advertising campaigns, new entries in the market) Could you make me some examples?

4) What kind of relationship is there between client monitoring (competitor, supplier, ect.) and reducing cost (improving quality) practices in the marketing function? Are they balanced or reducing cost is distracting from client monitoring (or vice versa)? Could you make an example?

5) What caused the change in the image of the firm during 2011 and 2012? Were there similar changes in the firm's past? If yes, could you describe those changes?

The Importance of Similarity and Expertise of the Information Source in the Word-Of-Mouth Communication Process

Jolanta Tkaczyk
Kozminski University
jtkaczyk@kozminski.edu.pl

Abstract

Credibility is the extent to which the recipient sees the source as having appropriate knowledge, skills and experience and believe it as the transferor impartial, objective information. Source perceived as credible in addition to having a proficiency in a specific area, is more convincing than something less knowledgeable. However it must also be more robust - honest, ethical and trustworthy. Research clearly support the hypothesis that sources with the specific knowledge and / or reliability are increasingly more appealing and efficient than those with less knowledge or less reliability. Most consumers, when are looking for the best available offer on the market, are interested in opinions of other customers and their past experiences. Source credibility in the process of word-of mouth may depend on its characteristics - similarities and expertise (Wangenheim, Bayon 2003).

The aim of the article is to verify the hypothesis by which a consumer engaged in a particular product category will be more likely to use the expert's opinion rather than the opinion of a person like himself in the product decision making process. Verification of the hypothesis will be based on the analysis of the results of research conducted on sample of 1,000 Polish consumers, chosen at random. The study was carried out by CAWI method. The involvement in the product category and the propensity to use expert's opinion rather than the opinion of consumers similar to the respondents were investigated in 15 product categories.

Keywords: word-of-mouth, credibility, source of information, marketing

JEL classification: M30

1. Introduction

Contemporary consumers live in the information environment. They are bombarded with messages from all sides and no wonder that they try to filter all the inflowing information, paying attention only at limited messages (Mazurek, 2011). The main filter used by consumers is connected with the credibility of the information source.

The information source is the place where data and pieces of information required for taking the specified actions are derived from (Penc, 1997). The information sources can be classified according to various criteria. We can distinguish between internal and external sources, as well as personal and non-personal ones. "The sender or the source in the communication process is either a person or an organisation having any information and wanting to share it with another person or a group" (Penc, 1997, p.189). It may be either an individual (a paid proponent, for example a personage appearing in a company's advertisement; salesperson) or a non-individual entity (for example an organisation itself). The perception of the information source by the recipient has a fundamental influence on the way the message is received.

Taking the value of information into account, the sources can be divided into: credible, not much reliable, doubtful or subjective (Pieczykolan, 2005, p.74). Information coming from credible sources is true and dependable. Information derived from not much reliable sources is not fully verified, while subjective sources provide mainly rumours and hearsay.

Another approach to the classification of information sources used by consumers in the purchase decision-making process is based on the character of acquired information. According to this approach sources can be divided into (Tkaczyk, 2009): informal sources (for example friends, family and co-workers), media sources (for example press, radio, television), expert sources (advisors, seminars, conferences), analytical sources (statistics, scientific publications).

Contemporary consumers have nowadays easier access to the constantly growing knowledge resources. Thus it becomes more difficult to transfer information to consumers more efficiently than competitors do, using mainly advertising for such purpose.

For that reason companies reach for informal sources such as word-of-mouth that can be defined as the process including discussions around organisation and its offer, in course of which recommendations may occur (Tkaczyk, 2009).

The purpose of this article is to introduce the importance of similarity and expertise as the attribute of the information source credibility in the word-of-mouth communication process.

2.Literature overview

2.1 Credibility of source

The credibility of source as the concept dates back to year 400 B.C., starting from Aristotle and his *Rhetoric*. This construct in the modern communication models and Aristotle's *ethos* have the same roots – the trust toward the speaker. The theory of source credibility in the contemporary times was developed in early 1950s. Hovland and Weiss (1951/52) in their experiment regarding the perception of information made accessible by sources of high and low credibility proved that the source credibility would have a significant influence on the internalization of the transferred information. The application of the broadly taken source credibility concept in marketing is described by Metzger et al. (2010), as well as Pornpitakpan (2004). The most preferred approach to this concept in the marketing literature is related to supporting a product by a well-known personage (*celebrity endorsement*) (i.a.Ohanian, 1991, Myłek 2015, Grzegorczyk 2015), as well as credibility of information in the marketing communication process (i.a. Johnson and Kaye, 2009; Łodziana-Grabowska 2015).

The interest in the issue of source credibility has risen together with the development of the Internet and the snowballing increase of information. Scientists are first of all interested in the credibility of information sources in the virtual environment and its influence on consumers' behaviour (Sussman and Siegal, 2003; Zhang and Watts, 2008), with special regard to credibility of reviews appearing in the Internet (Shan, 2016; Filieri 2015, Liu and Park 2015).

"Credibility means the range in which the recipient perceives a source as having adequate knowledge, skills or experience and believe this source passes impartial and objective information" (Meriam-Webster Dictionary, http). There are two important aspects of this attribute: expertise (proficiency) and dependability (Hovland and Weiss, 1951/52).

"Expertise is special skill or knowledge, knowledge of something, proficiency in evaluating something" (Merriam-Webster Dictionary, http). We may assume it is a kind of authority based on exceptional knowledge of a certain issue. "Dependability means deserving trust, credibility, honesty, justness; ability to depend on somebody or something" (Meriam-Webster Dictionary, http).

The source perceived as credible, and additionally having some expertise in a certain field is more convincing than somebody less familiar with the same issue. However, it must be also dependable – honest, ethical and trustworthy. The research findings unambiguously confirm the hypothesis that the sources obtaining certain knowledge or/and reliable are more convincing and effective than the sources with smaller knowledge or less reliable (Hovland and Weiss, 1951/52; Pornpitakpan, 2004). Information coming from the credible source has an impact on beliefs, opinions, attitudes and/or behaviour through the internalization process. Internalisation means adopting values, norms, social rules and opinions having been imposed for some time from outside and recognizing them as own, making internal. Internalization allows adapting opinions passed by a credible message sender thanks to the belief that such opinion is precise, adequate and free of mistakes. As soon as the opinion or attitude is internalized by the recipient, it becomes the part of the system of beliefs and is likely to be preserved even if the source or the message is forgotten. The credibility of source is particularly important if negative opinions or attitudes to a given product, service, company or issue occur among consumers. In such case a credible source is able to refute counter-arguments (Pornpitakpan, 2004). In view of the fact that attitudes and opinions resulting from the internalization process become the part of the individual's belief system, marketing experts are eager to use sources of high credibility. For that purpose companies use various techniques to transfer this feature to their source, for example train salesforce or employ highly-educated specialists (ie. physicians or engineers) to present products. Sources are selected on the basis of their knowledge of a specific area.

2.2 Credibility of source vs. word-of-mouth

The concept of source credibility in the context of word-of-mouth is not very intensively exploited. The report generated with the use of keywords 'credibility of source' and 'word-of-mouth' from the Web of Science, i.e. the database containing the most frequently quoted sources of scientific information included in the Journal of Citation Report, shows 132 items. The distribution of publications regarding credibility of source and word-of-mouth in years 1992-2016 is presented in Figure 1.
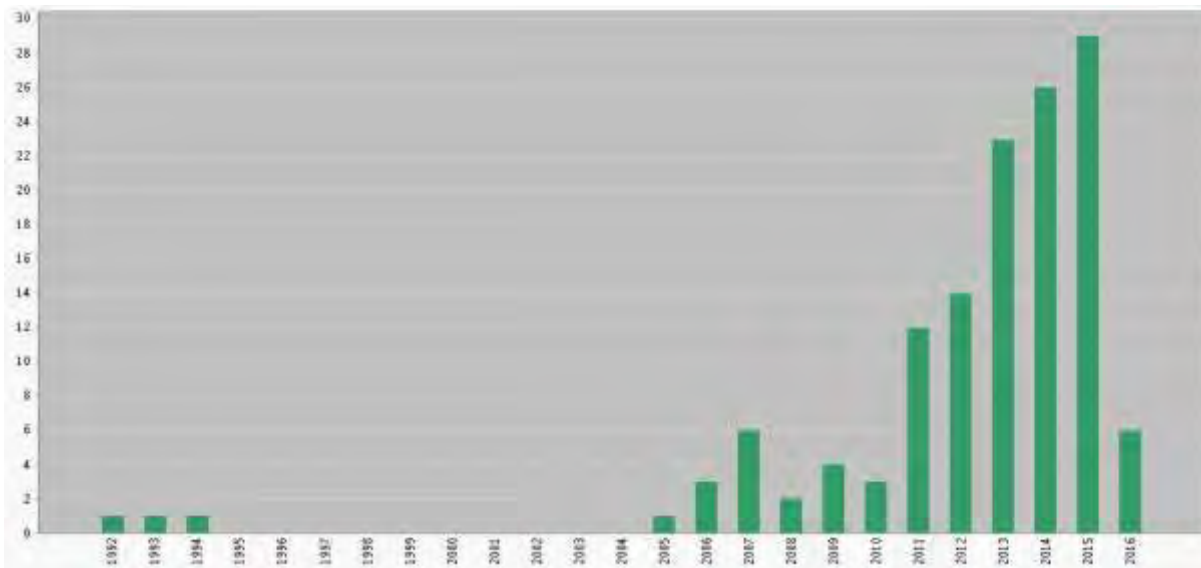
Figure 1. Distribution of publications on credibility of information sources in the word-of-mouth context in years 1996-2016
Source: Web of Science (2016.04.30)

The issue of source credibility in the word-of-mouth aspect wasn't very interesting for researchers until the popularity of social media exploded.

First three publications (Feick and Higie 1992; Sobczak and Bowers 1993; Stern 1994) addressed the influence of recommendations in advertising on consumer behaviour with the use of sources of diverse credibility. The most frequently quoted sources (above 100 quotes) focus on the influence of reviews appearing in the Internet on sales volume, considering the credibility of their authors (Forman, Ghose and Wiesenfeld 2008), the conceptualization of WOM within online communities (Brown, Broderick and Lee 2007) and the blurring lines between word-of-mouth and formal communication in the virtual environment (Mayzlin 2006).

According to the research conducted by Ying and Chung (2007) the credibility of source is higher if the source generates both positive and negative information on a given product. The unilaterally favourable and unfavourable information lowers the sender's credibility.

The research projects conducted by scientists from various countries (for example Sundaram 1998, Kelman 1961) indicate univocally that the impact of a favourable opinion on the purchase decision making depends first of all on the perception of informal sources of information, as they are regarded as the most credible or among the most credible ones.

The credibility of source in case of word-of-mouth may also depend on its features – similarity and expertise. The similarity is reflected by perceiving other person (a message sender) as similar to a message recipient. The similarity may be manifested in the behavioural aspects (a source and a buyer has similar purchase preferences) or psychological aspects (a buyer subjectively perceives a source as similar to oneself).

The expertise is the power resulting from the knowledge of a source (a message sender) and their experience, including professional activities. In the research projects addressing the influence of similarity and expertise of the source on proclivity to change a service provider in the energy industry (Wangenheim and Bayon, 2003) it was proven that the higher is intensity of both features, the bigger impact of the generated opinions on the change of a supplier can be observed. It was also noticed that:

- the influence of similarity is stronger in case of a big risk of socio-psychological nature
- the influence of exprtise is bigger in case of a big risk of financial and functional nature

Having reviewed the literature on word-of-mouth and source credibility it is found that there were neither representative samples nor wider product perspective in the research addressing the consumers' proclivity to use sources characterized by similarity and expertise in the word-of-mouth communication process. The consumer engagement in the product category wasn't either confronted with preferences regarding the choice of the information source. Taking the above into account, the following research questions:

- In what product categories are consumers more willing to use opinions of people similar to themselves and in what categories they prefer experts' opinions?
- Does the proclivity to use opinions expressed by similar people or experts depend on demographic and socio-economic variables?
- Will the consumer engagement in the product category increase their proclivity to follow sources perceives as professional ones in the word-of-mouth communication process?

3. Methodology

In order to answer the above research questions, under the NCN grant "The word-of-mouth communication influence on the purchase decision-making process" DEC-2012/07/D/HS4/01761 the CAWI survey was conducted with the group of 1,000 respondents selected by the stratified sampling method, out of the population of Poles aged 15-50 (variables considered in sampling included gender, place of residence and education). The selection of age group was determined by the requirements of the research method as well as the lacking sufficient representation of people aged above 50 years using the Internet. The research was conducted in August 2014. The sample included 50 per cent male respondents and 50 per cent female respondents.

The survey was conducted for 15 various product categories (starting from pure products, going through hybrids and ending up with pure services). The proclivity to use opinions passed by the source characterised by similarity and expertise was analysed in two ways. In the first instance 7-point Likert scale was applied to the following general statements:

(1) When purchasing something I willingly use opinions of people like to me, who have similar preference and values
(2) When purchasing something I willingly follow advice of people who have a substantial knowledge on the given product category

Secondly, for each product category respondents might indicate their preferences on the semantic differential scale, where on one hand they could select the opinion of a person similar to them and on the other - the opinion of an expert.

The engagement was defined as the range of consumer's interest in the decision making regarding the purchase of a given product (Mittal 1989/1995). For the measurement of the product category engagement the modified PDI (Purchase Decision Involvement) scale including 5 phrases was applied with the use of 7-point Likert scale, where 1 meant "I definitely disagree' and 7 meant 'I definitely agree' with the certain statement. The scale was adjusted to 15 various product categories. For each product the average value of scale was calculated.

The following research hypotheses were formulated:

H1: The proclivity to follow other people's opinions (similar to consumer or experts) depends on demographic variables (age, gender).

H2: The proclivity to follow other people's opinions (similar to consumer or experts) depends on socio-economic variables (income, education, place of residence, number of people in a household, personal situation).

H3: The proclivity to use professional source of information increases together with the engagement

if the product category.

4. Results

The filtering question for each product category was whether respondents purchased a product in a given category within last 6 months. For further analysis only statements made by respondents who purchased a given products were taken into account.

In case of the majority of product categories respondents used their own experience in purchase. It was mostly used in the purchase of groceries (79.9 per cent of respondents) and apparel (71.2 per cent). Exceptions from this rule included the choice of film in the cinema, purchase of mobile phone, computer, educational services, hotel and airline services, where the respondents most often used the Internet as the main source of product information. In case of legal services the dominant source was the opinion of family and friends. The most popular sources of information used by consumers in purchase are presented in Table 1.

N=1000	What sources of information do you use most often in purchase?				
	Own experience	Opinion of family and friends	Advertisements in TV, radio, press	Internet	Contact with salesperson
groceries	**79,70%**	38,10%	15,80%	8,70%	23,00%
cosmetics	64,80%	34%	17%	24%	23%
apparel	71,20%	28%	7,90%	21%	22%
film in the cinema	31%	36,60%	**34,40%**	39%	6%
meal in restaurant	62,70%	43,10%	4,60%	11,60%	13,80%
hairstyling services	66,40%	35,50%	2,80%	6,10%	9,40%
mobile phone	41%	32,40%	7,80%	**56,60%**	**35,40%**
computer	38,50%	33,70%	4,50%	49,40%	**35,40%**
furniture	37,70%	23,50%	7,40%	21,70%	27,80%
car	41,40%	39,20%	4,10%	31%	22,90%
hotel services	23,90%	27,50%	6,60%	44%	9,70%
educational services	26,40%	30,50%	6,30%	36,40%	11%
airline flight	18,20%	21,70%	6,50%	34,90%	9,50%
medical services	52,30%	**51,80%**	2,20%	19,60%	13,30%
legal services	21,50%	33,70%	2,50%	18,30%	12,10%

Table 1. Sources of information in the purchase decision-making process in particular product categories
bold indicates the highest value in the column, the color red indicates the highest value in a row
Source: own research

Among the respondents who indicated the use of the Internet when searching the information the Internet browsers were the most popular source, apart from the categories of film in the cinema and apparel. When choosing a film to see in the cinema the respondents most often (18.8 per cent) followed opinions found in the social media and blogs and additionally learned from advertisements published in websites and social media. In case of apparel the respondents most frequently used online shopping pages (16 per cent). The most preferred Internet sources in purchase of various product categories are presented in Table 2.

	Internet sources			
	Advertisements on websites and in social media	Internet browsers	Opinions in social media and blogs	Online shopping websites
groceries	3%	5,80%	3,90%	3,80%

cosmetics	7,10%	16,10%	13%	13,70%
apparel	7,60%	12,50%	7,90%	16%
film in the cinema	**14,40%**	29%	18,80%	6,20%
meal in restaurant	3,30%	7,70%	6,00%	3,10%
hairstyling services	1,40%	4%	3,30%	1,40%
mobile phone	8,30%	**42,70%**	**26,40%**	**38,10%**
computer	6,80%	35,70%	21,30%	33,60%
furniture	3,40%	12,80%	4,50%	15,40%
car	4,40%	23%	14,80%	10,80%
hotel services	8,70%	34,40%	17,70%	13,00%
educational services	7%	26,10%	14,30%	11,70%
airline flight	6,10%	25,70%	11,90%	10,80%
medical services	3,10%	14,10%	8,10%	5,20%
legal services	2,80%	14,50%	7,20%	4,20%

Table 2. Internet as the source of product information
bold indicates the highest value in the column, the color red indicates the highest value in a row
source: own research

For the purpose of the H1 hypothesis verification Spearman rho correlation coefficients were calculated for dependent variables (proclivity to use opinion of a similar person, proclivity to use expert's opinion) and independent variables (age, gender). No correlation between variables was confirmed. The similar procedure was applied in case of the H2 hypothesis and there was no correlation either. For that reason both H1 and H2 hypotheses were rejected.

In order to analyse the distribution of proclivity to follow opinions of similar people and experts depending on the product category the semantic profile for 7-point scale was developed, where 1 meant preferences to use opinion of a person similar to respondents, 7 meant preferences to use expert's opinion and 4 meant the comparable proclivity to use both sources of information. The preference profile for personal sources of information is presented in Figure 2.
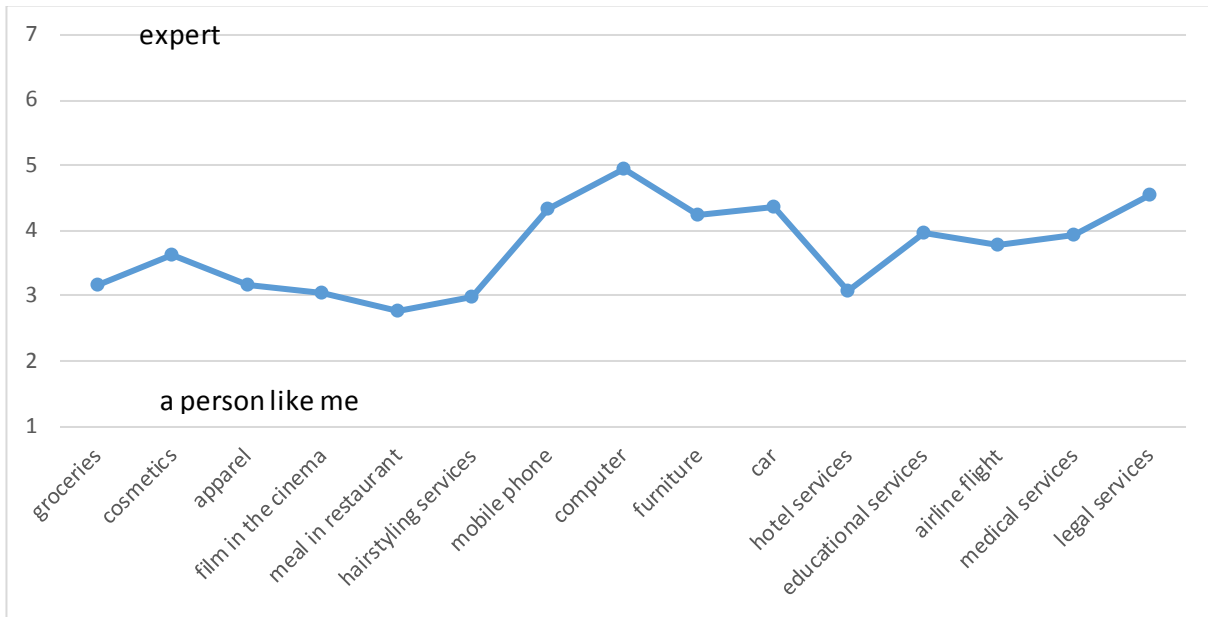
Figure 2. Profile of preferences regarding the use of personal sources of information on attributes of similarity and expertise

Source: own research

Unequivocal preferences for expert sources when gathering opinions on products appear in case of the category of mobile phones. Preferences for information sources of high level of similarity apply to the category of meals in restaurant. The detailed distribution of preferences to use personal sources of information when gathering opinions on products is presented in Figure 3.
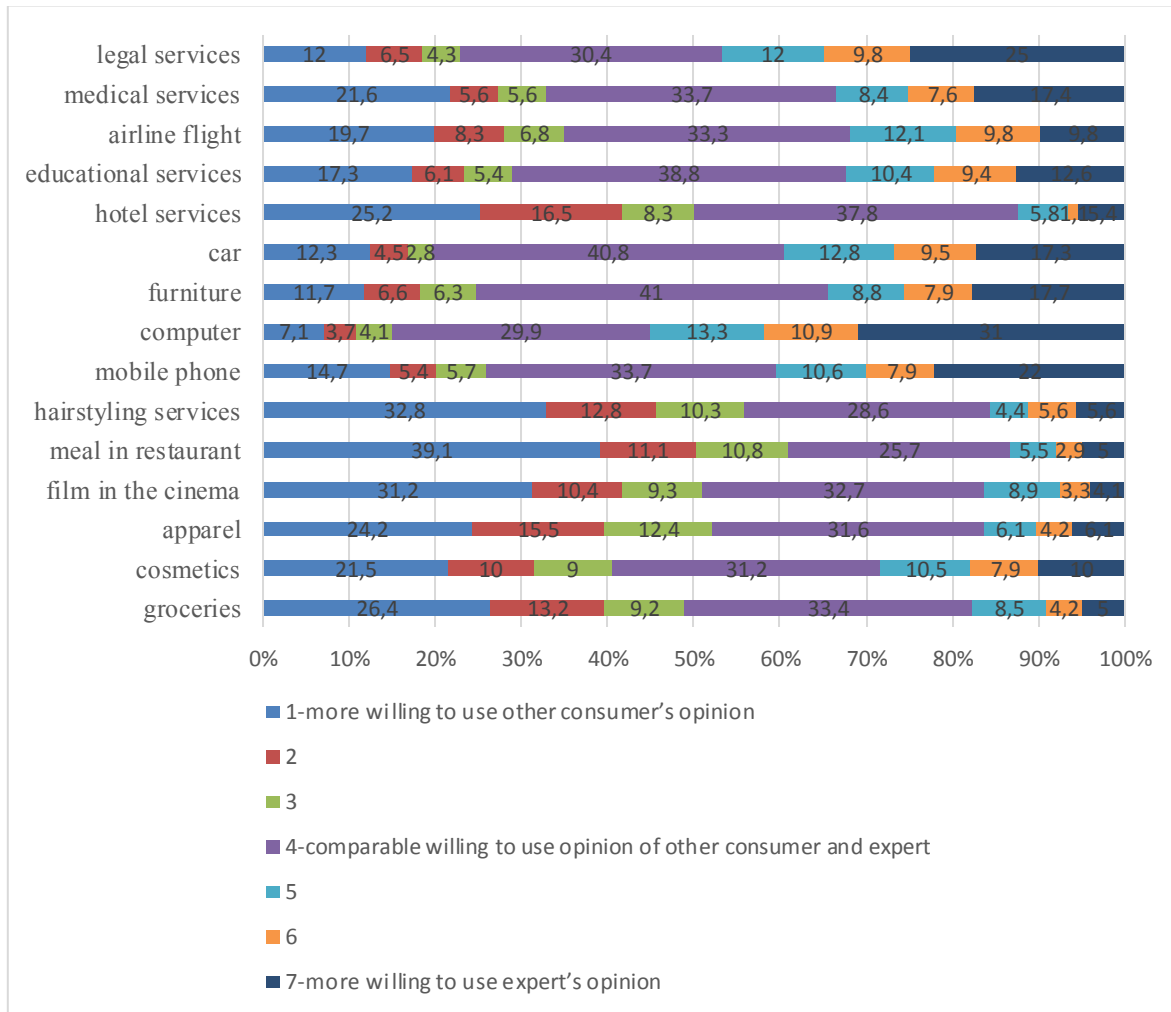
Figure 3. Distribution of preferences for using personal sources when gathering opinions on products
Source: own research

For the purpose of the H3 hypothesis verification the average values of engagement in purchase were calculated for each analysed product category. Next the correlation coefficients between the proclivity to follow opinions of people similar to the respondent and the level of engagement in the product category purchase, as well as between the proclivity to use expert's opinions and the level of engagement in the product category purchase were calculated. The results of the above calculations are presented in Table 3.

| Product category | Number | Average value of engagement in purchase | Spearman rho coefficient | |
			Opinion of similar people (1)	Opinion of experts (2)
apparel	N=494	4,26	**0,255****	0,123*
airline flight	N=163	4,46	**0,242****	0,185*
grocieries	N=417	4,53	0,116*	**0,220****
cosmetics	N=498	4,56	0,116*	0,047
furniture	N=397	4,60	0,98	0,107
meal in restaurant	N=426	4,76	0,101	0,062
hairstyling services	N=453	4,76	0,099	0,155**
hotel services	N=325	4,89	0,111	0,075

www.mbd.ase.ro

car	N=236	4,92	0,169*	**0,174***
educational offer	N=354	4,94	**0,297****	0,264**
mobile phone	N=483	5,00	0,148*	**0,155****
film in the cinema	N=320	5,05	0,184**	**0,205***
computer	N=377	5,08	0,131*	**0,145***
legal services	N=116	5,09	0,069	0,157
medical services	N=442	5,13	0,07	0,09

Table 3. Engagement in purchase of a product category vs. proclivity to follow opinions of similar people or experts

* statistical significance level 0.05
**statistical significance level 0.01
(1) When purchasing something I willingly use opinions of people like to me, who have similar preference and values
(2) When purchasing something I willingly follow advice of people who have a substantial knowledge on the given product category
Source: own research

There are no grounds for accepting H3 hypothesis, because the most engaging product categories don't generate the biggest proclivity to use expert's advice. In case of medical and legal services no statistically significant relations were found between the engagement in the product category and the proclivity to use the expert's advice. Meanwhile in case of the much less engaging product, such as groceries, the proclivity to search for advice of both a person similar to the consumer and an expert grows together with the engagement in this product category. The similar situation occurs in case of apparel and airline flight, where the weak statistically significant relation was found between the engagement in the product purchase and the proclivity to follow the opinion of an expert or a person similar to the consumer.

5. Summary and conclusions

Consumers most often use their own experience in the purchase decision-making process. In nearly all product categories on the second place they follow opinions of their family and friends. As for the Internet sources consumers often use browsers and opinions published in social media, forums and blogs. In the word-of-mouth communication process consumers may choose between using the information sources characterised by attributes of similarity or expertise. The proclivity to follow experts' opinions is higher in case of products perceived as similar to one another, technically complex, where the specialist knowledge is necessary to compare offers and consumers lacks such knowledge. Good examples of such products are cars or computers. The proclivity to use opinions expressed by people similar to the consumer is higher if it regards products in case of which a choice made by consumers strongly depends on their individual preferences (meal in restaurant, film in the cinema, apparel). In some product categories the engagement in the purchase increases in general the proclivity to use personal sources of information characterized by both similarity and expertise (apparel, airline flights, groceries, cars, educational offer, mobile phones, film in the cinema, computers). In these product categories it doesn't matter whether the information on the product will be provided by an expert or another consumer, still there will be high proclivity to follow other people's opinions. The clear proclivity to prefer similar consumers' opinions was confirmed only in case of the engagement in the purchase of cosmetics, while experts' opinions were visibly preferred in the category of hairstyling services. For cosmetics manufacturers willing to use the word-of-mouth to support product sales it is recommended to focus on engaging ordinary consumers in creating recommendations, in the form of both traditional grapevine and information published in social media, blogs and forums. It can be achieved through reference programs (remuneration for recommendations) or competitions and prize competitions. In case of hairstyling services the higher consumer engagement may be stimulated by the participation of celebrities, professionals (for example stylists) and their recommendations published in websites or social media.

References

BROWN, J., BRODERICK, A. J. & LEE, N. 2007. Word of mouth communication within online communities: Conceptualizing the online social network. *Journal of interactive marketing*, 21.3: 2-20.

FEICK, L. & HIGIE, R. A. 1992. The effects of preference heterogeneity and source characteristics on ad processing and judgements about endorsers. *Journal of Advertising*, 21.2: 9-24.

FILIERI, R. 2015. What makes online reviews helpful? A diagnosticity-adoption framework to explain informational and normative influences in e-WOM. *Journal of Business Research*, 68.6: 1261-1270.

FORMAN, Ch.; GHOSE, A. & WIESENFELD, B. 2008. Examining the relationship between reviews and sales: The role of reviewer identity disclosure in electronic markets. *Information Systems Research*, 19.3: 291-313.

GRZEGORCZYK, A. 2015. Wartość reklamowa wizerunków osób znanych. In: Perswazyjne wykorzystanie wizerunku osób znanych, (Red.) A. Grzegorczyk, Wyższa Szkoła Promocji, Mediów i Show Businessu, Warszawa

HOVLAND, C. I. & WEISS, W. 1951. The influence of source credibility on communication effectiveness. *Public opinion quarterly*, 15.4: 635-650.

JOHNSON, T. J. & KAYE, B. K. 2009. In blog we trust? Deciphering credibility of components of the internet among politically interested internet users. *Computers in Human Behavior*, 25.1: 175-182.

KELMAN, H.C. 1961. Processes of opinion change, *Public Opinion Quarterly*, Vol. 25 Spring, s. 57-78.

LIU, Z. & PARK, S. 2015. What makes a useful online review? Implication for travel product websites. *Tourism Management*, 47: 140-151.

ŁODZIANA-GRABOWSKA, J. 2015. *Marketingowe determinanty zachowań rynkowych konsumentów w Polsce.* Warszawa: CeDeWu

MAYZLIN, D. 2006. Promotional chat on the Internet. *Marketing Science*, 25.2: 155-163.

MAZUREK, G. 2011. Informacja w wirtualnym środowisku a rozwój społeczeństwa informacyjnego. *Zeszyty Naukowe Uniwersytetu Szczecińskiego. Ekonomiczne Problemy Usług*, , 67, Drogi dochodzenia do społeczeństwa informacyjnego. Stan obecny, perspektywy rozwoju i ograniczenia. T. 1: 186-194.

MERRIAM-WEBSTER DICTIONARY. 2016. http://www.merriam-webster.com/ (2016.05.18)

METZGER, M. J. & FLANAGIN, A. J. MEDDERS, R. B. 2010. Social and heuristic approaches to credibility evaluation online. *Journal of communication*, 60.3: 413-439.

MYŁEK, E. 2015. Wykorzystanie wizerunku osób znanych w reklamie. In: Perswazyjne wykorzystanie wizerunku osób znanych, (Red.) A. Grzegorczyk, Wyższa Szkoła Promocji, Mediów i Show Businessu, Warszawa

OHANIAN, R. 1991.The impact of celebrity spokespersons' perceived image on consumers' intention to purchase. *Journal of advertising Research*

PENC, J. 1997. *Leksykon biznesu*, Placet, Warszawa

PIECZYKOLAN, R. 2005. *Informacja marketingowa*. Polskie Wydaw. Ekonomiczne

PORNPITAKPAN, Ch. 2004. The persuasiveness of source credibility: A critical review of five decades' evidence. *Journal of Applied Social Psychology*, 34.2: 243-281.

SHAN, Y. 2016. How credible are online product reviews? The effects of self-generated and system-generated cues on source credibility evaluation.*Computers in Human Behavior*, 55: 633-641.

SOBCZAK, P. M.. & BOWERS, M. R. 1993. An experimental-design for measuring the effects of source credibility and goal behavior estimate in health promotion television commercials. *Psychology*, 30.2: 30-43.

STERN, B. B. 1994. A revised communication model for advertising: Multiple dimensions of the source, the message, and the recipient. *Journal of Advertising*, 23.2: 5-15.

SUNDARAM, D.S., MITRA, K. & WEBSTER, C. 1998. Word-of-Mouth Communications: A Motivational Analysis. *Advances in consumer research*, 25.1.

SUSSMAN, S. W. & SIEGAL, W. S. 2003. Informational influence in organizations: An integrated approach to knowledge adoption.*Information systems research*, 14.1: 47-65.

TKACZYK, J. 2009. Uwarunkowania skuteczności działań wykorzystujących komunikację nieformalną. *Handel Wewnętrzny*, 166-172.

WANGENHEIM, F. & BAYÓN, T. 2003. *The effect of word of mouth on services switching: Measurement and moderating variables,* European Journal of Marketing, September

YING, H.L. & CHUNG, M.Y. 2007. *The effects of single-message single-source mixed word-of-mouth on product attitude and purchase intention*. Asia Pacific Journal of Marketing

ZHANG, W. & WATTS, S. A. 2008. Capitalizing on content: Information adoption in two online communities. *Journal of the Association for Information Systems*, 9.2: 73.

Play to Save the World – Triggering Social Change through Games

Alexandra Ioana Pascu
Bucharest University of Economic Studies
alex.ioana.pascu@gmail.com

Abstract

While games have been usually associated with pure fun for the sake of it, social isolation, procrastination and the lack of a greater purpose anchored in reality, lately they have shed partly these attributes through demonstrating their potential association with hard work, harnessing the power of communities and as sources for generating social value. However, although playing games does not, yet, enable individuals to save the world, a growing number of them still offer the opportunity to change the life of a limited group of people. Changing the way people relate to each other and the actions they choose to take when addressing matters such as racism, poverty or environment issues has proven rather difficult. Ways of triggering the transition from awareness to actual involvement for a growing number of individuals involve CSR campaigns and actions of social enterprises that focus on a clear, specific goal, team work, competition, emphasizing each individual's agency, and presenting a selected figure or group of people to create a visual representation of the target. This paper analyzes the means through which social change is generated through the employment of these aspects as elements that stand at the core of games in general, and video games in particular. Further on, it aims at categorizing the unique features belonging to social change dedicated video games based on their determined ability to enable a higher degree of participation both in terms of intensity and in terms of scope, when addressing social causes, and determine the actual nature of their impact. Last, but not least, the paper ends with a discussion regarding the ways in which the experience created by games could be integrated by social actors to generate the impact desired.

Keywords: social change, CSR, game development, social impact games.

JEL classification: L31, O35.

1. Social impact games – a myth or reality?

The content discussing the role of games in changing the individual's behavior and quality of life has increased exponentially with each year. However, this has led to both the uncovering of new opportunities for creating social change and a fragmentation of the field due to the diverse backgrounds of its contributors. In a common effort to achieve coherence and further the understanding regarding the potential social impact of games, organizations such as Games for Change and educational institutions have established as their mission to constitute a hub for game developers and researchers alike in order to facilitate the building of a common ground. With this, the aim is to facilitate the transition from defining the social impact games action ground to being able to measure their effect upon the target audience.

1.1 Social value – common grounds

Despite its ubiquity, social value is a concept that is still difficult to delimitate. More often than not, it has been associated with broad category of actions, an economic counterpart, and quality of life; all through the different lenses of each field of discussion, industry or context.

In an effort to build a structured view, two main directions for defining social value have been identified:

•*Pragmatism/Financial:* social value is synonymous with Social Return on Investment (SROI) and derived as economic value. Moreover, it consists in the set of products and actions developed by organizations and provided with a social aim (Felício et al., 2013).

•*Idealistic/Holistic:* social value cannot be determined in an accurate and effective manner solely based on its potential association with economic value. It is defined as "the net benefit that accrues to all stakeholders, including those in future generations" (Hazy et al., 2010), a result of "a behavior that is not confined within the boundaries of an enterprise" and that is present not only in the non-profit sector, but also in the business and government sectors, overcoming the challenge of the solitary entrepreneur (Sinkovics et al., 2014; Korsgaard and Anderson, 2011). Thus, within this framework, social value contains a transcendental residual component that is expected to create further ripple effects in the shaping of the

individual behavior and the nature of the interactions.

Both perspectives converge at the point where the need for assessing the social consequences of the actions taken precedes the one of ensuring further comprehensiveness. To measure social value, the sources, the means (or channels) and actors of social value creation should be determined.

Regarding the sources of social value creation, there are several that can be identified:

- *Business model innovation:* multinational companies and NGOs co-existing with the aim to benefit from the multiplier effect that social value creation can determine upon the building of economic value (Dahan et al., 2010);
- *Corporate Social Responsibility initiatives and Corporate Social Entrepreneurship:* ensuring sustainable development of the community through initiatives and innovation for social value creation (Sinkovics et al., 2014);
- Creating an environment that promotes and supports simultaneously a bottom-up and a top-down approach through the stakeholders' engagement as multipliers of social value and the integrating of the concept at a strategic management level (Pies et al., 2010).

1.2   Games as sources of social value creation

After reviewing the aforementioned sources of social value creation, questions arise regarding the particularities that these broad categories may have in the context of different industries. In particular, the game development industry was (and still remains) one the areas submerged in controversy due to its perceived role in influencing human behavior. While some discussions focus on ethics and moral perspectives, others move further, discussing the potential that this emerging industry may have in driving social change.

Before moving further, a deeper understanding of the concept of "game" is needed. Most of the times taken for granted due to its widespread use, what we refer to as a game is more often than not debatable. Ranging from negative connotations such as "gaming the system" (cheating) or "playing games with someone" (tricking someone) to a fun medium and a primal method of learning across species, games have long held a controversial reputation. Hainey, et al. (2013) includes several definitions that partially overlap over elements which could be considered to stand at the core of the concept. A synthesis of the characterizations is: games are rule-based systems that represent a subset of reality and may have a fixed or variable outcome, which can be quantifiable and, in most cases, influenced by the player's actions. Games represent a voluntary act of the player to step into the reality created and abide by the rules that govern it. Key aspects that make games engaging lie in the control that the player has over the outcomes, it being an intrinsically fun experience, establishing a clear set of goals, and employing a feedback system that offers information about the progress towards the followed objectives. While games may differ greatly from one another, there can be identified four core elements that lie at the center of any game: aesthetics, mechanics, story and technology (Schell, 2008). These refer to the game's look and feel, its procedures and rules, its events and the sequence in which they occur, and the material, technological means through which the game takes place.

The game development industry has been under recent scrutiny by NGOs and social enterprises due to its rapid expansion to $76 billion worldwide, 9% higher than the previous year. Moreover, a greater boost is expected for 2016, when the worldwide value is estimated to surpass $86 billion, at a 13% annual growth rate versus 2015 (BigFish Games, 2014). Contributing to this evolution are the new technologies developed by console and electronics manufacturers, including the development of games for mobile platforms, the launching of a new console generations (known as "next gen consoles", e.g. PlayStation4, XBOX ONE) and the reborn of the Virtual Reality (VR) headsets. Thus, in 2014 the total amount spent in the US on video games reached $15.4 billion, dropping to 69% of the total expenditure at the industry level (3% less than in 2013). By difference, at the European level, consumers spent aggregately almost $5 billion more versus the previous year, as video-games sales revenues climbed up to approximately $20 billion in 2014. In Romania, the value of the top 100 video-game revenues was estimated to over $122 million (BigFish Games, 2014). Only in the US, in 2014, there were over 34 million gamers that spent on average 22 hours

per week playing games (BGR, 2014).

Given the high amount of time dedicated to games and the expansion of the industry, the attention of researchers and social entrepreneurs was directed towards the potential use of games in creating social value, while also ensuring the increased commitment of the participants through engagement. But are games a panacea for any social discussion and what exactly makes games engaging? Research has shown that points, badges and leaderboards alone are not enough to keep players interested and enhance performance. More specifically, "playing a game becomes meaningful and supports learning when the relationships between actions and outcomes in a game are both discernible and integrated into the larger context of the game." (Hayne, et al., 2010; p. 476).

These games have been referred to as "social impact games" or "games for social impact", their denomination originating from the term "serious games" (Czauderna, 2013). Their popularization under this denomination has come a as a response to the launching of the Academic Consortium on Games for Impact in 2012, the creation of the Center for Games & Impact at the Arizona State University, and the new interest of the industry towards the concept

One of the main social areas where games have already managed to hold an established position is education. At almost any level of education, professors, teachers, and students are advocating the benefits of utilizing games as a means to learn faster, better and stimulate performance. An example in this regard is Innov8, an IBM simulation game that helps students practice running their businesses virtually. Currently over 1000 colleges and universities worldwide have made use of the game for promoting entrepreneurship (Penenberg, 2015). Unfortunately, structuring and reproducing the existing research on game based learning has proven to be a task more difficult than expected, mainly due to the incompatibility of the questions, the inconsistent game taxonomy, and the different target groups (Hainey, et al., 2013; Stokes, et al., 2015).

Regarding the use of games for learning, Hainey, et al. (2013) mention as one of the main benefits the development of communication skills for students as a result of playing games (especially multiplayer ones) that promote cooperation and teamwork in order to succeed. Games also contain powerful extrinsic motivators such as points based systems, badges, leaderboards, special items, etc. If used moderately and alongside intrinsic ones, these elements could prove to be powerful tools for motivation, within the educational context. However, these are not self-sufficient and should not be expected to aid, by themselves only, in achieving better results and greater engagement. Regardless of the type chosen for their main goals, games and serious games should be fun. Without this component, the extrinsic motivation simulators only eliminate what is left of the interest for that topic (Bellotti, et al., 2014).

Even though for social impact games, fun may not seem a crucial element, it is actually playing a vital role. Research has shown that a state of happiness can favor the person's propensity to contribute to a social cause with financial or non-financial resources (make donations, volunteering, etc.) (Boenigk & Mayr, 2015). Moreover, engaging for a social purpose can trigger a positive response leading to further engagement and creating a social value creation loop (Ren & Ye, 2016; Aknin & Dunn, 2012).

2. Research methodology

In this context, this paper sets to investigate whether playing games can trigger social change and identify the particular elements that game designers and game developers employ with a social outcome in mind.

Considering the information obtained from the literature review and online search, the following hypotheses have been formulated:

H1: The social impact created by a game is influenced positively by the coherence of the conveying of the selected theme through all four main game elements.

H2: Players with play time equal or greater than the average needed to complete the game have been closer to identifying the social theme of the game.

H3: Depending on their general attitude towards games, players can access different layers of the social impact.

H4: Associating an avatar to the playable characters helps the player identify with that character and immerse into the gaming experience.

Solely on the Games for Change online platform, one of the most comprehensive resources in terms of gaming applications developed with a social mission in mind, there are currently listed up to 140 social impact games (Games for Change, 2016).

In order to perform an in-depth analysis of the impact created by a social cause oriented game and test the hypotheses formulated above, one such application has been selected: "Beyond Eyes", a game created by the indie game development company Tiger&Squid. At its core, the game differentiates itself through the innovative mechanics that support its story: as the player guides the main character, a blind girl, with each step she takes the game world is unveiled through an interactive painting of the surroundings in pastel colors and watercolor style. Another differentiating factor involves the concurrent existence of the following features: being funded through crowdsourcing and ensuring accessibility through the development of versions for all major gaming platforms.

Beyond Eyes is, thus, a case of a game that acted as a creator of social value by becoming itself a representation of the social cause it embodies (raising awareness regarding blindness) and trying to gain the community's support for its development. In this way, future players have the opportunity to support the cause in two different ways: by backing up the game development financially and playing the game once it has been released. In both cases, the impact takes place both at individual and group/community level.

Around the individual support that each future player offers, a community is built - the group supporting the creation of a game that encompasses both artistic and social elements. The promotion of the game before release within industry events strengthens the cause and helps increase the community.

Regarding the second manner through which players contribute to the social cause, an inductive content analysis has been performed on the games' 119 valid reviews available on Beyond Eyes dedicated page on the Steam online platform. Invalid reviews were considered to be the ones not directly referring to the game's content, or the overall playing experience, but to other non-related subjects or containing a too broad reference.

The reason for collecting only the reviews available for PC users is the reliability and completeness of the data, with special emphasis that all feedback content could be posted only by actual players of the game. The use of inductive content analysis was decided due to the little scientific research on the concept of social impact games, by difference from serious games. Other reasons included the flexibility of the method allowing for in-depth exploration regardless of the data structure, by defining customized units of analysis, codes and categories of codes (Elo & Kyngas, 2008).

A preliminary data analysis has revealed two layers of inquiry for social impact. The first layer comprises of the content of the reviews, while the second is built as meta-content: an evaluation of other users of the review content placed by the players, limited to only two alternatives: useful and not useful.

At the first level of inquiry, the data has been centralized and coded resulting in the following categories, subcategories and values:

- Player ID: username used by the player to log into Steam and access the game. The data provided by this field was used as a unique identifier for each review.
- Date: the date when the review was posted on the platform.
- Recommendation: whether the player would recommend or not the game to other players. This field has been populated with information directly filled in by Steam user with one of the two values: recommended or not recommended.
- Hours in game: time spent by the player in game.
- Products in basket: number of other games or game related application owned by the user on Steam.
- Role of aesthetics as part of the blindness experience:

o   yes (players considered the design of the visuals and sounds as integral parts of the experience);

o   no (players did not mention or did not consider the design of visuals and sounds to be linked directly to the game's core concept.

- Role of mechanics as part of the gaming experience ("yes", "no").

- Overall experience: review content is analyzed to determine the overall quality of the gaming experience. The information filled in this field has as main role the cross-checking of the "Recommendation" data provided by the user. The results of the evaluation of the overall experience can only be expressed through "positive" or "negative".

o   Positive

o   Negative

- Social impact on player: a qualitative analysis of the content is performed with the purpose of identifying any indicators of social impact over the user resulted from the playing experience. The primary social impact is considered to be one emerging explicitly from the player's review, while the secondary is considered to be a subdued one, suggested through implicit remarks.

o   Primary

o   Secondary

- Number of direct mentions of terms related to the condition per review: this dimension measures the number of times the term "blind", "blindness" and other related terms appear in the content of a review. The purpose of the indicator is to determine whether increased awareness on the character's condition through the association of characteristic terms and phrases might influence the way the player perceived the overall experience and the existence or intensity of the social impact.

The unit selected for this analysis was the review. This has allowed for an understanding of each player's view, without losing the context of the phrases or keywords used.

Thus, both quantitative and qualitative insights were gained through a mixed use of the content analysis method.

3.   Results

Analyzing the end user's experience, the research aims at determining whether the efforts of game designers, and game developers alike, could change individual and/or group behavior. The content analysis performed on 119 valid reviews for the Steam PC version of the game "Beyond Eyes" revealed that at least a short-term change occurred enlarging the player's perception on blindness, while also bringing other social aspects such as the importance of friendship or community integration into the focus.

In its first month of launching, the game received 35% of its reviews. Out of those, 66% were posted just in the first week. This could be the result of the crowdsourcing financing source that the company has opted for this project. Early adopters of the game that have had access to the demo and have supported its development were eager to play the full version and also felt more entitled or accountable to offer feedback regarding their experience. The general response to the game was favorable, with 82% of the players recommending the game. 36% of the detractors surpassed the average game playing time needed for completing the game, while 41% of the promoters have spent more than 3 hours in the game.
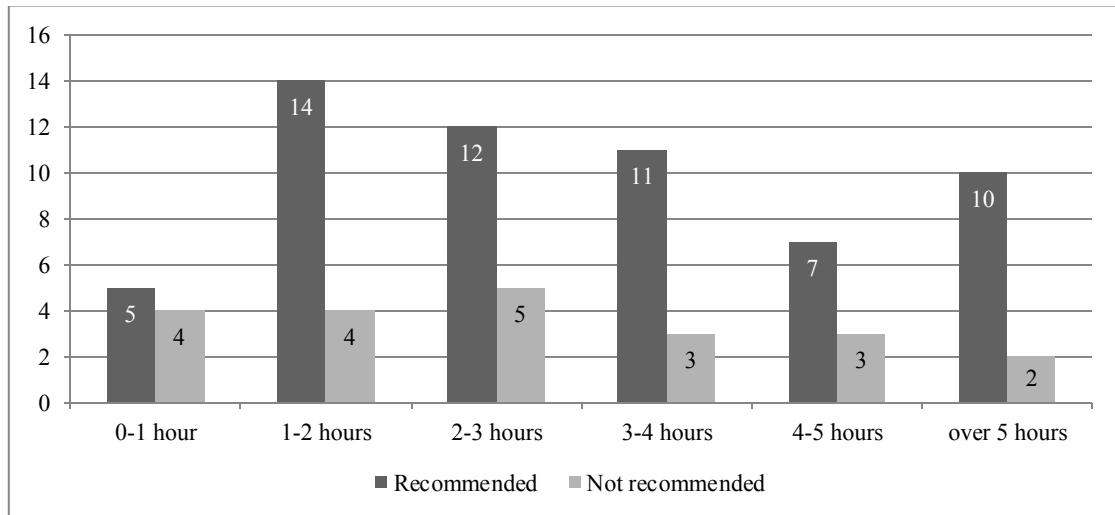
Figure 1 - Distribution of promoters versus detractors based on playing time

However, a qualitative analysis of the content of the reviews has revealed that even though certain users recommended the game, their description of the overall experience seemed to lean towards a rather neutral appreciation than a positive one. The element that has been most frequently mentioned by the players as a negative factor consisted in the walking speed restriction imposed on the main character. Over 50% of the users have mentioned "moving too slow" or "controls" as a source of frustration, even though one out of three of those were aware of the limitation's role as part of recreating the "blindness" experience. So was the experience too genuinely recreated in the detriment of fun? The qualitative analysis reveals that neutrality towards the experience has led to at least the same number of players susceptible to abandoning the game without completing it as having a negative experience. The greatest number of neutral or negative reviews is represented by the ones that have been written by players spending less than 2 hours in the game.

At the other end of the spectrum, players who have found the experience very positive have invested more than 5 hours and were eager to relive the playing experience by starting the game again, after the first play. Spending the designated average time to complete the game (between 2 and 3 hours) seems to trigger the greatest number of positive experiences.

Thus spending too much time in the game or too little can significantly influence the player's perception regarding the experience.
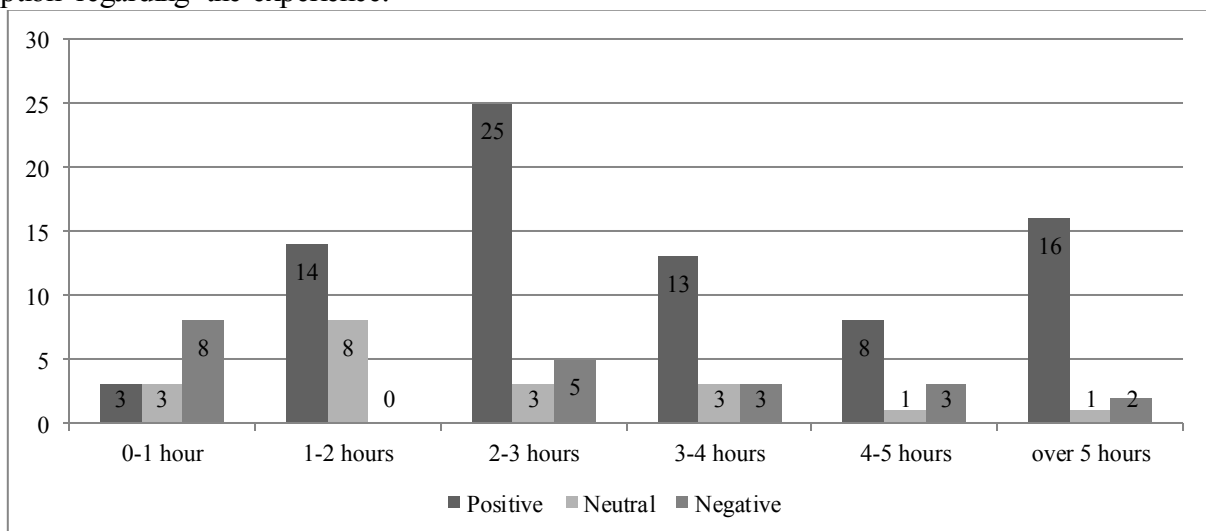
Figure 2 - Distribution of players based on overall experience and time played

To continue with, the influence of the time spent in game over the identification of the main social theme has been investigated. Results reveal that only 18 players out of 49 (37%) who played the game for

more than 3 hours identified the main social theme and related to it. Similarly, 26 players of the 70 (38%) that have spent less than 3 hours in the game mentioned the support of a social cause or aspect as main goal of the game. Hence, H2 cannot be confirmed or rejected.

The universe created through the use of intertwined mechanics, aesthetics and storytelling has been the most important factor in determining the quality of the player's experience. One of the aspects that have received an overwhelming positive reaction consisted in the visual and sound effects of the game. Over 47% of the players have recognized the role of aesthetics in conveying feelings of vulnerability, hope and empowerment in relation to the blindness condition. Moreover, in almost 70% of the reviews, the references made to the game's graphic design, sounds and music have ranged from positive to highly positive. Thus, regardless of the time spent in the game, players have been exposed to the social message through the use of the three of the four main game elements in a coherent and amplifying manner.

Going further, playing as a young girl who has lost her sight has had a significant influence on the player, as 61% identified as primary impact experiencing life from a different perspective, that of a blind person, and living intense emotional moments evoked by the friendship between the main character and her pet. For 9 of the 119 players, the emotional flow was able to trigger powerful emotional responses such as crying. However, the main contributor to the game's impact was the innovative mechanics employed, allowing the virtual world to be uncovered only as the player progresses through movement or correct identification of sounds. The simulation still includes experiences which are especially created to prompt a sense of vulnerability: the player is made to believe that the images painted through the sounds identified are the correct ones, only to eventually reveal that the character was mistaken in her guess. These results suggest that both H1 and H4 could be confirmed with further research on social impact games, using as a starting ground the directions mentioned, and results from research on gaming, in general.

By analyzing playing behavior, there have been identified four main categories of players: perfectionist, casual, hard-core, and experimental. Perfectionists are players interested in completing all in game objectives, both required and optional, overachieving the scores (if there are any available) and gain all trophies or badges available. Such players may complete the game or even replay it, even if they do not consider the playing experience to be a very positive one. Casual players spend less than one hour per day playing and prefer games that require short completion times or transactional, episode based stories and actions. Hardcore gamers differentiate themselves through their high level of gaming experience and their ability to go beyond the end user status, taking sometimes the role of an expert or critique. Experimental gamers are looking for new, original playing experiences that are created through the use of innovative mechanics or concepts. In the case of "Beyond Eyes", only 8 out of the 119 players have identified as main feature of the game its artistic style and experimental mechanics, while 28 players have appreciated it for its casual, adventure feel.

Amongst the players included in the research, the category of hardcore gamers has been isolated with the purpose to determine any potential particularities in terms of reactions towards the game experience. Hardcore gamers have been considered Steam users that at the time of the review had more than 1000 products in their basket, resulting in a total number of 11 such players. The review data extracted showed that actually more hard-core gamers had recommended the game, while overall positive and negative assessments (categorized through the qualitative content analysis) seem to be evenly distributed amongst player categories.

These results suggest that while casual and experimental gamers may be mostly attracted to the social impact games genre, these categories prove to be more difficult to reach from a social cause perspective. Thus, taking into consideration H3, game developers and designers need to consider the means through which they can trigger a social effect on these categories as well, while not compromising their gaming experience.

Finally, at the meta-content analysis level, 60% of the reviews posted have been assessed by a total of 1386 other players. Amongst these, the most highly recommended reviews, on average, were those of the players holding less than 400 products in their Steam account. Only 51% of the reviews that presented as primary purpose of the game raising awareness towards a social cause have been rated. On average, these

reviews have been considered in 87% of the cases useful by other players. However, only one of these reviews has been rated by more than 100 players and, thus, could be considered to reveal a significant result. Overall, amid all 119 reviews analyzed, only 3 have received more than 100 votes individually, with each of the players behind the reviews presenting a comprehensive view on the story, mechanics and details of the overall experience with the game. These results reveal the fact that through online reviews the social impact of the game can be multiplied to reach exponentially more individuals. For "Beyond Eyes", even though there was only one review that discussed the cause supported by the game, its gross reach was to up to 372 other individuals, out of which 357 considered the content useful for taking their decision whether to play the game.

Discussion

Games can prove to be powerful tools in triggering social change, starting with influencing the individual behavior, values and way of relating to different groups. A key factor in succeeding to create social impact is the development of an endogenous game universe into which the players enter. Moreover, the time spent by the player in the game universe can impact their overall experience, but not independently of other factors such as the story, the rules and procedures employed, the interaction design and the aesthetics. A crucial component becomes the correlation of the game mechanics with the experience through which it aims to raise awareness for the social cause. However, game designers need to consider both the positive and the negative aspects that accompany the creation of an immersive world.

As the focus is placed on bringing an authentic experience to the player, the fun to play aspects should not be omitted either. Just like in the case of "Beyond Eyes", walk a fine line between innovative gameplay and easily accessible controls. Actual players of the game were able to identify, accept and embrace the social issue as part of both the virtual universe and reality. Going further, the players that have reviewed the game were able to convey the stylization of the social aspects from the game environment into reality, the two worlds being occasionally immersed into one another.

In their efforts to reach individuals and entice their participation in determining social change, social organizations and CSR departments engage in developing costly projects. However, very few of these projects offer the social return on investment that their funders expect. Games offer social actors the means through which to create an engaging experience that is both fun and with a potential for a real change in the life of the player and even in that of a community. Social impact games can help target the growing gaming community and bring social issues into each person's life, drawing attention to it almost every day, slowly introducing change through the feelings they create. Other benefits that the design of social impact games offers include: openness to crowdfunding structures, raising popularity of game development start-ups incubators, and amplified effect due to increased review content, exposure through multinational social organizations such as Games for Change or game development multinationals.

In the education sector, games have already started to play an important part, proving their superiority to traditional methods. Games such as the "Parable of the Polygons" or "Quandary" take players out of their comfort zone by offering difficult choices based on which decisions are made and the fate of the game world depends (Learning Games Network, 2012; Hart & Case, 2016). The gameplay triggers insights into the easiness with which anyone could act into a discriminatory manner or disrespect the rights of certain groups and individuals.

This research could represent a basis on which further studies could be designed with the purpose to determine causal relationships between particular game elements and the overall final experience of the end user. Furthermore, different particularities of social impact games could be determined through the research on diverse cause oriented applications.

References

AKNIN, L. B., & DUNN, E. W. 2012. Happiness Runs in a Circular Motion: Evidence for a Positive Feedback Loop between Prosocial Spending and Happiness. *Journal of Happiness Studies, 13*(2), 347-355.

ANSARIXPRIZE. 2009. *X Prize Foundation Web site*. Retrieved 12 2, 2014, from http://space.xprize.org/ansari-x-prize

BELLOTTI, F., BERTA, R., DE GLORIA, A., LAVAGNINO, E., ANTONACI, A. & DAGNINO, F. 2014. Serious games and the development of an entrepreneurial mindset in higher education engineering students. *Entertainment Computing, 5*(4), 357-366.

BGR, 2014. *This is how much time the average gamer spends playing games every week*. Retrieved May 20, 2016, from http://bgr.com/2014/05/14/time-spent-playing-video-games/

BIGFISH GAMES, 2014. *2014 Global Gaming Stats*. Retrieved April 3, 2015, from http://www.bigfishgames.com/blog/2014-global-gaming-stats-whos-playing-what-and-why/

BILLINGS, L. 2006. Exploration for the masses? Or joyrides for ultra-rich? Prospects for space tourism. *Space Policy, 22*, 162-164.

BOENIGK, S. & MAYR, M. L. 2015. The Happiness of Giving: Evidence from the German Socioeconomic Panel That Happier People Are More Generous. *Journal of Happiness Studies*(September), 1-22.

COLLINS, P. 2002. Meeting the needs of yhe new millennium: passenger space travel and world economic growth. *Space Policy, 18*, 183-197.

COLLINS, P. 2004. Space Tourism: Recent Progress and Future Prospects. *Space Future, 32*, 326-338.

CROUCH, G. I., DEVINNEY, T. M., LOUVIERE, J. J., & ISLAM, T. 2008. Modelling consumer choice behaviour in space tourism. *Tourism Management, 30*(3), 441-454.

CZAUDERNA, A. 2013. *From serious games to games for impact*. Retrieved May 10, 2015, from http://www.g4ceurope.eu/from-serious-games-to-games-for-impact/

DEVINNEY, T., CROUCH, G. I. & LOUVIERE, J. 2006. *Going Where No Tourist Has Gone Before: The Future Demand for Space Tourism*. Future Choice Initiative.

EISENHARDT, K., & GRAEBNER, M. 2007. Theory Building from Cases: Opportunities and Challenges. *Academy of Management Journal 50 (1)*, 25-32.

ELLIOT, J. 2005. *Using Narrative in Social Research*. SAGE.

ELO, S., & KYNGAS, H. 2008. The Qualitative Content Analysis Process. *Journal of Advanced Nursing, 62*(1), 107-115.

ENTERTAINMENT SOFTWARE ASSOCIATION. 2015. *Essential Facts About the Computer and Video Game Industry*. Entertainment Software Association.

FOUST, J. 2004. *The Space Review: Is it time to dump the t-word?* . Retrieved 11 17, 2014, from http://www.thespacereview.com/article/208

FUTRON K. 2002. *Space Tourism Market Study - Orbital Space Travel & Destinations with Suborbital Space Travel*. Wisconsin: Futron Corporation.

GAMES FOR CHANGE. 2015. *Games|Games for change*. Retrieved May 2016, from http://www.gamesforchange.org/

GAMES FOR CHANGE. 2016. *Games*. Retrieved May 3, 2016, from http://www.gamesforchange.org/play/

GOEHLICH, R. A. 2005. A ticket pricing strategy for an oligopolistic space tourism market. *Space Policy, 21*, 293-306.

HART, V., & CASE, N. 2016. *Parable of the Polygons*. Retrieved May 2016, from http://ncase.me/polygons/

LEARNING GAMES NETWORK. 2012. *Quandary Game*. Retrieved November 2015, from https://www.quandarygame.org/

PAPATHANASSIS, A. 2011. *The long tail of tourism*. Germany: Gabler.

PENENBERG, A. L. 2015. How Video Games are Infiltrating - And Improving Every Part of Our Lives. Fast Company & Inc.

PERRINI, F. 2005. Building a European Portrait of Corporate Social Responsibility Reporting. *European Management Journal Vol.23, No.6*, 611-627.

REN, Q., & YE, M. 2016. Donations Make People Happier: Evidence from the Wenchuan Earthquake. *Find out how to access preview-only content, January*, 1-20.

SCHELL, J. 2008. *The Art of Game Design. A Book of Lenses.* Burlington: Elsevier.

SIGGELKOW, N. 2007. Persuasion with Case Studies. *Academy of Management Journal 50 (1)*, 20-24.

SMITH, V. 2001. Space tourism. *Annals of Tourism Research, 28*, 238-240.

WTO. 1995. *Collection of tourism expenditure statistics.*

YIN, R. 2003. *Case Study Research - Design and Methods 3rd Edition.* Sage Publications.

Simulation Business Games in the Research of Marketing Managers' Decision Making Process

Marcin Awdziej
Kozminski University
mawdziej@kozminski.edu.pl
Jolanta Tkaczyk
Kozminski University
jtkaczyk@kozminski.edu.pl

Abstract

Simulation business games might be suitable research tool to develop knowledge of how marketing managers make their decisions, the area of research still underdeveloped in marketing. The quality of these decisions is single most important factor determining how successful marketing management of a company would be. Marketing decision making process and its results are determined by vast number of factors, with complex interrelationships between them, which implies high levels of risk associated with these decisions. Little is still known what leads to good or bad decisions, and our understanding of the underlying processes is very limited. Better understanding of how marketing managers make their decisions is crucial to develop appropriate support tools and systems. Complex cognitive processes are very difficult to be researched with traditional empirical methods, such as surveys or interviews. Simulation business games allow observation and measurement of decision makers in "known environment", which is controllable and complex enough to emulate real life. Dickinson et al. (2004) argue that simulation business games not only allow investigation of complex phenomena, but also their observation in different timeframes. The aim of this paper is to provide a critical analysis of potential and limitations of simulation business games as research tool to investigate decision making process of marketing managers, based on the analysis of the existing literature. The concept, limitations and potential of simulation business games are identified in this article. Selected proprietary simulation business games are compared to identify what types of marketing decisions can be investigated with them. Simulation business games, although criticized for limited mundane realism and validity, are useful research instruments, allowing investigation of complex decision making processes, and their potential has not yet been exploited sufficiently.

Keywords: simulation business games, marketing decisions, decision making process.

JEL classification: M31.

1. Introduction

One of the most important problems that management and organization researchers face is the choice of the most appropriate research method for the observed phenomenon. Harrison et al. (2007, p. 1229) argue that one can chose between theoretical analysis and deduction, or empirical analysis and induction. The first alternative implies questionable validity of the conclusions, which might require further empirical inquiry. When the second alternative is concerned, the problem is accessibility of data from companies. Even if reliable data is available, the most appropriate method of data gathering and analysis must be carefully chosen. Three groups of factors determine such choice (McGrath, 1982): possibility to generalize the conclusions based on the sample; the extent of control and precision of the analysis of a phenomenon, and the realism of the setting in which sample was subject to inquiry. All these methodological problems are magnified when the researched phenomena are as complex as decision making processes, with all their complexity and often longitudinal character. An ideal approach to research decisions would be direct investigation of the responsible people in their immediate organizational contexts. However, such opportunity is hardly offered to researchers: the access to informants is difficult, some crucial data can be confidential, and time for study limited. When secondary data is available, its reliability and completeness could be questioned (Harrison et al., 2007). Company records do not provide insight into decision making process itself, rather they reveal consequences of selected inputs in the outputs measured. Surveys on the other hand do not allow in- depth inquiry of more complex phenomena, as a researcher must optimize the content and number of questions. Another problem with this classic research method is location of right respondents. Saunders and Thompson (1980) proposed laboratory experiment as an

alternative method. Keys and Wolfe (1990) identify, however, certain limitations of experimental research, resulting from replication of the real world in the artificial setting.

A laboratory experiment can be defined as experiment in which conditions of external environment are artificially replicated (Diagues- Barreiro et al., 2011). This allows observation, analysis and replication of the researched phenomena. Hence, through laboratory experiments, an observation of simplified replicas of conditions or phenomena occurring in organizations is possible. These conditions or phenomena can be replicated either through case studies, games designed purposely for researching behaviors of individuals or teams (not necessarily computerized), or simulation business games (Diagues- Barreiro et al., 2011). The objective of this paper is to critically evaluate how the latter ones as research tool in laboratory experiments in marketing research.

2. The notion of a simulation business game

The notions of "decision games" or "simulation games" are not precisely defined in the literature. As noted by Wardaszko (2013a, p. 33) " in the literature (…) one finds silent assumption that the reader knows what a simulation game is". Therefore, terms such as "management simulations", "business simulations", "game simulations", "managerial games", "games" or "simulations" are used synonymously and interchangeably. In this paper the term "simulation business game" is used, which reflects the nature of this tool best, as it includes the key components: simulated context of business decisions (usually in the form of market or markets), and framework of a game.

Simulation should be understood as a simplified replica of the observable business reality, reflecting the conditions of real environment in simplified way. One must note that there is a difference between simulation business games and computer modelling. Both are based on mathematical simulation. Computer modelling relies on simulation to generate a model explaining relationships between variables without participation of research subjects (players). Games, on the other hand, use simulation to replicate an environment in which subjects (players) are placed, and their behaviors observed. The essence of a decision game is active participation of subjects (players) in simulation moderated by an arbiter. Keys and Wolf (1990) argue that this type of games aim to create experimental environment, in which behavioral changes take place, participants learn, and researcher has opportunity to observe their behaviors. Therefore, simulation business games constitute a specific exercise, in which individuals or teams of individuals compete against each other to achieve predetermined goals, pursued with their skills and experiences, with specific behaviors manifesting themselves. As such, a game of this type is a sequence of decisions, organized in specified number of decision rounds and played according to a scenario. The decisions made by players affect decisions of other players and influence results achieved by other players. There are many taxonomies of games proposed in the literature (Greco et al., 2013), which can be classified according to the scope, the role played by an arbiter (game's administrator), the amount of information available to players, time of feedback's availability, the level of interdependencies between players or teams, decision sequence patterns, time horizon of a game, and possibilities to make decisions generating immediate effects or effects delayed in time. Currently, game pedagogy and research are dominated by computerized games, in which players take roles of decision makers in organizations, and this type of games is locus of this paper.

Simulation business games are integral part of management education nowadays. As pedagogical tool they enjoy growing popularity. Almost every MBA program offers at least one module in which students play business simulation (Greco at al., 2013). Simulation business games are highly regarded as instructional tool, and one should expect the growth of their importance in pedagogy. Two factors seem to have contributed to this. First, integrating simulation business games into curricula accommodates the current trends in education, such as digital – based- learning, which, in turn, reflects the growing importance of experiential learning in general. These developments are in line with the demands and expectations of the new generation of students, who are considered to be digital- natives, with computer technologies and virtual environment being fully integrated into their lives (Girard et al., 2012). The second factor is accelerating developments in the game technology itself, in result of which games became more

sophisticated, with algorithms more capable of reflecting complex decision contexts, and thus simulating market conditions much more realistically. Less popular application of simulation business games, identified as early as in the sixties of the previous century, is using them as research tool (Cohen and Rhenman, 1961).

As research method, simulation business games position themselves between life case study and more universalistic research methods, such as surveys or in- depth- interviews (Wardaszko, 2013a). Although simulation business games have been available for more than three decades, they have not been widely used as research tool. The literature is rather limited and it is far from precision. The majority of authors seem not to differentiate between research related to games themselves and simulation business games as research method per se, that is simulation business games as an integrated research system. The research stream focusing on games is rich and concentrates on such problems like learning process and its outcomes, or participants' attitudes. Recently, a comprehensive review of research on game- based learning was presented by Qian and Clark (2016). Their review illustrates very well the richness and maturity of this research stream, which cannot be said about research using simulation business games as research method. In the literature it is difficult to locate full descriptions of such research approach, with the notable exceptions of Gatignon (1987) or Meijer (2009). In the most of publications reporting empirical findings gathered simulation business games, methodological aspects did not, unfortunately, receive detailed attention. Moreover, the majority of these studies used Markstrat simulation business game, which, judging just by the number of publications, constitutes standard not only in pedagogy, but also in basic research. Gatignon (1987) provided synthetic analysis of Markstrat's research potential and identified possible areas for inquiry. This game was also subject to analysis by Dickinson et al. (2004). Diagues-Barrerio et al. (2011) provided in- depth analysis of games' potential and limitations in both types of research, presenting different perspectives and key methodological problems. This is however rather limited body of knowledge, and problems related to application of games as research tools have not yet been sufficiently addressed.

3. Specificity of marketing decisions

Marketing decisions are "conscious process of introducing changes into the area of marketing, in order to achieve the desired outcomes in result of rational analysis of situation, based on decision maker's experience, intuition and/ or purposely acquired information" (Garbarski et al., 2011, p. 90). These decisions concern all aspects and areas of marketing activity in an organization (Leeflang and Wittink, 2000). In particular, marketing decision making process focuses on defining goals and directions for marketing activities. An important question is what makes marketing decision making different to decision making in other areas of company's management, such as finance or human resources, that is why it deserves special research attention. According to Wierenga (2011) marketing management involves a unique combination of "hard data and soft judgment" (p. 91). When hard data is concerned, marketing managers can rely on sophisticated quantitative techniques, such as marketing research, big data analysis, just to name a few. In the last decades technological developments enhanced accessibility and richness of hard data available to marketing managers. However, to be actionable, this data requires managerial reasoning, based on judgment and intuition, building on experience and expertise. For each single decision, marketing decision maker must consider considerable number of factors, many of which, like customer reactions or competitive actions, are highly unpredictable. The hard data available from growing number of sources cannot inform the manager what is the best alternative (Wierenga, 2011). This is a specific feature of marketing as such- numerous alternative courses of action emerge within the constraints of the same set of internal and external factors. Marketing managers decisions result at the end from a combination of factual information and subjective judgment. Furthermore, marketing managers usually have extensive experience and knowledge about their particular field. As Wierenga (2011) points, this expertise is domain-specific and difficult to transfer to another field (Glaser and Strauss, 1967). Another important distinction of marketing management is its context. Marketing decision making usually is structured by the marketing mix variables, and is led by the notions of effectiveness and efficiency (Wierenga, 2011). The context for marketing decisions is particularly rich one, including relationships with consumers, competitors, suppliers

of marketing services, influences of market trends, and many more. Although there are general principles and rules of marketing, as well as general principles of human cognition, it should be investigated how these principles direct behaviors in the context of marketing decisions.

Wierenga (2011) provided a comprehensive review of research methods for managerial decision making in marketing, including traditional methods such as interviews, surveys and cases studies, and less commonly applied such as monitoring and observation, experiments in behavioral laboratories, field experiments, and physiological observations (such as brain scanning). The first four methods mentioned generate mainly descriptive data that might not provide meaningful insight into causality. Such possibilities are allowed by more experimental approaches, though.

4.   Advantages of using simulation business games in research

One of the most important advantages offered by simulation business games is possibility to observe behaviors of decision makers in "known environment", that a researcher is able to control. Simulations allow much more precise measurement of behaviors than field research, because the observed subjects make their decisions in a closed environment, and decisions with similar patterns are repeated in time (Keys and Wolfe, 1990). Simulation business games replicate environments sufficiently complex, realistic and repeatable, thus constituting a specific kind of a "micro - world", which a researcher can manipulate, depending on his or her needs, generating controllable and replicating experiments (Wardaszko, 2013a). The characteristics of the emulated environment are fully known to a researcher, which allows to identify causal relationships between an organization and its environment, to extent impossible to be achieved in field research (Lant and Montgomery, 1989). A researcher can not only control the selection of experiment's participants, choosing specified group of players, but also secure the desired diversity of the researched group through specific composition of positions, responsibilities, business functions and industries represented in a simulation business game. Typically, sampling for research with simulation business games is purposive, for the achieved effect to be a controllable factor.

With high level of control over simulation business game and its course, a researcher can manipulate variables in a game and its course. This properties make a simulation business game de facto a laboratory experiment, although some researchers classify it between field research and laboratory experiment (Gentry et al., 1984). Moreover, because of the high level of control, simulation business games allow generating stable results (internal validity), at the same time securing sufficient level of realism (external validity). Although games do not allow to research individual cognitive process, they provide an opportunity to research problems related to decision making process in an organization (Bass, 1964). Wierenga (2011) points that through games we can gather information regarding what decision makers do, but not so about individual mental process. This is true when simple decision making is considered, which is treated as a black box. However, research in the areas such as dynamic decision science, complex problem solving (Funke, 1995; Gonzalez et al., 2004), systems thinking (Booth- Sweeney and Sterman, 2000; Senge, 1990), and naturalistic decision making (Lipshitz et al., 2001) suggests that simulation and experiments are suitable to investigate complex and joint decision making processes.

In the majority of empirical studies that used simulation business games, subject to research were students (predominantly MBA). According to specialists in this field, players do not perceive participation in simulation business games as participation in a laboratory experiment, but rather in a life case – study (Wardaszko, 2013b). Games allow generating more natural results, and selecting diversified group of players has positive effect on generalizability of the achieved results. As noted earlier, the most often used simulation business game as research method is Markstrat, which is regarded as a suitable research tool. The most interesting empirical studies reported so far include research on influence of information availability and timing on decision makers' behaviors by Glazer et al. (1992). Markstrat was used also by Van Bruggen et al. (1996) to analyze the effectiveness of the decision support systems in marketing. A very interesting research with simulation business games was conducted by Keil et al. (2001) who investigated how goals and frequency of evaluation of managers affected their price decisions. Lim and Pathak (2013) have recently used simulation business game to investigate the phenomenon of "competitive paranoia"

among managers, that is the bias in patterns of evaluation of competitors' behaviors in the market. Probably the most extensive body of knowledge exists in the area of managerial learning, for investigation of which simulation business games seem to be particularly suited. A comprehensive reviews of the studies published in this area were recently presented by Qian and Clark (2016). According to Dickinson et al. (2004) simulation business games allow investigation of longitudinal phenomena, for example strategies on different stages of organization's development; in general, many proprietary games replicate long- term conditions, allowing optimal experiences of players.

Simulation business games can be used both for exploratory and explanatory research studies. When exploratory studies are concerned, simulation business games are suitable for generating research hypotheses for further stages of research. This seems to be a popular approach, as indicated by relatively rich literature, dominated by qualitative studies (Mayer, 2009). One of such methodologies was proposed by Duke and Geurts (2004), who based their operationalization of the research process on Grounded Theory. Simulation business games are sporadically used in explanatory research for testing hypotheses. This is evident in the disciplines with the well-established research methodologies, such as economics or sociology. This is because of questionable replicability of the results of experimental research with simulation games, and identification of causal relationships. To sum up, the advantages of using simulation business games as research method include: high level of control, possibility to investigate phenomena too complex and too time- consuming to study with surveys and other more conventional research methods (such as strategy of decision making), high level of participants' involvement, time compression of longitudinal phenomena and easy replication of experiments. Table 1 presents selected proprietary simulation business games and the scope of marketing decisions that can be researched with them.

Name of a game	Game's mechanism	Marketing decisions and analyses (areas) made by participants
Marketplace	6-8 decision rounds 4 marketing variants, depending of the level of advancement (Introduction, Strategic, Advanced Strategic, Business Management); 6-8 decision rounds.	• Market opportunity analysis • Brand development • Advertising • Pricing • Sales force management • Profitability forecasting and analysis
CESIM SimBrand Marketing management, simulation game	5-12 decision rounds	• Segmentation • Positioning • Distribution channel investments • Advertising budget allocation • After sales services • Pricing, • Sales forecasting • Marketing research • Competitor analysis • R&D • Profitability forecasting and analysis
Markstrat	6-10 decision rounds	• Market segmentation • Product strategies • Marketing mix • R&D • Distribution • Market research
Topsim General Management Game	No purely marketing decisions present, but marketing decisions incorporated into broader managerial decisions; 4-8 decision rounds.	• Advertising budget, • Pricing • Sales forecasting • R&D • Profitability projections and analysis

Table 1. The scope of marketing decisions in the selected proprietary simulation business games

The first three games are strictly marketing games, with Cesim being the most advanced one. Topsim is a generalist managerial game, with selected modules of marketing decisions. All these games are flexible enough to incorporate, depending on the scenario, both short- term and long term marketing decisions. In all the cases, they allow testing the long term consequences of decisions made. The typical decision making interval is a year, which is equal to one round. However, a researcher can manipulate temporal factors with deciding on time for decisions, intervals between rounds just to name a few.

5. Limitations of simulation business games as research methods

One of the most important problems with simulation business games as a research method, is whether their results can be generalized. This can be brought to the two following issues: the realism of such experiments, and their validity. In the literature there is common agreement that simulation business games replicate realistically the context of joint decision making, but not necessarily organizational context (Keys and Wolfe, 1990). Even the most sophisticated or advanced games cannot replicate conditions of a specific company, nor of a market in consistent way. Some authors argue that as specific form of laboratory experiment, games do not adequately represent the real world. But this can be applied to laboratory experiments in general. So as method of primary research, they might not suffice to identify or define the key variables (Schwenk, 1982). Furthermore, there are two types of realism: mundane and experimental (Gentry et al., 1984). Mundane realism concerns the likelihood with which a situation replicated through an experiment might occur in the real world. Experimental realism concerns the extent to which the subject of research (players) consider the experiment to be serious or realistic. Mundane realism is always limited in simulation games. The algorithm of a game cannot account for all possible problems and complexities of the real business environment, in which actual decisions are made by marketing managers. This applies not only to strictly business problems, but also to underlying personal, "political", organizational and psychological issues that constitute important canvas of any decision. One can accuse in- game decisions as free of risk and consequences (professional, financial, psychological or even image- related) that accompany any decision in the real world. However, research suggests that designing games as simulations and generating immersion effect, players do actually perceive risk. Moreover, decision patterns tend to be transferable, regardless they are made in a game or in the real world (Sterman, 1989; Gonzalez, 2004). In practice, the desired level of players' involvement can be achieved through appropriate selection of motivational factors, such as goal setting, providing benchmark or competitors, as well as rewarding players after a game (Wardaszko, 2013b). The question whether people behave in experimental situations in the same or similar way as in the field is debated in many disciplines. The laboratory situation has an advantage of isolating variables of interest from possible confounding factors, yet it does not include all real – life factors that might affect behavior in the field (Bradsley, 2005). However, a few empirical studies in the field of economics indicted relationships between behaviors in experiments and decisions outside laboratory (Karlan, 2006; Carpenter and Seki, 2004; Benz and Meier, 2008).

Information crucial for decision is usually easily and quickly available in the most simulation business games, so players might forget both the cost and availability of information in the real world. Some games solve this problem, as an administrator can manipulate both timing and availability of information, and players need to pay for it. Technological developments nowadays make games more complex, and the number of decision variables they include can grow exponentially. Therefore, the growth of game's realism results in its growing complexity which might affect practical aspects of conducting research with a simulation game, that is the duration of an experiment and abilities of subjects (players) to use all information available in the course of an experiment. Last but not least, it impacts the abilities of players to adequately prepare for participating in a game, and appropriately command it. Selecting appropriate game for research requires that both limitations of players and possible problems they might encounter are considered, such as time needed to process information and make decisions. This might limit the desired level of realism (for example market variables). To certain extent this problem is solved with the capacity of information processing the latest games offer, quickly and easily processing growing sets of data, accounting for complex functional relationships. More important, computerized games nowadays

can easily incorporate stochastic variables, strengthening the level of a game's realism. When the latter one is important criterion of selecting a game for research, a researcher should consider: the existence of relationship between functional areas of companies, possibility to replicate real market dynamics, the presence of adequate level of risk and uncertainty, possibility of data gathering (for both players and an administrator), learning possibilities (using available analytical tools in progressing game), possibility to incorporate (even in limited extent) of some organizational problems, demonstration of the value of planning and strategic thinking (Diagues- Barreiro et al., 2011). Despite all the above discussed limitations of games, they provide much higher level of realism than other types of laboratory experiments. How realistically simulation recreates the real area of research compared to laboratory experiment depends on a game itself, and how it is conducted by a researcher- administrator, whose important responsibility is maintaining the right dynamics and realism of a game (Diagues- Barreiro et al., 2011).

Another important problem posed by using simulation business games as research method in experimental research is internal and external validity. Internal validity is game's ability to generate stable results, that is whether they result from experimental manipulations, or are accidental effect caused by confounding variables, which experimental research is typically susceptible to (Schlenker and Bonoma, 1978). Hence, internal validity relates to possible negative impact of reality's simplification in laboratory setting and manipulation with research subjects on the identification of the key variables and their relationships. In result, a researcher can wrongly define measures and relationships between variables. On the other hand, a simulation business game can be used to confirm the variables and relationships identified already in field research. External validity is concerned with generalization of results of experimental studies on other populations of subjects, other measurement methods of the same variables and other contexts or situations (Schlenker and Bonoma, 1978). It is strictly linked to the most important problem related to using simulation business games as research tool- replication of results of one experiment in another (for example conducted with different subjects and place), and how realistically it emulates the real world.

To summarize, the limitations of simulation business games as research tools include: limited mundane realism, limited experimental realism (possible tendency of participants not to behave in realistic way due to the lack or shortly lasting consequences of their decisions), the cost of designing and developing game when the desired parameters are not offered by existing games (or cost of license with proprietary games), small samples, possible disruptions of results due to long- term dynamics of a game (while experimental manipulations are constant, participation conditions might change due to evolving conditions such as success or failure in a game).

6. Concluding remarks

Although experimental research with simulation business games might require validation with results of field research, it could provide sufficient empirical data for theory verification (Babb et al., 1966). Moreover, they can prove very useful in researching complex phenomena such as managerial decision making. Laboratory experiments are most effective when combined with other methods of field research (Schwenk, 1982). They are useful when data cannot be gathered with more conventional research methods. Complementing the results of experiments conducted with simulation business games with other methods of primary research, such as surveys or in- depth- interviews is currently common practice in research into educational effects of games. Triangulation of data and research methods is justified also when simulation business games are used as research method in other areas, as it can generate more in- depth picture of phenomenon investigated and avoiding at least some of the problems associated with this particular tool. The potential of simulation business games in marketing has not yet been fully exploited, but this should change with growing sophistication of games and their realism.

References

BABB, E. M., LESLIE, M. A. & Van SLYKE. 1966. The Potential of Business- Gaming Methods in Research, *Journal of Business*, 39, 465-472.

BASS, B. M. 1964. Business Gaming for Organizational Research, *Management Science*, 10, 545-556.

BENZ, M & MEIER S. 2008, Do people behave in experiments as in the field?- evidence from donations, *Experimental Economics*, 11, 268-281.

BOOTH- SWEENEY, L. & STERMAN, J. D. 2000. Bathtub dynamics: Initial results of a systems thinking inventory. *System Dynamics Review*, 16, 249–286.

BRADSLEY, N. 2005. Experimental economics and the artificiality of alteration, *Journal of Economic Methodology,* 12 (2), 239-51.

CARPENTER, J. & SEKI, E. 2004. *Do social preferences increase productivity? Field experimental evidence from Fishermen in Toyama bay* (Mimeo). Middlebury College.

COHEN, K. J. & RHENMAN. 1961. The Role of Management Games in Education and Research, *Management Science*, 7, 131-166.

DIAGUES- BARREIRO, J., GONZALEZ- BENITO, J., GALANDE, J. & EDSON, K. K. 2011. The Use of Management Games in the Management Research Agenda*, Developments in Business Simulation and Experiential Learning*, 38, 83- 90.

DICKINSON, J., GENTRY, J. & BURNS, A. 2004. A Seminal Inventory of Basic Research Using Business Simulation Games, *Developments in Business Simulation and Experiential Learning,* 31, 345-351.

DUKE R.D. & GEURTS J.L.A. 2004, *Policy games for strategic management*. Amsterdam: Dutch University Press..

FUNKE, J. 1995, *Experimental research on complex problem solving*. In P. FRENSCH & J. FUNKE (Eds.), *Complex problem solving: The European perspective*. Hillsdale, NJ: Lawrence Erlbaum Associates.

GARBARSKI, L., BARAN, R., CZARNECKI, A., KRZYŻANOWSKA, M., MARCINIAK, B. & TARANKO, T. 2011, *Marketing. Koncepcja skutecznych działań*, PWE, Warszawa.

GATIGNON, H. 1987. Strategic Studies in Marktstrat, Journal of Business Research, 15, 469-480.

GENTRY, J. W., TICE, T. F., ROBERTSON, C., J. & Gentry, M. J. 1984. Simulation Gaming as a Means of Researching Substantive Issues, *Developments in Business Simulation & Experiential Exercises*, 11, 1-5.

GIRARD, C., ECALLE J. & MAGNAN, A. 2012. Serious games as new educational tools: how effective are they? A meta-analysis of recent studies, *Journal of Computer Assisted Learning*, 207-219.

GLAZER, R., STECKEL, J. H. & WINER, R. S. 1992. Locally rational decision making: The distracting effect of information on managerial performance*, Management Science*, 38 (2), 212 – 226.

GONZALEZ C. 2004. Learning to Make Decisions in Dynamic Environments: Effects of Time Constraints and Cognitive Abilities*, Human Factors*, 46, 3, 449–460.

GRECO, M., BALDISSIN, N. & NONINO, F. 2013. An Exploratory Taxonomy of Business Games, *Simulation and Gaming*, 44 (5), 645-682.

HARRISON, J., LIN, Z., CAROLI, G. & CARLEY, K. 2007. Theory: An Update, *Academy of Management Review*, 32, 1229-1245.

KARLAN, D. 2006. Using experimental economics to measure social capital and predict financial decisions, *American Economic Review*, 95 (5), 1688-99.

KEIL, S., REIBSTEIN, D. & WITTINK, D. 2001. The impact of business objectives and the time horizon of performance evaluation on pricing behavior, *International Journal of Research in Marketing*, 18, 67-81.

KEYS, B. & WOLFE, J. 1990. The Role of Management Games and Simulations in Education and Research*, Journal of Management,* 16, 307-336.

LANT, T. & MONTGOMERY, D. B. 1989. *A Note on Markstrat as Strategy Research Environment,* New York University.

LEEFLANG, P. & WITTINK, R. 2000. Building models for marketing decisions: Past, present and future. *International Journal of Research in Marketing*, 17, 105-126.

LIM, L. & PATHAK, A. 2013. Managers as Paranoid Strategists: A Study of the Nature, Causes and Consequences of Competitive Paranoia, *International Journal of Business and Management*, 8, 24, 84-94.

LIPSHITZ, R., KLEIN, G., ORSANU, J. & SALAS, E. 2001. Taking stock of naturalistic decision making. *Journal of Behavioral Decision Making*, 14(5), 331–352.

MAYER I.S. 2009. The gaming of policy and the politics of gaming: A review. *Simulation & Gaming*, 40, 6, 825–862.

MCGRATH, J. E. 1982. Dilemmatics: The Study of Research Choices and Dilemmas, in: *Judgment calls in research*, MCGRATH, J.E., MARTIN, J., & KULKA, R. A. (EDS), Sage Publications, Beverly Hills, CA, 68-102.

MEIJER S.A. 2009. *The organization of transactions – studying supply networks using gaming simulation*. Doctoral dissertation. Delft: Delft University of Technology.

QIAN, M. & CLARK, K. 2016. Game-based Learning and 21st century skills: A review of recent research, *Computers in Human Behavior*, 63, 50-58.

SAUNDERS, C.B. & THOMPSON J. C., 1980. A Survey of the Current State of Business Policy Research, *Strategic Management Journal,* 1, 119-130.

SCHLENKER, B. R. & BONOMA, T. V. 1978. Fun and Games - The Validity of Games for Study of Conflict, *Journal of Conflict Resolution*, 22, 7-38.

SCHWENK, C. 1982. Why Sacrifice Rigor for Relevance? A Proposal for Combining Laboratory and Field Research in Strategic Management, *Strategic Management Journal*, 3, 213-225.

SENGE, P. M. 1990. *The fifth discipline: The art and practice of learning organization*. New York: Doubleday.

STERMAN, J. 1989. Misperceptions of feedback in dynamic decision making, *Organizational Behavior and Human Decision Processes*, 43(3), 301-335.

VAN BRUGGEN, G. H., SMIDTS, A. & WIERENGA, B. 1996. Improving decision making by means of a marketing support system: An experimental study, *International Journal of Research in Marketing*, 13 (4), 331-344.

WARDASZKO, M. 2013a, *Wykorzystanie symulacyjnych gier decyzyjnych w nauczaniu zarządzania*, Doctoral Dissertation, Kozminski University, Akademia Leona Koźmińskiego, Warsaw.

WARDASZKO, M. 2013b, The Game Within the Simulation Game the Research Method Concept and Project With Game Design Implementation, *Developments in Business Simulation and Experiential Learning*, 40, 4-16.

WIERENGA, B. 2011. Managerial decision making in marketing: The next research frontier, *International Journal of Research in Marketing*, 28, 89-101.

Analysis and Evaluation of the Economic State of the Family Business in Bulgaria

Anny Atanasova
SouthWest University of Neofit Rilski – Blagoevgrad
aniatanasova@swu.bg
Blagovesta Koyundzhiyska-Davidkova
SouthWest University of Neofit Rilski – Blagoevgrad
vesi_k@swu.bg

Abstract

This research aims to analyze and evaluate the state of the family business in Bulgaria, its problems to be found and solutions in connection with them to be given.

In order the aim of the research to be achieved, an examination of 48 big family companies on the territory of the whole country was made for the period September – December 2015. The methodology of the research includes the using of statistic methods such as: observation, average evaluation, comparison and grouping, analysis and synthesis, as well as methods for the disclosure of the dynamics of the calculated financial economic indicators of the examined family companies. Tabular and graphical methods were used for the visual representation of the research results.

In this piece of work, the efforts made by the authors are oriented towards the generalization and systematization of financial economic information in connection with the examined family business companies, as the following economic indicators are estimated: profit, tangible assets, private capital and incomes from sales. The liquidity is also estimated as an important economic coefficient which concerns the sustainability of the family business. The results of this analysis allow the systematization of some of the family business problems in financial economic aspect.

The practice of the family business and the connected with its functioning problems encourage the need of paying special attention to it. In support of this conclusion come the theoretical and practical formulations in the literary sources and the results of the continuous family business researches, including in Bulgaria. It is ascertained that the sustainability of this business has to focus on some problems in economic aspect.

Keywords: family business, financial economic analysis, sustainable business development, economic indicators.

JEL classification: M19, M21, L26.

1. Introduction

The family business is a specific type business activity which is often limited in its size (Todorov, 2011, p.158). Its role, specific peculiarities and characteristics are of interest to scientific researches and business consultants. Their specific characteristic is the connection between the family and the business which leads to interweaving of the business activity with the family property. According to Todorov (2011, p.158) this concrete specifics of them determines their stability because the owners have higher motivation for keeping the assets and they accordingly manage the business more responsibly in relation to the employees.

In the contemporary conditions of globalization of economy the development of entrepreneurship and enterprise faces a number of current issues and future challenges (Dimitrova, 2014, p. 5). In the conditions of great competition and globalizing market, the economic development of the family business is actually a prerequisite for keeping sustainable market positions. In this context the question which concerns the analysis and the evaluation of the economic state of the family business in Bulgaria and the making of adequate decisions in connection with its sustainable development is very important. According to Kyurova with the help of the means of the economic analysis and the observation of many financial economic indicators, "the reserves for the whole betterment of the business" can be ascertained (Kyurova, 2007, p.41). In this connection Filipova states that it could "help early diagnosis and prevention of crisis situations in business." (Filipova 2013, p. 76) The results of the analysis allow the entrepreneurs to effectively implement the activity planning, to form adequate strategies and tactics and to find reserves for development. The making of economic analysis in connection with the state of the business is also necessary because of the increasing processes of dynamic economic development. In this sense, it is the opinion of

Dimitrova (Dimitrova, 2014, p. 117), according to which the monitoring of the financial situation is imperative to monitor the internal environment of the enterprise and include an analysis of the processes involved in ensuring the efficient use of its financial resources. The author justifies the importance of the analysis of financial and economic performance of the enterprise and provides a specific set of indicators for analysis, and incorporates them into the measuring apparatus for analyzing and assessing the level of competitiveness of the company (Dimitrova, 2014, pp. 162-171).

As we have in mind the importance of the examined in this paper business and its participation in the economics, the purpose of this work is to make an analysis and evaluation of the state of the family business in Bulgaria, its problems to be found and solutions in connection with them to be given.

2. Problem definition

Scientific research observations and evaluations show that nowadays the participation of the family companies is globally dominant. It is practically proved that they have considerable contribution for the development of the economics and the formation of the national wealth.

One view, expressed by Crosby (2004) is that the family companies are at least 70% of all companies on the world. The percentage in the countries of the European Union is also close to this value. The share of this type of business in these countries is equal to 60% of all the companies. According to researches made by the Association for family business in Bulgaria, more than 42% of the companies are family companies, as the number of the companies which operate in the area of trading is dominant – 43%, followed by the companies which deals with services – 37%. It is ascertained that the number of the industrial companies is relatively low – 9%. According to Madgerova and Kyurova (2012, p.22), the Bulgarian family business plays an important role for the securing of the employment. As a part of the Bulgarian economic system, it actively participates in the formation of the gross domestic product (GDP), proposes many job positions and helps for the increase of the employment. At the same time in many of the family companies there are difficulties and limitations connected with the provision of capital, the motivation of the staff that is not part of the family, lack of clearly defined purposes and logical arguments for taking management decisions.

In the contemporary conditions of the growing importance of effective planning, forecasting and decision making in terms of employment, lack of sufficient official statistical information impedes scientific research in this area (Yaneva, 2013, p.82). The problem about the state of the family business is not mentioned enough in the Bulgarian scientific literature. The fact that people have not made thorough enough theoretical and applied researches in matter of this, as well as the fact that an examination of the family business state has not been made, determines the importance for the preparing of analysis and evaluation of its state in Bulgaria. The main challenge for the authors of this article is to give ideas for solving the family business problems, as its state has to be analyzed and evaluated.

3. Methodology

For preparing the analysis, the economic results of 48 big family companies have been examined, where according to the records, the number of the staff is not more than 250 people, as this information is given in their financial reports, published in the Commercial register. The research concerns a period of 7 years – from 2008 to 2014 about which is the last published data.

For determining the state of the examined companies in this article, the following economic indicators are used: profit, tangible assets, private capital and incomes from sales. The liquidity is also estimated as an important economic coefficient which shows the sustainability of the family business.

For the purposes of the analysis, statistic methods are used, methods like: observation, average evaluation, comparison and grouping, analysis and synthesis, as well as methods for the revealing of the dynamics of the calculated financial-economic indicators of the examined family companies. Tabular and graphical methods were used for the visual representation of the research results.

4. Results and Discussion

The used economic indicators for analyzing and evaluating of the economic state of the family business in Bulgaria are part of the complex analysis of the business activity which in this article is set as by the authors a problem. This approach is based on the assertion that if the summary indicators have good values, it is not necessary to be made an additional analysis, except in the cases of searching of reserves and optimization of the activity.

In order the analysis to be more complete, a characteristic of the examined companies has to be made. It has to give information about the year of incorporation of the business, address registration, legal form and economic activity.

The distribution of the examined companies according to the years of their registration is shown on figure 1. The biggest part of them started their activity between the years 2002 - 2008. The percentage of the companies that were registered in 2009 – 2012 is the lowest one. It is interesting to be noted the fact that 29% of the registered family companies started their activity in 1990 – 1995 and as of the moment they continue their sustainable development. The complex relations in the family business depend exclusively on the internal synergy in the company which is actually the reason for these companies to continue increasing their competitive power more than 25 years.
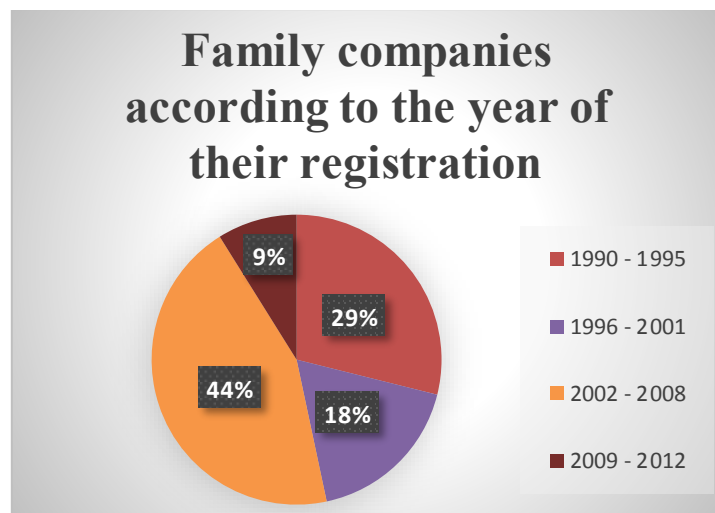
Figure 1. Number of companies of Association of the family business in Bulgaria according to the year of registration
Source: private research

The distribution of the examined companies according to their address registration/ managing address is shown on figure 2. Most of the companies are located in Sofia, the capital city of Bulgaria, whereas in each of the towns of Shumen and Pazardzhik there are only 2% of them. 9% of the companies are located in Plovdiv and 9% in Burgas. The city of Plovdiv has a central geographical location which contributes for the choice of location when it comes to the moment of registration. The location and the area of the towns in Bulgaria is particularly important for doing business activity because of the limited economic conditions and the poor standard of living in the small towns and villages.
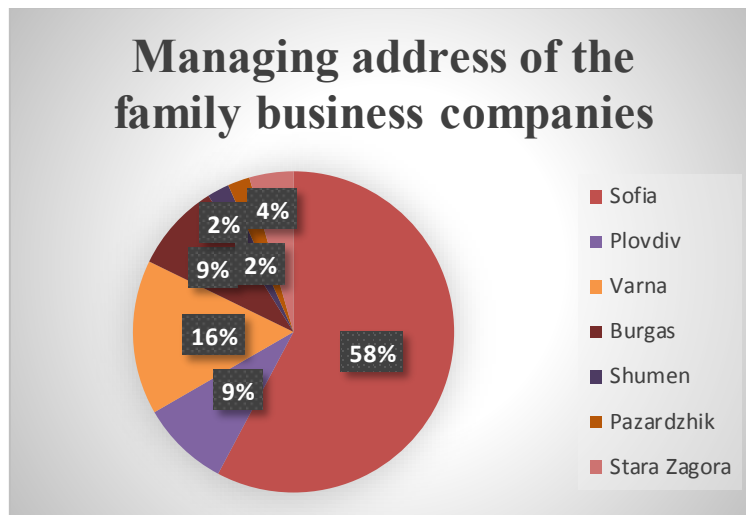
Figure 2. Distribution of the companies according to their location (%)
Source: private research

The distribution of the examined companies according to their legal form (figure 3) shows that the limited liability companies are equal to 40%, followed by the joint-stock companies and the third place is taken by the single member limited liability companies. The lowest percentage goes to the sole traders whose responsibility for repayment of the liabilities is bound to all their properties. In many cases the choice of the legal form depends on the activity of the company.
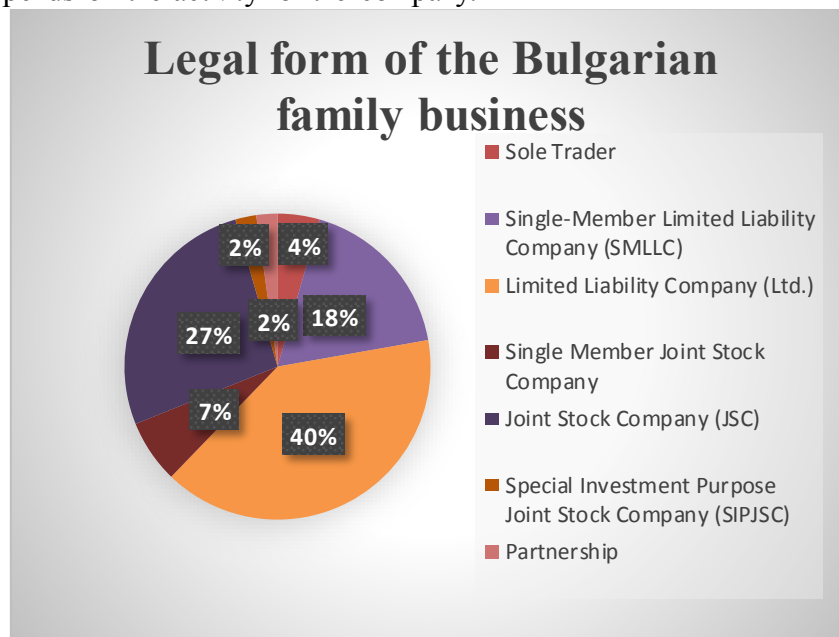
Figure 3. Distribution of the companies from the family business according to their legal form (%)
Source: private research

As it can be seen on figure 4, the biggest part of the examined companies of this type of business in Bulgaria are oriented in the sphere of trade, motor vehicles and motorcycles repair, administrative and supporting activities, as well as in the building sphere. The connected with the processing industry companies and the companies operating in the sphere of culture, sports and entertainment have the least number.
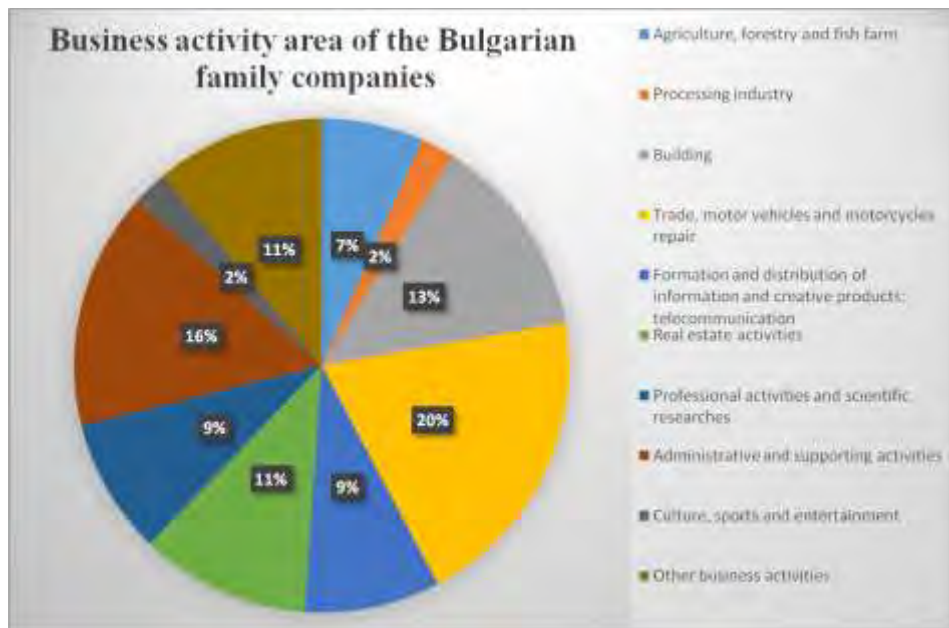
Figure 4. Percentage of the companies of the family business in Bulgaria according to the sphere of their business activity/ branch

Source: private research

The made analyses of the examined companies in Bulgaria lead to some conclusions with regard to their state and namely:

- Because of the better conditions, business and administrative environment, their business mainly develops in the capital city and the big cities;

- The number of the family companies that operates in the sphere of trade and services is predominant, as this corresponds to the structure of the Bulgarian companies in relation to economic activities.

- The legal form of these companies is limited to capital companies which requires limited liability of their owners.

4.1. Financial economic analysis in relation to indicators of the Bulgarian family business

It is important to be noted that a thorough research of the Bulgarian family business has not yet been done. We think that this research will contribute to the receiving of some information and idea about its general and economic state. The importance and actuality of the research is not connected only to the share and place of the family business in the economics but it is also connected with its specifics consisting in the complexity of the connection and the relations between the two systems "with different character, functions, interest and purposes" (Madgerova and Kyurova, 2014) on which it is based – the social (family) and economic (business). According to Madgerova and Kyurova the main purpose of the family business, as any other business, is to achieve economic benefit, where the integration of the family interests with the business interests is an important prerequisite for achieving this. (Madgerova and Kyurova, 2014). From this point of view, the economic state of business which is mainly affected by the interests and decisions of the family is important to be determined. For determining the economic state of the examined family companies, an analysis of the elements of their balance sheets and income and loss statements is made. The "income of sale and profit" indicators are analyzed where the same are interrelated. They are important because their quantity is one of the prerequisites for the functioning and development of the business. It is paid a great attention to the possibilities for increasing the value of the incomes which aims sustainability of the development and the competitiveness of the family business. With the help of statistic methods it is determined the dynamics and it is made an evaluation of the change of the average income and the average profit of the examined companies for the taken period on constant or chain base. The indicators "rate of

growth and rate of increase" are used in order the changes of the incomes for the years of the period to be determined.

The average amount of the incomes for the period 2008 – 2014 is determined on the basis of the information about the incomes from sales of each of the examined companies. (Table 1)

Year	2008	2009	2010	2011	2012	2013	2014
Incomes from sales	19031,79	17044,96	19745,65	15907,97	18559,43	17011,11	16608,53

Table 1. Average amount of the incomes of the examined family companies in Bulgaria for the period 2008 – 2014 (thousand BGN)

Source: private research

The presence of big companies in the family business contributes to the high average rating of the incomes form the sales, as it is shown in Table 1. The highest results are shown in 2010 when the average growth of the absolute incomes values are higher with 1,16 points in comparison with the previous year. In 2011 the incomes of the sales decrease with 1,24 points which is estimated as 80,6% of the incomes value for 2010. The shown in 2012 successful results increase the average incomes of the family business sales with 16,7% in comparison with the previous year.

The difference between the first and the last year of the examined period (respectively 2008 and 2014) represents a decrease of 14,6% of the sales of the incomes which can be somewhat explained with the continuing economic crisis in Bulgaria. The potentialities of the family business can be oriented towards increased popularization of their goods and services or towards preparing of structural and financial analysis with the purpose of optimizing their productivity capacity.

The research of the incomes of the sales is made in connection with the profit obtained by the family companies. The analysis aims to introduce the interrelation between the two indicators in relation to the increase of the competitiveness of the companies.

The average amount of the income for the period 2008 – 2014 is determined on the basis of the information about the income of each of the examined companies. (Table 2)

Year	2008	2009	2010	2011	2012	2013	2014
Profit	2279,29	1360,04	1427,12	1073,85	1331,27	1332,12	1655,22

Table 2. Average amount of the income of the Bulgarian family companies for the period 2008 – 2014 (thousand BGN)

Source: private researches

The profit is one of the most important indicators for analyzing the economic state of the companies. Its obtaining gives a chance for providing the reproducible process above all, for allocating funds necessary for the production expand, for innovations, for buying new machinery and technologies – renovation of the production material and technical base.

The average absolute amount of the profit for the whole period is equal to 1 494 130 BGN. The analysis of the "profit" indicator shows decrease for the whole period. As the difference between the first and the last year of the examined period (2008 and 2014) is equal to 37,7%. There is a tendency that is connected with the decrease of the profit which has lowest values in 2011. During the same year the decrease reaches 112,3% in comparison with 2008. On the other hand if somebody computes the dynamics of the profit development for 2011, compared with the last examined year or 2014, it can be seen that there is a rise of 54,1%. The negative tendencies for this indicator could be changed, as it has to be paid attention to the diversification of the family products of the companies or if people allot higher budget for advertisement.

The financial economic analysis of the family business in Bulgaria for the period 2008 – 2014 includes the important indicators: assets and capital of the companies. They are dependent on the mentioned above financial economic indicators and without them this article would be unfounded and will not contribute to the increase of the opportunities for development of the family business which is actually its

aim. The fact that the fixed assets of the companies are those resources which are repeatedly used in the business activity and bring economic benefit for a longer than one year period, outlines their significant role for the financial state of every business organization. The security, structure, using of assets in the family business in Bulgaria have to be examined and analyzed in time and continuously with a purpose of achieving sustainability of the companies and development of their business activity.

The average values of the assets for the period 2008 – 2014 is determined on the basis of the information about the assets of each of the examined companies. (Table 3)

Year	2008	2009	2010	2011	2012	2013	2014
Assets	28135,77	33363,97	32822,54	31163,71	32335,23	32821,51	32389,35

Table 3. Average values of the assets of the family companies in Bulgaria for the period 2008 – 2014 (in thousand BGN)

Source: private research

In this article the authors have succeeded to include a small part of all family companies in Bulgaria and that is why it is impossible all of the companies that are part of the family business to be characterized on the basis of this information. Despite this, the authors aim to cogently show all ways for development and sustainability of the companies.

The analysis of the average size of the assets outlines a tendency oriented towards their increase. The percentage of the growth for the examined period of 7 years is only 15, 12, but the excessiveness is at least positive. The companies from the family business have highest values of the assets in 2009 when the absolute value increased with 5 228 200 BGN. As a percentage this is equal to 18,6 percentage points for 2009 in comparison with the previous year.

The assets of the companies have their special role for its development and they are interrelated with the liabilities of the capital. In connection with this, the authors also included this indicator to their financial economic analysis of the family business in Bulgaria for the mentioned above period.

Year	2008	2009	2010	2011	2012	2013	2014
Capital	15283,03	17624,00	18622,40	18731,14	19385,17	20105,60	20187,65

Table 4. Average capital amount of the family business in Bulgaria for the period 2008 – 2014 (in thousand BGN)
Source: private research

The average capital amount of the examined companies for the whole period is equal to 18 562 710 BGN. The only indicator of this financial economic analysis which shows the tendency that is oriented towards stable growth. The difference between the first and the last year of the examined period is more than 32%.

Year	2008	2009	2010	2011	2012	2013	2014
Capital (Chain base)	-	15,32	5,67	0,58	3,49	3,72	0,41
Capital (Constant base)	-	15,32	21,85	22,56	26,84	31,56	32,09

Table 5. Growth rate of chain and constant base of the average capital amount of the family business in Bulgaria for the period 2008 – 2014 (%)
Source: private research

With chain base the analysis shows that the capital has highest increase in 2009 when it increases with 15,32 percentage points. During the next years there is growth of the capital with decreased values. The examined period is also shown with constant base, where the absolute values of the average capital in 2008 are taken. The result of the increase here is given in Table 5.

The current indicators have to be added with the liquidity coefficient which means the ability of one business company to transfer its assets into financial funds and with minimum losses. Other definition that explains the liquidity coefficient is "quantitative characteristic of the ability of the company to pay its current liabilities with current assets". In connection with this the authors estimated the short-term or the

immediate liquidity of the companies of the Bulgarian family business with the purpose of determining their success on the market.

The coefficient of the immediate liquidity is equal to the sum of short-term investments and financial funds both divided by current liabilities.

Year	2008	2009	2010	2011	2012	2013	2014
Liquidity	3,862	13,663	91,220	110,866	104,800	31,660	44,667

Table 6. Average rate of the liquidity coefficient of the Bulgarian family business for the period 2008 – 2014
Source: private research

4.2. Alternatives for development and guidelines to improve the competitiveness of the Family Business

The family business is facing a number of challenges related to increasing production volume, quality and competitiveness. Its functioning in a constantly changing environment requires flexible company policy and quickly adaptation to new conditions. The future perspectives for the development of family businesses are closely linked to the ability of firms to acquire organizational resources, to deploy their potential to occupy the strategic market position and to implement competitive strategies accordingly to a precise situational analysis. (Miller and Friesen, 1986). And this is the place where marketing attends in the building of competitive advantages that give impetus to the sustainable development of family business. The adaptation to the new type of consumer requires urgent measures for restructuring the company strategies, as so to synchronize them with the new consumer habits. Nowadays the consumer is primarily informed through the Internet. Network as an innovative communication channel reveals scope for the expression of creative potential and form to build long creative dialogue with the audience. The specific characteristics of the Internet environment require the construction of a specific marketing model to attract consumers, an influence on their perceptions, strong persuasive arguments and their involvement in action or as Seth Godin interpreted the marketing in the electronic age "Turning strangers into friends and friends into customers". (Zlateva, 2015, p.47) The growing role of social media reflects the transition from the traditional Web 1.0 model to the interactive Web 2.0, where users are active participants that dictate the marketing transformation and recipients become information providers. (Zlateva, 2015, p.3) The power of "social" capital is more important than ever before. The orientation of the family business to individual user requirements is possible through personalization in the relationship between the company and consumers. This is a unique feature that only Internet offers and also it is a serious claim for a successful market positioning, to provide competitive advantage.

According to Madgerova, Kyurova, Atanasova (2015, p. 217-228), business associations are an effective way for the successful positioning of enterprises and products and contribute to the realization of synergies in all business activities. Their statement is that "it is obvious that it is necessary to expand the areas and forms of joint cooperation with foreign partners and use them more effectively as a prerequisite for overcoming the backwardness of the country from other Member States of the European Union in the priority areas Internationalization and Single Market and to increase the share of small businesses in the process of internationalization" (Madgerova, Kyurova, Atanasova, 2015, p. 217-228).

5. Conclusions

There are positive tendencies that have outlined in the course of development of the family business in connection with one of the factors of its appearance and development. This factor is the presence of close relationships in the companies which leads to better understanding in the case of negotiations and making of faster strategic decisions. The process of development of a company is mainly based on the achieved synergy in its core. Despite the made positive conclusions in connection with the progress of the family business, some limitations have to be emphasized. The costs which are connected with the registration and development of Bulgarian family business still limit the possibility for the growth of the craftsmanship and the small family companies.

References

ACCOUNTANCY LAW, valid from 01.01.2016, Available at: http://www.minfin.bg/bg/page/174 [Accessed on 16 February 2016]

ASSOCIATION OF THE BULGARIAN FAMILY BUSINESS, Available at: www.fbn.bg [Accessed on 16 February 2016]

COMMERCIAL REGISTER OF REPUBLIC OF BULGARIA, Available at: http://www.brra.bg/ [Accessed on 19 February 2016]

CROSBY, A. 2004. *Business success. Who will continue your business?* Peter (SPb). p. 204

DIMITROVA, R. 2014. *Monitoring of the enterprise competitiveness*. Blg. SWU Press. p. 5; 117; pp. 162-171

FILIPOVA, M. 2013. *Management of the Company in Crisis Situations*. SWU Press. Blg

KYUROVA, V. 2007. *Evaluation of the activity of the travel agency*. SWU Press, Blg, (2), p. 41

MADGEROVA, R., KYUROVA, V., and ATANASOVA, A. 2015. Integrative approaches for internationalization of small and mediumsized enterprises. 15th International Conference "Perspectives of Business and Entrepreneurship Development" at Brno University of Technology, May 28-29, 2015 Brno, Czech Republic, pp. 217-228

MADGEROVA, R., GEORGIEV, G., KARASHTRANOVA, E., KYUROVA, V., TERZIYSKA, I., STAVROVA, E. & DIMITROVA, R. 2012. *Organization and management of the small business*. Langov, Blg, pp. 15-21

MADGEROVA, R. & KYUROVA, V. 2012. State, characteristics and problems of family entrepreneurs. B: *Entrepreneurship and economics*. SWU Press, Blg, pp. 20 - 32

MADGEROVA, R. & KYUROVA, V. 2014. Definition, characteristics and problems of the family business. B: *Economics and management*, (2) pp. 97-105

MILLER, D., & FRIESEN, P. H. 1986. *Porter's (1980) generic strategies and performance: An empirical examination with American data. Part II: Performance implications*. Organization Studies, pp. 255-261.

TODOROV, K. 2011. *Business entrepreneurship*, Vol. I. Fundamentals. Establishment of new business, BARMP Press, Sofia, pp.158-206

YANEVA, D. 2013. *Opportunities to reduce the impact of seasonality upon the hotel business employment*. Doctoral dissertation, South-West University "Neofit Rilski", Blagoevgrad, p. 82

ZLATEVA, D. 2015. Trends of the Online Advertising in Web 2.0 World. European University-Republic of Macedonia - Fifth International Scientific Conference: „New Space In Art And Science". pp. 3-10 Available at: http://www.eurm.edu.mk/novosti/1504-petta-eurm-conf/EURM_Konf_2015_Zbornik.pdf [Accessed on 10 January 2016]

Advertisement in the Muslim World: A Critical Analysis from the Islamic Perspective

Mohammed Abdur RAZZAQUE

UNSW Business School; University of New South Wales;
ma.razzaque@unsw.edu.au

Abstract

The 'Muslim World' representing the 'Third One Billion' presents tremendous business opportunities to global marketers. However, advertising to this huge market is not easy because of strict Islamic tenets, prohibitions and sanctions guiding Muslims how to lead their everyday life including their consumption behavior. The purpose of this paper is to get a broad understanding of how Islam impacts advertising. It presents a general discussion on advertising practices in different Muslim countries and presents a critical analysis of those practices in the light of Quran and Hadith.

Keywords: Islam, Advertisement, Ethics, Muslim consumers.

JEL classification: M31.

Introduction: The Islamic Market – An Untapped Opportunity

The last couple of decades have witnessed an unprecedented level of globalization of business and its acceptance as the new economic order across nations. Economic pragmatism dictates present-day marketers all over the world to look beyond their own borders and go global. One particular market that has tremendous potential for the global marketers is the 'Muslim Market' representing almost a quarter of world population. Ogilvy Noor[1] (2012) describes the Muslim consumer market consisting of 1.8 billon people worldwide as the next important and largely untapped global opportunity. The halal market alone is worth US$2.1 trillion a year and is increasing at a staggering US$500bn per annum due to the growth of the Muslim population. It is expected that the global Muslim consumer Market will reach $30 trillion by 2050 (Alserhan, 2011). A 2014-15 study by Thomson Reuters and the Muslim market research firm Dinar Standard reports that Muslim consumers are expected to spend $484 billion on just clothing and footwear by 2019. An ever-increasing global proliferation of goods and services leading to replacement of need-based consumption by choice-based consumption coupled with growing affluence of Muslim consumers add to the attractiveness of the market to any global marketer. "*There's an Islamic version of practically everything, with the possible exception of halal headphones and sharia-compliant Scotch*" observes Gale (2016). Describing the Islamic Market as the "*Third One Billion*" Ogilvy Noor's president John Goodman observed that "*Muslim consumers want brands to reach out to them to help navigate their aspiration for a Muslim lifestyle and brands that do will be rewarded with loyalty and endorsement*."

While this huge market offers a highly lucrative business opportunity for global marketers and seems to beckon them, it also presents many complex, multifaceted challenges some of which are unique, complex and linked to Islam. There are unmistakable signs of Islamic resurgence all over the world; Muslims are keen to rediscover their own identity. Many renowned Muslim leaders shunned Western democracy for its moral decadence and advocated the adoption of Islamic ways as a preferred alternative. For example, to Mahathir Mohammed, a former Malaysian Prime Minister, the Western democracy means "to carry guns, to flaunt homosexuality, to disregard the institution of marriage". He believed being developed did not simply focus on a nation's "per capita income, but quality of life and morality as well" (Kraar, 1992, p.142). Despite rising 'Islamophobia' in many non-Muslim countries, it appears that the process of Islamization has not been merely confined to individual issues or regions but has shown signs of trying to encompass the interests of the whole community of Muslim World. Wilson (2014) views this as a search by Muslims for a way to reach out and harness spirituality in the post 9/11 era and analogous to

---

[1] In their Website http://www.ogilvynoor.com/index.php/about-us/who-we-are/ Ogilvy Noor describes itself as "…the world's first bespoke Islamic Branding practice, offering expert practical advice on how to build brands that appeal to Muslim consumers, globally."

a post African-American civil rights movement, where 'black' music, comedy, fashion, cosmetics, and sports now transcend race and ethnicity – minority is a mainstream cultural phenomenon. Esposito (2010; p.11) reports that "many Muslims believe that preserving their Islamic traditions is essential to any success they will have in strengthening their societies and fostering democratization and development."

Contemporary market realities are bound to make the global marketers seriously think about how to successfully tap this market. They must explore how Islam is reflected in the attitudes, behavior and preferences of these consumers and their consumption behavior. Needless to say that all these will affect the promotion strategies that the marketers might like to use. It will not be wrong to speculate an increasing interest by global marketers on understanding how to best advertise to this market.

Focus of and Motivation for the paper

The focus of this paper is to gain an understanding of the impact of Islam on advertising, the most visible and important communication tool for promoting market offerings, to the consumers of this huge market. Islam, unlike other major religions, is a complete code of life having strict religious tenets guiding the ethical and moral standards of people as well as the societal institutions. Consequently, it is important for any global marketer to understand how best to advertise to Muslims that will satisfy the moral and ethical codes of Islam. For the devout and religiously oriented practicing Muslims, Islam is the most sacred and sensitive institution. Even many of the secular, liberal, non-practicing Muslims tend to respect Islamic tenets. Consequently to marketers Islam and business may seem like an uncomfortable combination. This makes the task of understanding Muslim consumers quite challenging.

The stated focus, of course, relates to a much broader and ambitious motive: to gain an understanding of the behavior of Muslim consumers to help marketers devise strategies to reach them and thus, contribute to the literature of 'Islamic Marketing' – an emerging sub-discipline within mainstream marketing. For quite some time, Islamic scholars, researchers and theologians have been taking keen interest in economics, banking, finance and related disciplines exploring their compatibility suitability, adoption as well as adaptation in the context of the Islamic society. Interest in analyzing marketing as a discipline through the Islamic lens, however, is a relatively new development that essentially started with the establishment of the Journal of Islamic Marketing in 2010. While scholarly works on Islamic marketing was almost non-existent just a decade ago, in a recent blog Alserhan (2013) reported the existence of 500 papers on Islamic marketing and related topics along with books and journals.

Religion and Human Behaviour

Religion, in general, has significant influence on consumers' values, attitudes and behaviours (De Run *et al.*, 2010) at both the individual and societal levels. Religiosity or the degree to which beliefs in specific religious values and ideals are held and practiced by an individual (Delener, 1993), has always been an important determinant of human behaviour. It has been argued that behaviour is influenced by an individual's religious self-identity formed by the internalization of role expectations offered by religion (Weaver and Agle, 2002); different aspects of an individual's life and the various activities that he or she undertakes are to some extent, guided by his or her religious belief (Droogsma, 2007). Geertz (1993) views religion as sociologically interesting not because it describes the social order (albeit very obliquely and incompletely), but because it shapes it. All major religions have rules and regulations that affect consumer purchase decisions and consumption (Assadi, 2003); followers of a religion may, however, selectively ignore some (seldom all) of those and adopt the common sense approach. This to and fro movement between the religious and the common-sense perspectives is perhaps one of the common occurrences on any social scene.

Religion plays an important role in human socialization process. By its rules and taboo, religion affects individual behavior directly (Harrell, 1986); by classifying all phenomena, developing codes of conduct, and establishing priorities among these codes, religion affects human behavior indirectly (Sood and Nasu, 1995). Parents use religious teachings to condition their children to fit into the cultural mould of their respective societies (Terpstra and David, 1991). Differences in religious affiliations tend to influence

not only the way people live but also the choices they make and things they buy and consume.

Despite religion's profound influence on human attitudes and behaviors, relevant literature tend to show that this particular area has not received its due attention from researchers (Mokhlis, 2009). In a review of extant literature on religion and advertising, Naseri and Tamam (2012) identified three streams of studies namely, attitude toward advertising of controversial products (De Run, *et al.*, 2010; Fam and Grohs, 2007; Fam *et al.*, 2004), religious values in advertisements (Al-Olayan and Karande, 2000; Kalliny and Gentry, 2007; Michell and Al-Mossawi, 1995), and consumers' reactions to advertisements containing religious cues or symbols (Henley *et al.*, 2009; Lumpkins, 2010; Taylor *et al.*, 2010). This paper examines all the three streams of advertising using the Islamic lens.

Each major world religion has an identifying symbol that projects a sacredness giving its followers a very strong sense of existence and power in their daily lives (Zwick and Chelariu, 2006). For example, researchers (Henley *et al.*, 2009; Taylor *et al.,* 2010) observed a significant moderating impact of the Christian symbol 'Cross' and 'Ichthus' (the Christian fish symbol) on the evaluation of attitude toward ad, brand, and purchase intention by religious Christian respondents.

Globalization, advertising strategies and religion

Despite the debate on whether it is a productive or wasteful business practice, advertising continues to be the lifeblood of modern business system. The debate on the issue of global standardization versus local customization of ad campaigns has dominated the relevant literature for a long time. Standardized ads use the same strategic appeal in various countries but allow variation in the tactical execution (Greco, 1989) whereas a localized or customized ad is developed specifically for a given local market (Onkvisit and Shaw, 1987). Culture plays a critical role in decisions regarding the standardization or customization of advertisements as it is a very powerful catalyst in facilitating the acceptance of ad campaigns. In a study that examined cultures, advertising industry environments and advertising messages in 23 countries in Asia, Europe, USA and Latin America, Zandpour *et al.* (1994) found discernible culture-based differences in ad perceptions. Culture has been defined as beliefs, customs, habits, and language that people living in particular time and place share with each other (Kenrick, Neuberg, and Cialdini, 2009). However, Cohen (2011) argues that religious texts and doctrines shape the way cultures develop. While researching on Jewish and Christian subjects, he observed that an individual's moral judgments tended to be driven by differences in theology. It may not be easy to infer the extent to which human nature is similar or different across cultures; sometimes cultural practices may look different yet serve the same underlying function (Norenzayan and Heine, 2005). However, the impact of tenets and/or sanctions of a particular religion on its followers in two different cultures may not be too different when it comes to tackling a controversial situation. Culture and religion are very close, but they are not the same; to the Muslims across the world their religion is the soul of their culture. Since Islam is so important to Muslims' cultural makeup, their perceptions of advertisement messages are likely to be different from the followers of other religious to some extent. This implies to seek clarification of the essence of the relationship between Islam and advertising.

Marketing, Islamic values and advertising

Since modern marketing is a twentieth century phenomenon; early Islamic literature has no reference to marketing as it is defined and understood today. But Islam has encouraged trading as one of the most liked professions for mankind; several verses of the Qur'an and numerous sayings of the Prophet Muhammad (pbuh[2]) have endorsed its high value. In the context of trading, there has been reference to marketing functions such as buying and selling, storing and protecting the interest of consumers. For example, two particular hadiths[3] of Prophet Muhammad (pbuh) on buying and selling directly relates to advertisement. These are (i) *The seller, who sells his products without disclosing the defects of goods,*

---

[2] peace be upon him, Muslims must use this whenever Prophet Muhammad's (pbuh) name is mentioned.
[3] Things Prophet Muhammad (pbuh) said, his advice, instructions etc.

earns the hatred of Allah"; and (ii) *"He who deceives people, is not my follower"*; "When an honest trader makes business transactions and settles disputes, Allah bestows his benediction on him" (Cohen, 2011).

As a branch of social science, marketing owes its origin to the capitalist economic theory of laissez-faire society which is very different from an Islamic society. To advertise in a Muslim country, an advertiser must know what Islam allows to avoid costly blunders. Shari'a, the comprehensive Islamic code of conduct, governs the duties, morals and behavior of Muslims individually and collectively in all aspects of life, including business dealings (Luqmani *et al.*, 1989). Shari'a derives from four main resources of Islamic teaching, namely *the Qur'an* (Muslims' holy book, words of God), *Sunnah* (the traditions of Prophet Mohammad (pbuh), *Aql* (reasoning), and *Ijma* (consensus of opinion) and completely outlines the roles of men and women as well as values that Muslims should hold.

At this juncture, it is important to discuss the major Islamic values that are relevant to development of advertising messages as well as their execution. According to Islamic social philosophy all spiritual, social, political, and economic spheres of life form an indivisible unity that must conform to Islamic values. While the four main sources of Shari'a have not explicitly addressed many of modern business functions such as promotion or advertising, comprehensive Islamic value system provides adequate guidelines for developing advertising content, execution and evaluation. Some of these values are truth, justice, honesty, social obligations and collective responsibility (Al-Olayan and Karande, 2000).

Muslims should guard against falsehood and deception in every aspect of life including trade and financial dealings with others and avoid exaggeration. This has direct implication for advertisers; they must not project exaggerated messages in advertising since such messages may mislead the potential consumers (Rice and Al-Mossawi, 2002). To conform to Islamic tenets, marketers must not hide the defect/shortcoming of the product or service being advertised, and refrain from using ads that may harm competitors as Islam promotes healthy competition and fair play (Hussnain, 2011).

Islamic tenets of halal (lawful) and haram (prohibited) extends beyond consumption of food to include service and other human activities. For example, gambling, nudity and idol worship are all prohibited (Chachua *et al.*, 2010). A cross cultural content analysis of magazine advertisements in the USA and Arab countries (Al-Olayan and Karande, 2000) found significant differences in portraying women; more Arabic ads tended to show only the women's faces or presented them in long clothing than the American ads. In ads of products related to women, advertisers in Arab countries utilized women as spokesperson which was not the case in the USA. Execution of ads in different Arab countries substantially differed depending on how strictly Islamic tenets are followed in the country in question (Kalliny and Gentry 2007). For example, ads in Egypt and Lebanon often depicted women dressed less modestly than those in Saudi Arabia and the United Arab Emirates which strictly complied with Islamic belief that women may show only their hands and face to men outside of their immediate family.

Muslims will perceive any advertisement that contains or promotes any of haram elements as offensive (Michell and Al-Mossawi, 1995). In their study involving the attitudes of Muslims, Christians, Buddhists, and people with no specific religious affiliation toward four different types of controversial products (gender/sex related products, social/political groups, health and care products, and addictive products), Fam *et al.* (2004) reported a significant effect of religiosity on attitudes toward these products. Muslims in general found, advertising of these four categories of products most offensive relative to the other three groups of respondents; more religious Muslims appeared to find ads of these products more offensive than their less devout cohorts (Fam *et al.*, 2004).

In addition to further consideration of Islamic values, some advertisers utilized Islamic elements to produce a positive feeling among Muslim consumers. Some ads have contained Qur'anic words to enhance the influence of the ad and make it more appealing to Muslim consumers. Examples of such words are "Bismillah" (in the name of God; a phrase used by Muslims before undertaking any work); "Allahu Akbar" (meaning God is Great); "Maash'Allah" (literally, God has willed it)" (Rice and Al-Mossawi, 2002). Luqmani *et al.*, (1989) refers to two examples to highlight this point: first, a manufacturer of water pumps used the verse *"We made every living thing from water"* from the Qur'an (21:30) in its ad message; second, a distributor of Royal Regina honey capsules in Saudi Arabia ran a contest that included a question on how

many times bees are mentioned in the Qur'an, along with questions and information about the product.

Islam and Use of Image/Cartoons in Advertising

Islam has forbidden image-making, drawing and sculpting any animate being that Allah has created. Hence, their use in ad messages or campaigns is a pretty sensitive and controversial issue. One group of scholars believe that all images, two- as well as three- dimensional, are unlawful, based on the following Hadiths; (i) *"The people who will be most severely punished on the Day of Resurrection will be those who aspire to create like Allah."* (Sahîh al-Bukhârî[4], 5954; Sahîh Muslim[5], 2107); (ii) *"Every image maker is in the Fire. For each image he made, a being will be fashioned to torment him in Hell"* (Sahîh al-Bukhârî, 2225; Sahîh Muslim, 2110) and (iii) *"The angels do not enter a house wherein there is a dog or images representing (people or animals)"* (Sahîh al-Bukhârî, 3225; Sahîh Muslim, 2106). A second group of scholars considers the use of both two- dimensional illustrations as well as three-dimensional statues permissible. They argue that image making was prohibited at the advent of Islam to ensure that the people who had just been asked to give up idolatry do not return to idol worship again. A third group of scholars hold a view intermediate between the two extremes. To them use of three-dimensional images of animate objects is prohibited since only the users of these images can possibly be described as "aspiring to create like Allah." (Al-Funaysân, 2006). On the issue of use of image in ads, the judgment of Sheikh Sa'ud al-Funaysan (2006), former Dean of Islamic Law at Al-Imam Islamic University, makes good sense. Based on the Qur'anic verse (2:185) *"Allah wants to make things easy for you and He does not want things to be difficult for you"*, he believes two-dimensional images are permissible if they are in harmony with the general ease and facility of Islamic Law (Al-Funaysân, 2006).

There is no difference of opinion on the permissibility of drawings, paintings, pictures of plants, trees and inanimate objects and scenes of nature. Rulings regarding the use of pictures is, however, not so straightforward. Pictures are prohibited if their intention is to imitate Allah's creation. Songs, jingles, music and dancing are not prohibited provided they do not promote things or actions that Islam is haram and does not arouse one's passions or excite animal instincts in people ((Al-Funaysân, 2006).

With regard to the use of cartoons the ruling is similar to that of images. If cartoons are not in the form of humans, then there is nothing wrong with watching them, so long as they are not accompanied by anything haram such as music and so on, and they do not distract from obligatory duties (*Majmoo' al-Fataawa* 2/question no. 333).

Use of Islamic Symbol in advertisements

There is no official symbol to represent Islam. As such, effect of using Islamic symbol in ads has not been empirically examined among Muslims. However, many people consider the Crescent[6] as the symbol of Islam and use it as a logo on the label. Similarly, the word 'Halal' or 'Allah' in Arabic scripts, or a Hijab-clad women on the packaging motivate many Muslim consumers to buy a product. In addition to reflecting an individual's religious identity (Kulenovi, 2006) symbols portray a hidden value carrying a great deal of undifferentiated feelings and impulses which might unconsciously affect our behaviour. They also facilitate the preservation of groups (Gibson, 1998) providing harmony and loyalty among group members. Incidentally, some scholars have equated hijab for Muslims with the Christian Cross, the Ichthus or Christian fish, the Jewish Star of David, and the Hindu bindu (Zwick and Chelariu, 2006). It has been theorized that affective symbols influence an individual's motivational states both consciously and unconsciously (Weisbuch-Remington *et al.*, 2005). For example, exposure to hijab may influence Muslim consumers' interpretation of advertising and fortify their positive feeling towards that ad. Use of a hijab-clad spokesperson in an ad might enhance the persuasion through the process of identification via

---

[4] Sahih al-Bukhari is a collection of hadith compiled by Imam Muhammad al-Bukhari (870 AD).
[5] Sahih Muslim is a collection of hadith compiled by Imam Muslim ibn al-Hajjaj al-Naysaburi.
[6] Crescent was not a symbol for Islam by Prophet Muhammad (pbuh) or any other early Muslim rulers. In fact Islam is against using "holy symbols" in the way that the Christians use Cross or the Hindus use Swastika. Originally a secular symbol of authority for Muslim rulers 'crescent' has now become a defecto symbol of Islam.

familiarity, likability, or similarity of the spokesperson's hijab. This might have a positive impact on the viewers' information processing when they encounter such a situation.

Diversity in Islam

Degree of adherence to Islam is hardly uniform these days. Muslims in virtually each Muslim country tend to be polarized in a continuum ranging from the secular liberals at one end to the more religious and strict fundamentalists at the other. One should also note that not all Islamic countries are equally strict about Islamic way of living. While the rulers in Saudi Arabia, UAE and Iran seek legitimacy in Islam, countries such as Algeria, Indonesia, Jordan, Turkey, Jordan, and Malaysia happen to be middle-of-the-road and relatively more liberal. Pakistan, Egypt and Bangladesh used to be quite liberal; but they are now undergoing interesting changes and are involved in a tug of war between liberal and strict Islam.

Not all Islamic Prohibitions are adhered to

However, it is interesting, if not paradoxical, to note that even many of the strict, fundamentalist Muslim countries have compromised with many of the Islamic tenets. For example, despite strict prohibition on painting, drawing, picture or taking photograph of human beings, countries known as the strictest Muslim countries seem to ignore this prohibition. Big portraits of Iran's Ayatollah Khomeini or of the Saudi King are not difficult to find in their respective countries. In the same vein, film industry has been thriving in Egypt, Turkey, Pakistan, Bangladesh, Indonesia and Malaysia. Dancing, acting or playing instrumental music, which are considered sinful activities in Islam; do receive government patronage and sponsorship in many Muslim countries. In reality many Islamic prohibitions are either ignored or tolerated with impunity in many countries. The urban populace even in the most conservative Muslim countries is constantly exposed to Western way of life and values through Western movies, TV shows, concerts etc. In the Sheikhdom of Dubai in United Arab Emirates and in countries such as Turkey, Malaysia and Egypt, the most outdoor advertising is presented in the liberal European version (Al-Olayan and Karande, 2000). While the Malaysian advertising code stipulates that female models portrayed in ads must be fully clothed up to the neckline, length of their skirt should be below the knees and their arms may be exposed up to the edge of the shoulder without exposing the underarms (Advertising Code for Television and Radio, 1990), these regulations are rarely followed by advertisers. There seems to be a tacit agreement between the governments and marketers in the Islamic nations that strict Islamic injunctions on the things listed above are not only incompatible with the realities of modern day living which is heavily influenced by the Western culture but also counterproductive from a practical socio-cultural point of view. As such, these issues may be compromised.

Practices totally unacceptable in Islam

However, there are certain aspects of Western culture which, from an Islamic point of view, are totally unacceptable by Muslims as they clash with some basic Islamic tenets and can not be compromised under any circumstance. They are considered indecent, representative of decadence, harmful for the purity of body and soul, and catalysts for weakening the moral fabric of the society. As such, these aspects must not be allowed to be disseminated in any manner whatsoever. It is this belief that tends to underlie the formulation of advertisement practices and regulations in most of the Islamic nations. These include (i) portrayal of intimate male-female scenes, (ii) showing nudity and wearing of indecent dresses, (iii) using sexually suggestive poses, displays or conversations, and (iv) promoting haram products such as Alcoholic beverages in advertisements. Ads showing local models wearing under-garments would be considered violation of decency censorship laws even in more liberal Muslim countries. However, in countries such as Bangladesh, Indonesia, Malaysia or Pakistan, ads in printed media have been found to portray sketches of models of both sexes wearing undergarments.

Strict censorship laws are in place to ensure that the Islamic injunctions are not violated; but often these are not enforced. For example, foreign TV channels received in Bangladesh through satellite links regularly screen advertisements that violate local censorship laws; there has been no attempt so far to

regulate such undesirable and decadent advertisements.

It is interesting to note that with the exception of a few strictly Islamic countries, advertising codes in most Islamic nations are similar to those in the Western countries. Deng, Jivan and Hasan (1994) reported similarities between the Canadian and Malaysian advertising codes.

Recommendations for Advertisers

The most important recommendation for marketers planning to advertise to Muslim consumers is simple; respect the consumers, their faith, beliefs, sentiments and practices and be sensitive to those. Islam does not negate advertisement; and since most of the Muslim countries encourage multinational investment, they can not negate it. Also, separating culture from religion in developing ad messages and executing the ad may not be a good proposition either; rather marketers will be better off by viewing culture and religion as being two sides of the same coin. It will be dangerous to lump 1.8 billion people worldwide into a single, homogenous group as it can mask vast differences in culture, levels of religious practice, socio-economic situations and attitudes.

It will be a big mistake if marketers develop their ad messages for Muslim countries aiming to reach only the urban Muslims who are relatively more affluent, liberal, and sympathetic to Western values and often assume leadership in their respective societies. But they are the minority population; marketers must not ignore the vast majority of the population who tend be more religious. In a way, these countries reflect a combination of a minority group of global consumers and a much larger majority group of local consumers. Marketers must be able to see the interconnection as well as interdependence between these two groups and reflect that in developing their ad message and executing it. This view suggests a balanced integrative approach that blends global themes with the religious tenets as interpreted in the local socio-cultural context. In all practicalities, such ads will be a function of the product/service being advertised (halal vs haram), ethnographic and cultural realities (e.g. Bangladeshi, Egyptian etc.), government attitude towards adherence to Islamic rules (liberal vs strict), degree of consumer religiosity (secular vs strict Muslims), power of the clergy (strong vs weak), tolerance to Western ideology (tolerant vs hostile), tolerance to deviation from Islamic norms (tolerant vs hostile) and finally, degree of media freedom (low vs high).

There are too many major differences amongst the members of the Islamic world comprising fifty seven Muslim majority countries. Within their common religion Islam, they differ in terms of interpretation and understanding of religious tenets, practices and rituals. They have enormous diversity in terms of culture, traditions, politics, legal framework and level of financial affluence. Indeed, there are many Muslim societies with very different consumer cultures. It would be imprudent for an advertiser to look for a unique advertisement strategy for the entire 'Muslim World'; rather he should be concerned with the multitude of Muslim societies existing in these various nations. The marketer may like to develop taxonomy of various Muslim nations on the basis of the factors listed above and use this list as the very first step to obtain a basic understanding of his/her audience and decide on the advertising strategies. For example, Keenan and Yeni (2003) show how advertisers try to respect this perception in executing their advertisements. In an investigation involving the comparison of ads run during Ramadan and those run during a non-Ramadan period in Egypt they observed that ads run in Ramadan were fewer in number, had more emphasis on charity messages, and used more conservatively dressed characters in the ads. They concluded that advertisers intentionally tone down the way they present women in their commercials as an expression of respect for the Islamic principles and values of Ramadan.

References

Advertising Code for Television and Radio (1990). Ministry of Information, Kuala Lumpur.

AL-FUNAYSÂN, S.S. 2006. *Drawing Pictures & Producing Animated Cartoons* http://en.islamtoday.net/artshow-383-3367.htm. February, 16, accessed on May 12, 2016.

AL-OLAYAN, F.S. & KARANDE, K. 2000. A content analysis of magazine advertisements from the United States and the Arab world, *Journal of Advertising,* 29(3), 69-82.

ALSERHAN, B.A. 2013. Response to a blog *"What defines Islamic Marketing as a field of,"* https://www.researchgate.net/post/What_defines_Islamic_Marketing_as a field_of science, [accessed on May 9, 2016]

ALSERHAN, B. A. 2011. *The principles of Islamic marketing,* Surrey: Gower Publishing Limited.

ASSADI, D. 2003. Do religions influence customer behavior? Confronting religious rules and marketing concept, *Cahiers du CEREN*, 5: 2-13.

CHACHUA, G., KUCHARSKI, H., LUBA, A., MALACHOWSKA, K. & MARTINOVSKY, B. 2010. The Influence of Selected Aspects of Islam on Advertising Efforts, http://nic.hb.se/assets/media/ the influence of selected aspects of Islam on advertising efforts.pdf, accessed on May 8, 2016.

COHEN, A.B. 2011. Religion and Culture. Online Readings in Psychology and Culture, 4(4). http://dx.doi.org/10.9707/2307-0919.1108, accessed on May 4, 2016.

DENG, S; JIVAN, S. & HASSAN, M.L. 1994. Advertising in Malaysia—A Cultural Perspective, *International Journal of Advertising*, 13,153-164.

DE RUN, E., BUTT, M., FAM, M.K. & JONG, H. 2010. Attitudes towards Offensive Advertising: Malaysian Muslims' Views, *Journal of Islamic Marketing*, 1(1), 25-36.

DELENER, N. 1993. "The Effects of Religious Factors on Perceived Risk in Durable Goods Purchase Decisions," *Journal of Consumer Marketing*, 7(3): 27-38.

DROOGSMA, R.A. 2007, Redefining Hijab: American Muslim Women's Standpoints on Veiling, *Journal of Applied Communication Research,* Vol. 35, No. 3, pp. 294-319.

ESPOSITO, J.L. 2010. *The Future of Islam*, Oxford University Press Inc. New York.

GALE, A. 2016. Islam means Business. Meet the New Generation of Muslim Entrepreneurs, *Management Today*, www/managementtoday.co.uk accessed on 14 May, 2016.

GEERTZ, C. 1993. Religion as a cultural system. In: *The interpretation of cultures: selected essays*, 87-125. Fontana Press

GIBSON, C. 1998. Sacred Symbols, *Barnes & Noble*, New York, U.S.A

GRECO, A.J. 1989. Representation of the Elderly in Advertisement: Crisis or Inconsequence? *Journal of Consumer Marketing*, (6) 1: 37-44.

GROFF, L. & SMOKER, P. 1996. Spirituality, Religion, Culture, and Peace: Exploring the Foundations for Inner-Outer Peace in the Twenty-First Century, *The International Journal of Peace Studies*, (1) 1.

HARRELL, S.C. 1986. Gender and Religion: On the Complexity of Symbols, Boston: Beacon Press

HENLEY JR, W.H., M. PHILHOURS, M, RANGANATHAN, S.K. & BUSH, A.J. 2009. The Effects of Symbol Product Relevance and Religiosity on Consumer Perceptions of Christian Symbols in Advertising, *Journal of Current Issues & Research in Advertising,* (31) 1, 89-103.

http://islam.ru/en/content/story/are-images-pictures-photos-and-cartoons-forbidden-islam

http://www.ogilvynoor.com/index.php/about-us/who-we-are/

https://islamqa.info/en/7117

HUSSNAIN, S.A. 2011. What is Islamic Marketing? *Global Journal of Management and Business Research.* (11)11: 100-103.

KALLINY, M. & GENTRY, L. 2007. Cultural Values Reflected in Arab and American Television Advertising, *Journal of Current Issues and Research in Advertising,* (29) 1: 15-32.

KEENAN, K. & YENI, S. 2003. Ramadan Advertising in Egypt: A Content Analysis with Elaboration on Select Items, *Journal of Media and Religion,* (2) 2: 109-117.

KENRICK, D.T., NEUBERG, S.L., & CIALDINI, R.B. 2009. *Social psychology: Goals in Interaction,* 5th Edition, Pearson Publishers.

KRAAR, L. 1992. Asia's hot new growth triangle, Fortune, 5 October, 135 – 142.

KULENOVI, T. 2006. A Veil (Hijab) as a Public Symbol of a Muslim Woman Modern Identity, *Collegium Antropologicum*, (30) 4, 713-718.

LUMPKINS, C.Y. 2010. Sacred Symbols as a Peripheral Cue in Health Advertisements: an Assessment of Using Religion to Appeal to African American Women about Breast Cancer Screening, *Journal of Media and Religion,* (9) 4:.181-201.

LUQMANI, M., YAVAS, U. & QURAESHI, Z. 1989. Advertising in Saudi Arabia: Content and Regulation, *International Marketing Review,* (6) 1: 59-72.

MICHELL, P.C.N. & Al-Mossawi, M. 1995. The Mediating Effect of Religiosity on Advertising Effectiveness, *Journal of Marketing Communications*, (1) 3, 151-162.

Majmoo' al-Fataawa 2/question no. 333; https://islamqa.info/en/71170 accessed on May 16, 2016.

MOKHLIS, S. 2009.Religious Differences in Some Selected Aspects of Consumer Behavior: A Malaysian Study, *Journal of International Management,* (4)1:67-76.

NASERI, A. & TAMAM, E. 2012. Impact of Islamic Religious Symbol in Producing Favorable Attitude toward Advertisement, *Revista De Administratie Publica Si Politici Sociale, 8* Retrieved from http://search.proquest.com/docview/1271627882?accountid=12763 accessed on May 11, 2016

NORENZAYAN, A., & HEINE, S.J. 2005. Psychological universals: What are they and how can we know? *Psychological Bulletin*, 131:763-784.

ONKVISIT, S. & SHAW, J. 1987. Standardized international advertising: a review and critical evaluation of the theoretical and empirical evidence, *Columbia Journal of World Business*, (22)3: 43-55.

RICE, G. & AL-MOSSAWI, M. 2002. The Implications of Islam for Advertising Messages: The Middle Eastern Context, *Journal of Euromarketing,* (11) 3:71-96.

SAHIH AL-BUKHARI No. 2225, No. 3225 and No. 5954.

SAHIH MUSLIM, 2106, 2107 and 2110.

SOOD, J & NASU, Y 1995. Religiosity and nationality: An exploratory study of their effect on consumer behavior in Japan and the United States, *Journal of Business Research*, (34) 1.

TAYLOR, V.A., HALSTEAD, & HAYNES, P.J. 2010. Consumer Response to Christian Religious Symbols in Advertising, *Journal of Advertising,* (39) 2, 79-92.

TERPSTRA, V. & DAVID, K. 1991. *The Cultural Environment of International Business,* (3rd edn), Cincinnati: South-Western Publishing Co.

The Qur'an, Chapter 2, verse 185; Chapter 21, verse 30.

WEAVER, G. & AGLE, B. 2002. Religiosity and Ethical Behavior in Organizations: A Symbolic Interactionist Perspective, *Academy of Management Review,* (27) 1: 77-97.

WEISBUCH-REMINGTON, M., MENDES, W., SEERY, M. & BLASCOVICH, J. 2005. The Nonconscious Influence of Religious Symbols in Motivated Performance Situations, *Personality and Social Psychology Bulletin,* (31) 9, 1203-1216.

ZWICK, D. & CHELARIU, C. 2006. Mobilizing the Hijab: Islamic Identity Negotiation in the Context of a Matchmaking Website, *Journal of Consumer Behavior,* (5) 4: 380-395.

WILSON, J. 2014. *Brand Islam is fast becoming the new black in marketing terms*, *the Guardian*, 19 February, http://www.theguardian.com/media-network/media-network-blog/2014/feb/18/islamic-economy-marketing-branding accessed on 9 May, 2016.

Why Islamic Branding. 2012, http://www.ogilvynoor.com/index.php/why-islamic-branding/ http://www.managementtoday.co.uk/news/1392329/islam-means-business-meet-new-generation-muslim-entrepreneurs/, accessed on May 13, 2016.

ZANDPOUR, F., VERONICA C., JEOLLE C., CYPRESS C., YOUNG, D.C., RENEE H., SHU-FANG, J., MAN-CHI L., STAN M., HOLLY S. & SUSAN T.O. 1994. Global Reach and Local Touch: Achieving Cultural Fitness in TV Advertising, *Journal of Advertising Research*, (Sept/Oct), 25-38.

An Insight on the Influence of Price-Matching Guarantees on Consumer Behaviour in Romania

Diana Maria Vrânceanu
Bucharest University of Economic Studies
diana.vranceanu@mk.ase.ro
Ionel Dumitru
Bucharest University of Economic Studies
ionel.dumitru@mk.ase.ro

Abstract

Price-matching guarantees represent a technique that promises the refund of price difference in the case a customer finds elsewhere a lower price. Such technique is used by stores to create a low price image and to stimulate the searching behaviour. Price-matching guarantees might have also an influence on value perceptions and shopping intentions. In Romania, this technique was introduced in the last 15 years, being conducted few studies on Romanians attitude on such pricing tactic. The present paper has as purpose to identify the way in which the refund depth (the amount offered as difference in the case of finding a lower price elsewhere) and the searching area (the area where are situated the stores whose price might be checked in order to claim the guarantee) influence the price perceptions, the intentions to claim the guarantee, the value perceptions and the price fairness perceptions. There was conducted a 2x2 marketing experiment among Romanian students that were exposed previously to price-matching guarantees technique and that belong to the target market of the product used in the experiment. The major results of this study emphasize that Romanian customers are not very sensitive to price-matching guarantees technique, the area where are situated the stores whose price might be checked influences the intentions to claim the guarantee and the value perceptions.

Keywords: price perceptions, price-matching guarantees, marketing experiment, Romania.

JEL classification: M31.

1. Introduction

Price-matching guarantees (PMG) represent one of the price tactic that promises to match the competition prices in the case they are lower, before or after the purchase (Kukar-Kinney, Walters and MacKenzie, 2007). This tactic is known as price matching guarantees (Kukar-Kinney and Grewal, 2007, Lurie and Srivastava, 2005, Kukar-Kinney, Walters and MacKenzie, 2007), low price guarantees (McWilliams and Gerstner, 2006), low price signal (Dutta and Bhowmick, 2009).

The PMG characteristics that are manipulated by stores in order to achieve their objectives are: the refund depth (the compensation accorded by the price-matching store in case the customer finds a lower price elsewhere), the refund period (the period within the lower price is found and it is claimed the refund) and the scope that refers to the conditions necessary to apply for such a tactic (the spread of competitors that might be compared, the products characteristics)(Kukar-Kinney, Walters and MacKenzie, 2007). Refund depth may vary, some stores refund the difference between the lower price identified at the competitors and their price, others refund several times the difference, while some refund the difference and a certain amount expressed in absolute value or in percent. The refund period may vary, according to seller's policy and the product type, some stores setting 24 hours, while others 30 days. The area where competitors could be found, may be a town, a certain region, a country or certain stores, especially for online environment.

This technique has an informational component and a protective component, the protective component confers credibility to the informational component, concerning that consumers infer that retailers may suffer a loss in the case they transmit misleading messages regarding the price (Dutta and Bhowmick, 2009). PMG may be a tactic that discriminate the customers, according to their information and transaction cost (Png, and Hirshleifer, 1987; McWilliams and Gerstner, 2006).

PMG is less used in Romania, because of low acceptability among customers and because of the

ineffective way to manage it by the sellers. Although this tactic was introduced in Romania about 15 years ago, it was not adopted by many companies. In a qualitative research conducted in 2006 on Romanians' price fairness perceptions, Catoiu and Vranceanu (2007) found that price-matching guarantees technique was considered a deceiving tactic, aimed to manipulate customers, because they are not interested to check prices. The present study aims to evaluate the Romanians behavior on two elements of price-matching guarantees: refund depth and refund scope.

2. Price-matching guarantees influence on consumer behavior

Price-matching guarantees influence the process of price searching behaviour (Maarten and Parakhonyak, 2013), value perceptions (Dutta et al., 2006), loyalty (Kukar-Kinney, 2006, McWilliams and Gerstner, 2006). The stores that use PMG are perceived less expensive comparing to the competition (Lurie and Srivastava, 2005), but the effect of decreasing the price level perceptions is greater for more reputable stores than for those with lower or no reputation (Kukar-Kinney and Grewal, 2007). Price matching guarantees modify the standards used to evaluate a price, thus the presence of a price-matching guarantee conducts to a higher estimate for the lowest and for the average market price (Lurie and Srivastava, 2005). The exposure to PMG tactic may conduct consumers to modify their expectations on the lowest market prices, the last one being perceived higher when it is offered a PMG comparing to the situation in which it is not used such a tactic (Dutta, et al, 2006). PMG is perceived as a signal for low store prices due to lower margins of profit rather than low operating costs (Srivastava and Lurie, 2004).

H1: Higher the refund depth, the store prices are perceived to be lower.

Srivastava and Lurie (2004) show that PMG is effective when search costs are low and this tactic become a signal for a low priced store when others' willingness to engage in price search, to enforce guarantees or both are high.

The price-matching guarantees effectiveness may be increased by reducing the price length and by narrowing the price-matching scope because, for long refund period and wide scope, price conscious consumers have to increase their search effort, with lower benefits regarding purchase behavior (Kukar-Kinney, Walters and MacKenzie, 2007).

The store loyalty is positively influenced by the refund scope, but not by the refund depth (Kukar-Kinney, 2006). The same author states that price conscious and skeptical customers increase their repurchase behavior in conditions of a wide PMG scope in a greater extend comparing to those that are less price conscious or less skeptical.

H2: Larger the searching area, higher the intention to refund the guarantee

The environment (online stores or bricks-and-mortar stores) influences the impact of PMG. Thus, Kukar-Kinney and Grewal (2007) state that PMG conducts to a lower price perceptions in bricks-and-mortar stores, effect not met in online stores. As such a tactic to be effective, the online stores must be more oriented to increase price transparency, informing on the conditions necessary to obtain the refund, proving customers testimonials and making this tactic appear more enforceable for customers (Kukar-Kinney and Grewal, 2007).

The perceived characteristics of store influence PMG effects, in stores perceived as high prices stores, PMG makes to be perceived less expensive, such an effect not being met when consumers believe the store offers low prices (Lurie and Srivastava, 2005). The offering of price-matching guarantees improves customer retention (McWilliams and Gerstner, 2006).

The degree of price consciousness influences the way in which PMG is perceived. Thus, a deep refund is interpreted by nonprice conscious customers as a signal of low price, while by the price conscious customers as a signal of higher prices (Kukar-Kinney, Walters and MacKenzie, 2007). PMG influences the price estimations made by consumers when they manifest uncertainty on competition prices (Lurie and

Srivastava, 2005). The stores that use higher than average market prices, when offer PMG may be accused of misleading messages by the less price conscious customers that are prone to consider the deep refunds as a cue for low prices (Kukar-Kinney, Walters and MacKenzie, 2007).

H3: Higher the refund depth, higher the price fairness perceptions

McWilliams and Gerstner (2006) showed that the usage of low price guarantee practice together with money back guarantee (the practice of returning the money paid to the dissatisfied customers) conduct to the increase of economic efficiency for both parties (retailer and customer). Thus, for retailers there are lowered the inventory costs involved in returning the products when finding in another store a cheaper one (cost of handling the returned product, the loss of product depreciation, cost of stocking the returned product), whereas for customers there are lowered the hassle costs (costs of product returning and of rebuying it from another retailer with lower prices) (McWilliams and Gerstner, 2006).

PMG increases the reservation price that is the maximal price consumer will pay instead of continuing searching for a lower price (Maarten and Parakhonyak, 2013). Thus, the increase of reservation price gives the retailers that use PMG the opportunity to raise their current prices and to increase profits.

PMG could influence competition intensity, taking into consideration the customers searching behavior (Yuan and Krishna, 2011). Thus, when the demand of customers that search for a low price is more elastic than the non-searchers demand, PMG may conduct to more intense price competition. Consumers become more informed and buy larger quantities at lower prices (Yuan and Krishna, 2011).

The Every Day Low Price (EDLP) strategy in association with PMG tactic may influence consumer behavior (Borges, 2009). Thus, the offering of a high refund in the condition of applying EDLP may lead to the increase of PMG credibility, of the perceived value and of buying intentions. For retailers that do not apply EDLP is recommended a low refund, a high refund having the same effect with not using PMG at all (Borges, 2009).

H4: Higher the refund depth and the refund scope, higher the perceived value

The effect of PMG depends on the number of loyal consumers, this tactic could incur either price collusion or price discrimination effects (Koh et al., 2012). The usage of PMG is efficient when, at a category level, the product substituibility is high and the shelf space in the store is limited, thus the retailer has to stock identical products (Coughlan and Shaffer, 2009).

The use of PMG dos not guarantee that the store uses the lowest price or even a price lower than the average, but allows consumers to look for the lowest price (Srivastava and Lurie, 2004).

Methodology

In order to assess the influence of refund depth and of refund scope, operationalized as area spreading of competitors whose prices might be checked, it was conducted a 2x2 marketing experiment. The subjects were asked to read a scenario in which they were invited to imagine they were interested in buying a tablet computer from a traditional electronic store (except for online stores). The independent variables were refund depth, operationalized as low (matching once the price difference) and high (matching twice the price difference) and refund scope, operationalized as reduced (the stores that might be checked their prices are from Bucharest, except for online stores) and large (the searching area for checking prices is any store from Romania, except for online stores). The dependent variables, measured on semantic differentials with five levels, were: perceived store prices, intention to claim the guarantee, value perceptions, price fairness perceptions. The dependent variables were defined according to items adapted from Kukar-Kinney (2003); Kukar-Kinney and Grewal (2007); Kukar-Kinney (2006); Lurie and Srivastava (2005). The subjects were students from an economic higher education institution from Bucharest, the data being collected between 16 March - 20 April 2016. The sample consisted of 100 subjects, 72.3% females and 27.7% males, for each experimental cell being distributed 25 persons.

Results and discussion

In order to analyze the data, there was applied the analysis of variance (ANOVA), using SPSS 20 software. The prices of the store that apply price-matching guarantees tactic are perceived to be lower for matching twice the price difference condition (M=2.82), than for matching once the price difference (M=3.08), but the differences between the two groups are not significant, $F(1,96)= 1.717$, $p>0.1$. Thus, H1 is not accepted, the refund depth does not influence the perceived store price.

The intention to refund the price guarantee is higher (M=2.82) when the customer might search for lower prices in stores from Romania (except for online ones) than in stores from Bucharest (M=2.32), $F(1,96)=3.202$, $p<0.1$. Although, the Romanians intention to refund the difference is low, the averages for this variable not exceeding the level of 3, on a scale from 1 to 5 (Table 1). Thus, H2 is accepted, larger the searching area (refund scope), higher the intention to refund the guarantee.

Refund scope	Refund depth	Mean	Std. Deviation	N
Romania	Once the difference	2.8400	1.49108	25
	Twice the difference	2.8000	1.52753	25
	Total	2.8200	1.49407	50
Bucharest	Once the difference	2.0800	1.15181	25
	Twice the difference	2.5600	1.38684	25
	Total	2.3200	1.28476	50
Total	Once the difference	2.4600	1.37336	50
	Twice the difference	2.6800	1.44900	50
	Total	2.5700	1.40888	100

Table 1. Means and standard deviations for the intention to refund the price guarantee

Also, the intention to refund the price guarantee is higher for matching twice the price difference (M=2.68) than for matching once condition, but the difference between the two groups is not significant $F(1,96)=0.620$, $p>0.1$. The interaction effect between refund scope and refund depth is not significant, $F(1,96)=0.866$, $p>0.1$ (Table 2).

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	9.150	3	3.050	1.563	0.203	0.047
Intercept	660.490	1	660.490	338.424	0.000	0.779
Refund scope	6.250	1	6.250	3.202	0.077	0.032
Refund depth	1.210	1	1.210	0.620	0.433	0.006
Refund scope * Refund depth	1.690	1	1.690	0.866	0.354	0.009
Error	187.360	96	1.952			
Total	857.000	100				
Corrected Total	196.510	99				

Table 2. Test of between-subjects effects for the intention to refund the price guarantee

The mean for perceived price fairness M=3.46 for the condition of matching once the price difference is higher than for matching twice the difference (M=3.34), but the difference between the two means is not significant, $F(1,96)= 0.628$, $p>0.1$. Thus, H3 is not accepted, the refund depth does not influence the price fairness perceptions. Also, for high scope condition the mean for perceived fairness perception is M=3.42, almost similar with low scope condition (M=3.38), $F(1,96)=0.07$, $p>0.1$. Thus, the searching area does not influence the price fairness perception.

For high refund depth condition the perceived value (M=3.44) is quite similar with that for low refund depth condition (M=3.58), $F(1,96)=0.858$, $p>0.1$. For large refund scope the perceived value is higher (M=3.68) than for low refund scope (M=3.34), $F(1,96)=5.063$, $p<0.05$. Thus, H4 is partially accepted, higher the refund scope, higher the perceived value.

Conclusions

Romanian consumers are not very sensitive to price-matching guarantee technique. The stores that offer high refund depth (matching twice the price difference) are perceived as practicing relative low prices, but not very different comparing to the stores that match once the price difference. Thus, the refund depth has not a significant influence on perceived store prices. The intention to refund the guarantee is low, but there are differences according to refund scope: when there are many stores whose price might be checked, the intention to refund the guarantee is higher than when there are few. The refund depth has not a significant influence on the intention to claim the price difference.

The fairness of price-matching guarantee technique is perceived somehow fair, but it is not influenced by refund depth and by searching area. Concerning the perceived value, it is higher for large refund scope, than for low, but the refund depth has no influence on this variable.

The present study has as major limit the fact that respondents were students, other categories of customers not being represented. Taking into account that in Romania there are few studies on price-matching guarantee technique, it might be useful for further studies, to be evaluated the influence of this tactic considering the store type (traditional or online) and the refund period.

The managerial implications of this research concern the necessity, for the decision makers, to promote price-matching guarantees with large scope, the area where might be checked the prices have to be wider. Also, Romanian sellers have to promote more price-matching guarantees tactic, in order to increase consumer confidence in it and the intention to claim the guarantee.

References

BORGES, A., 2009. The Price Matching Guarantee: The effect of the refund size and the moderator role of the retailer price strategy, *Recherche et Applications en Marketing,* 24(1), 29-39.

CATOIU, I. & VRANCEANU, D. M., 2007. Price fairness perceptions in Romania, *Marketing-Management, Studii-Cercetări-Consulting,* AROMAR, 4(100), 243-247.

COUGHLAN, A. T. & SHAFFER, G., 2009. Price-matching guarantees, retail competition and product-line assortment, *Marketing Science*, 28 (3), 580–588.

DUTTA, S. & BHOWMICK, S., 2009. Consumer responses to offline and online low price signals: The role of cognitive elaboration, *Journal of Business Research*, 62, 629–635.

DUTTA, S., BISWAS, D., BISWAS, A. & PULLIG, C. 2006. Price matching guarantees as signals of value: the role of perceived risk and estimate of lowest market price, *Advances in Consumer Research,* 33, 527-528.

KOH, D.-H., MOON, J. & SCHELLHASE, R. 2012, Price-matching guarantees: Influences on pricing strategy in a market with asymmetric firms, *Journal of Business Research,* 65 (11), 1551–1557.

KUKAR-KINNEY, M. & GREWAL, D. 2007. Comparison of consumer reactions to price-matching guarantees in internet and bricks-and-mortar retail environments, *Journal of the Academy of Marketing Science*, 35 (2), 197-207.

KUKAR-KINNEY, M., WALTERS, R. & MACKENZIE, S. B. 2007. Consumer responses to characteristics of price-matching guarantees: the moderating role of price consciousness, *Journal of Retailing*, 83 (2), 211-221.

KUKAR-KINNEY, M. 2003, *Consumer response to characteristics of price-matching guarantees: the moderating role of consumer and retailer characteristics*, PhD Dissertation, Kelley School of Business Indiana University, Adviser Scott B. MacKenzie.

KUKAR-KINNEY, M. 2006, The role of price-matching characteristics in influencing store loyalty, *Journal of Business Research*, 59 (4), 475 – 482.

LURIE, N. H. & SRIVASTAVA, J. 2005. Price-matching guarantees and consumer evaluations of price information, *Journal of Consumer Psychology*, 15 (2), 149-158.

MAARTEN, J., & PARAKHONYAK, A. 2013. Price matching guarantees and consumer search, *International Journal of Industrial Organization*, 31, 1–11.

MCWILLIAMS, B. & GERSTNER, E. 2006. Offering low price guarantees to improve customer retention, *Journal of Retailing*, 82 (2), 105–113.

PNG, I.P.L. & HIRSHLEIFER, D. 1987. Price discrimination through offers to match prices, *Journal of Business*, 60, 365–383.

SRIVASTAVA, J.& LURIE, N. H. 2004. Price-matching guarantees as signals of low store prices: survey and experimental evidence, *Journal of Retailing*, 80 (2), 117–128.

YUAN, H. & KRISHNA, A. 2011. Price-matching guarantees with endogenous search: a market experiment approach. *Journal of Retailing*, 87(2), 182-193.

Quantitative Research on the Anime Culture Products Presence in the Romanian Market

Adrian Nicolae Cazacu

Doctoral School of Marketing, Bucharest University of Economic Studies

cazanina@yahoo.com

Abstract

The process of globalization brings with it intercultural exchanges with effects both socially and economic. The culture upon which we will focus in this study is a media culture called "anime" that has emerged due to the global impact that Japanese animation had on the entertainment industry, starting with the last decades of the XXth century. Anime funs buy products that are related with the anime culture. These products can be: figurines, ornaments, clothing, toys, etc. Also, those who find their cultural identity in the context of anime, buy comics called "Japanese manga", translated, now, in several languages. Anime culture has taken off in Romania, winning a lot of fans and opening a new market for the products of this culture. This study aims to open the line of research on the consumer behavior, regarding the following aspects, such as: the target audience, economic interests, the types of the products sold and the areas where there is an interest to purchase such products.

Keywords: globalization, anime culture, anime products, consumer behavior

JEL classification: F690

1. Introduction

The term "anime" means all the animation produced in Japan. This particular animation has very distinctive characteristics. These features are both of artistic nature and related to the treated subjects (Winge, 2006). These particularities can be considered its trademark. From its emergence, in the 70s, anime has spread in other countries beside Japan and gained a world-wide audience. The anime first received a positive feedback from the American public in the late 70s and 80s, which determined many American publishing companies to buy licenses from the Japanese producers, who dubbed or subtitled animes in English, and began distributing them, first in America, than world-wide (MacWilliams, 2008). Anime became a major rival for the traditional western animation, but also gathered a strong fan-base. According to the Japan External Trade Organization (JETRO), "*Japanese animation occupied the first place in the animation world for nearly two decades*". A study conducted in 2005 showed that over 60% of the world animation is produced in Japan (JETRO, May 2005). Animes are often inspired or accompanied by comic books, drawn in the same artistic style, called "mangas". Besides these comic books, a wide array of products are sold to the anime funs, such as: figurines, ornaments, clothing, toys, so on. The Romanian public began discovering the anime culture since 1990, when the Romanian TV stations began to broadcast anime series and movies. Also, the foreign Animax channel broadcasted many anime series subtitled in Romanian. Since 2007, a cultural phenomenon called "Anime conventions"(Lamerichs, 2013) begins to develop in Romania. These anime conventions attract anime funs and also developers and dealers of the anime related products which we have allready mentioned.

2. Research methodology

In order to explain the anime phenomenon as an effect of other phenomenons evolution, we used the *causal research*, this providing informations of *quantitative nature*, in this case: the emergence of the anime culture has led to an increased market demand for the related products. At the base of the research were the extracted *quantitative data*, which proved the evolution of the anime phenomenon and of the sales of this culture's products.

One method was using the *secondary data,* known informations, statistic data regarding the production and sales of the anime products, the evolution of the international transactions.

We gathered *the primary data* from cultural manifestations and specific events, inside which are

organized sales points and exhibitions, for trading anime culture's products. *The secondary data* have been obtained from external sources(statistic data of the organizers and economic entities, reports) but also internal sources(sales, costs, marketing activities, informations regarding distribution and buyers)

For processing the resulting data (*the systematization of secondary data*) we used specialised informatic systems, like: SPSS, MS Excel, in order to present the informations in the form of tables and graphs.

3. The Nijikon convention in Romania. Case study

The event which we will study in this paper, is an anime convention, called Nijikon (Lamerichs, 2013). It takes place, every year, in Bucharest, since 2007.

This event gathers companies dealing with anime related products, consumers of these products, people who dress as anime characters (cosplayers), who buy their costumes from abroad or make them with materials found in Romania.

In the following, we shall present an analisys of data related to this convention in Romania.

a) Nearly 60-65% of the visitors are female, the rest of them are male (**Figure 1. Male/female participants at the Nijikon conventions**)

b) Most of the visitors age range is between 14-25 years old (38% are between 14-20 years old, 28% are between 20-25 years old, 10% are over 25 years old , 3% are under 14 years old, the rest of them didn't state their age, but the figures are similar) (**Figure 2. Age levels at the Nijikon conventions**)
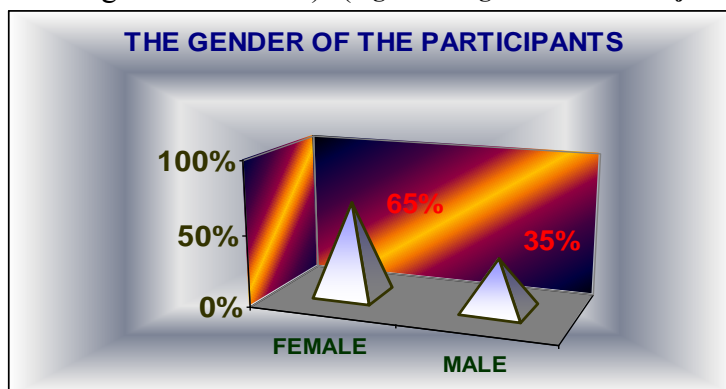

Figure 1. Male/female participants at the Nijikon conventions(Source: author own research)
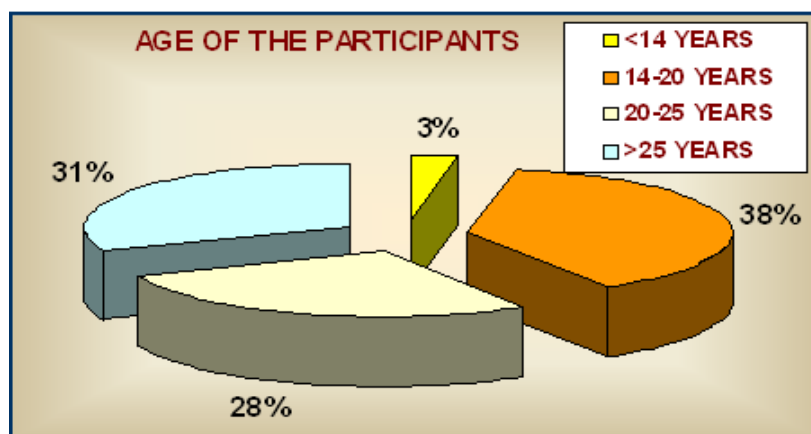

Figure 2. Age levels at the Nijikon conventions (Source: author own research)

c) 20% of the visitors are employed or small business owners, the large majority (over 75%) are students, high students and pupils (**Figure 3. Level of employment of the participants at the Nijikon conventions**)
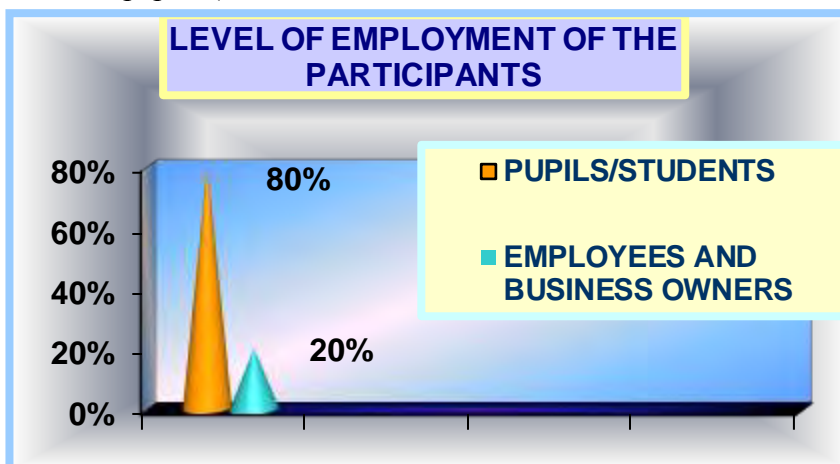
Figure 3. Level of employment of the participants at the Nijikon conventions (Source: author own research)

d) The large majority (71%) of the participants are Bucharest residents, 2,5% live in Ploiesti, and 2,2% are comming from Constantza, the rest are coming from all over the Romania.(**Figure 4. Geographical spread of the participants at the Nijikon conventions**)
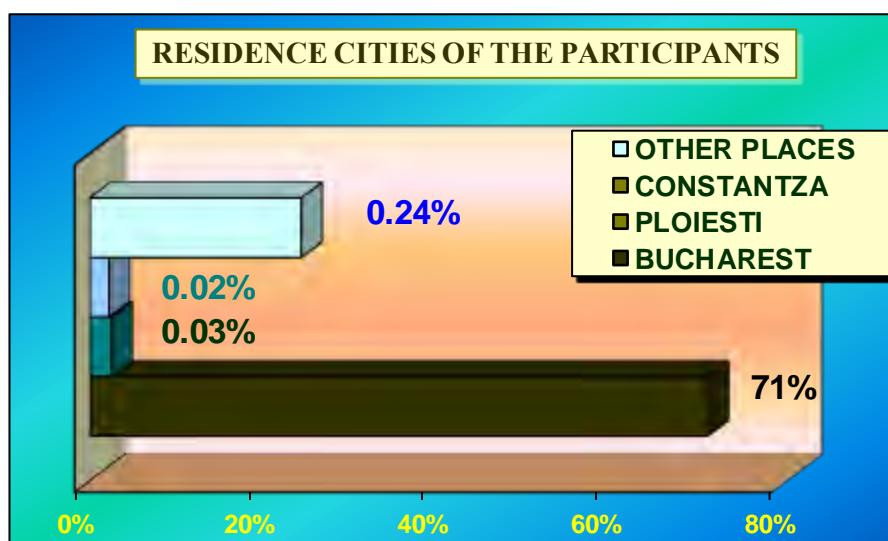
Figure 4. Geographical spread of the participants at the Nijikon conventions (Source: author own research)

e) Specific informations related to each year, starting with the premiere of the Nijikon conventions in Romania, untill the end of 2015, regarding: the total number of participants, the total number of the entreprenors for different products presented to be sold, as well as the spaces rented for these events, are resumed in the next table (**Table 1. Specific informations between 2007-2015**)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
VISITORS	1500	2300	2700	3000	3100	3000	3500	3000	2700
SELLERS	16	20	22	24	26	24	26	20	24
RENTED SURFACE	400	1200	1200	1200	1200	1200	3000	2700	3600

Table 1. Specific informations between 2007-2015 (Source: author own research)

The informations are represented in the following figure, showing the changes of the offer, the rising

number of visitors, also the changing of the event's locations rented for the Nijikon conventions (**Figure 5. Specific informations about the Nijikon conventions, between 2007-2015**)
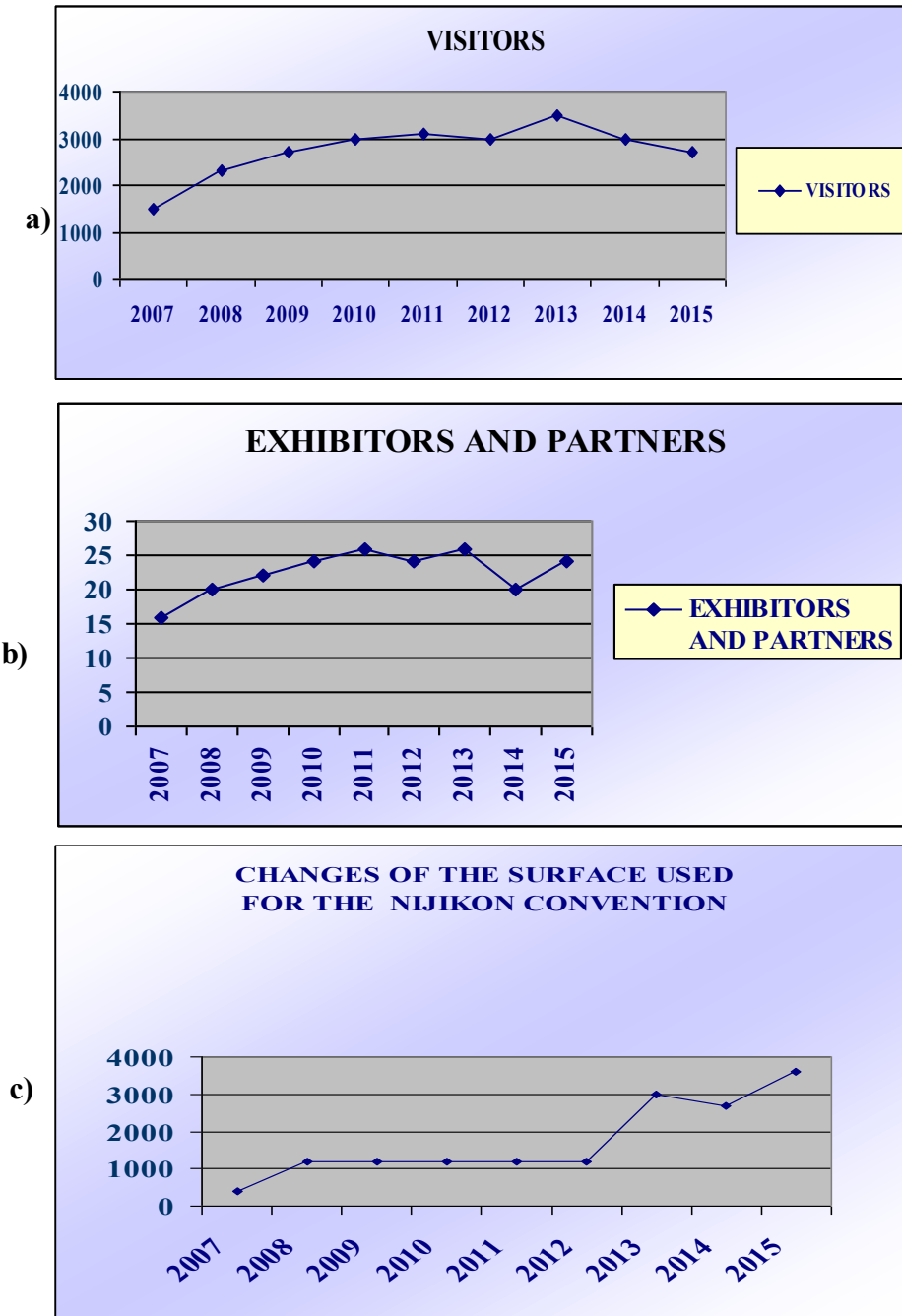
Figure 5. Specific informations about the Nijikon conventions between 2007-2015 visitors(a), offer(b), event's locations(c) (Source: Table 1)

4. Sales sample from the company OTAKU SHOP. Case study

As an example of the interest showed by the Romanian consumer for the products of the anime culture, we studied the sales of a company in Constantza, dealing with these products, over a period of time. The company buys its merchandise from a foreign producer and sales them in Romania(**Table 2. The sales**

evolutions at Otaku Shop, from may to october 2013)

2013(RON)	
MAY	295
JUNE	650
JULY	124
AUGUST	1,252
SEPTEMBER	217
OCTOMBER	1,436

Table 2. The sales evolutions at Otaku Shop, from may to october 2013
(Source: author own research)

These data indicate that the most profitable months for this company were august and october, the first of them probably because it is in the full summer season, and the other one because the students return in the town from holidays, the schools begin, the pupils are coming home. As the consumers are mostly teenagers, we beleave the sales are smaller in May, June and July, when the exams take place, also in september, when there are other exams.(**Figure 6. The sales evolution at Otaku Shop, from may to october 2013**)

119
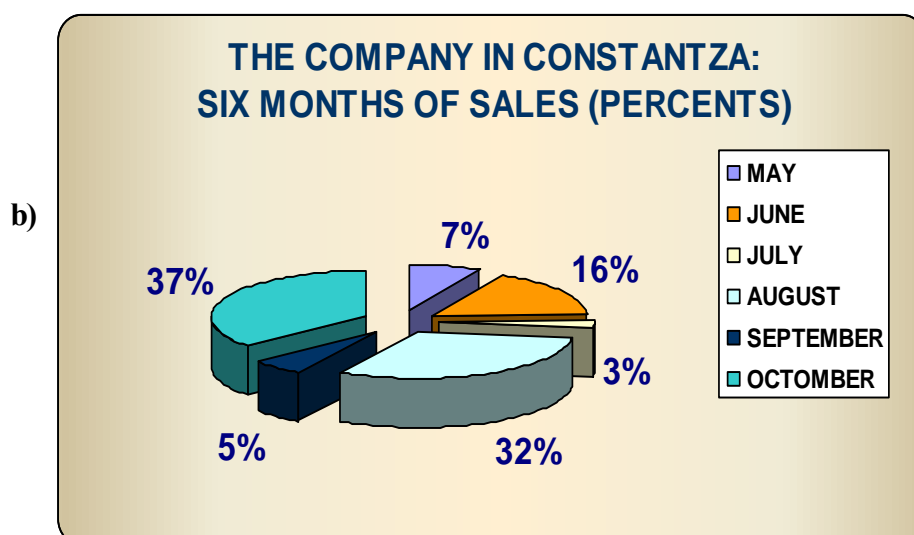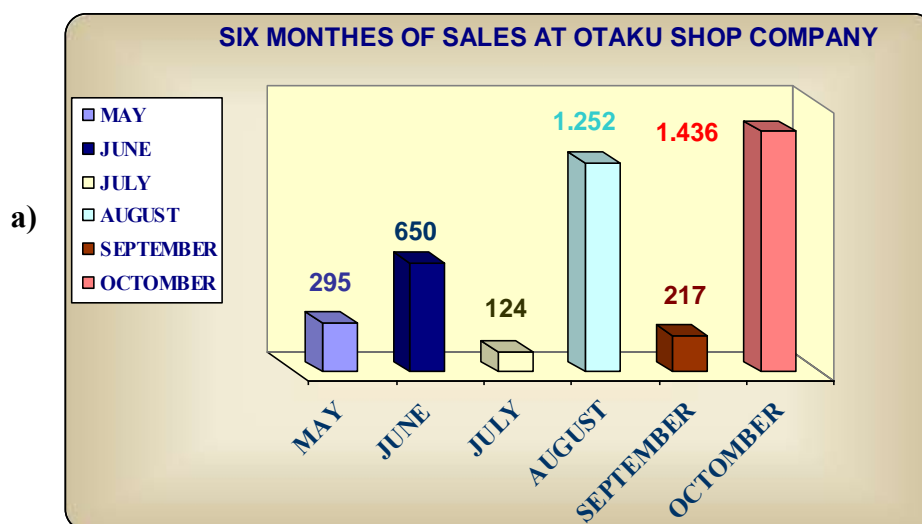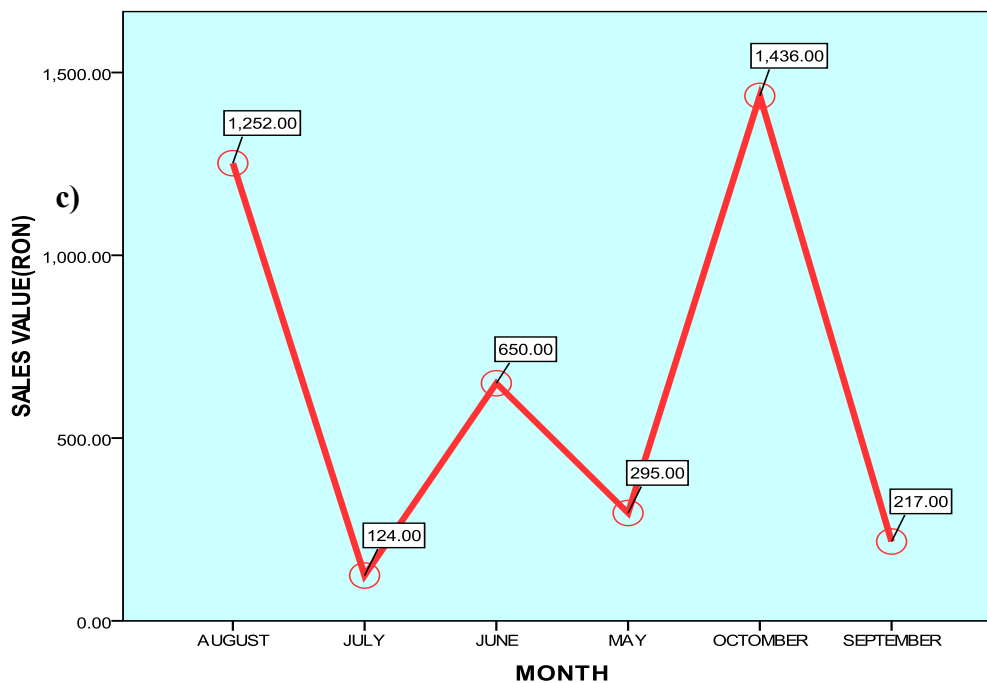
Figure 6. The sales evolution at Otaku Shop, from may to october 2013
a) Bar chart   b) Pie chart   c) SPSS line graphic
(Source: Table 2)

Conclusions

This study shows the existence of a significant interest for the products of the anime culture on the Romanian market. Although many companies in Romania are importing these products, in our country, there are no local producers who have licenses for create anime related products Consequently, it would be beneficial for the local producers to acquire these licenses and begin creating these products for the Romanian market, and therefore, for the Romanian consumer. On the other hand, as the market demand for the anime related products exists, it would be also beneficial that more companies start to import these products.

Related to the anime events, we think that the organizers should advertise their events with some time before them, through TV channels for teenagers, also during some TV shows for teenagers, even on bussiness TV channels, if possible.

New research directions: the next step could be a a researh that clarifies relationship between the external factors, namely: culture, subculture, social class, so on, and the internal mechanisms of the anime behavior consumer, such as: perception, motivation, intention, and others, which, together, are finally leading to the decision to buy related products of this culture. The research methodology that we propose consists in carrying out surveys, polls, followed by the analysis of data, aiming to understand the occurrence of the consumer's need for animes and their related products.

References

LAMERICHS, N. 2013.“The cultural dynamic of doujinshi and cosplay: Local anime fandom in Japan, USA and Europe, Participations”, *Journal of Audience&Reception Studies*,10,1, Maastricht University.

MACWILLIAMS WHEELER, M. 2008. *Japanese visual culture: explorations in the world of manga and*

anime, M.E. Sharpe.
WINGE, T. 2006. "Costuming the imagination: origins of anime and manga cosplay", *Mechademia*, 1.
*** Japan External Trade Organization, 2005. Japan Animation Industry Trends, *ww.jetro.go*

Entrepreneurial Approach on Relationship Marketing in Family Owned Business

Nicolae Al. Pop
The Bucharest University of Economic Studies - Marketing Department
nicolae_al_pop@yahoo.com
Silvia Fotea
The Bucharest University of Economic Studies - Marketing Department
silvia.fotea@emanuel.ro
Silvia Dusa
The Bucharest University of Economic Studies - Marketing Department
silviadusa@yahoo.com

Abstract

The purpose of this study is to shed light on how family businesses behave in terms of entrepreneurial marketing and whether they differ from non-family businesses in their orientation towards entrepreneurial marketing. In order to achieve this purpose we have designed a quantitative exploratory study at national level among small and medium size enterprises in Romania using the entrepreneurial marketing orientation scale developed by Niehm et al. (2013). The scale is especially designed for small businesses and measures four dimensions: *opportunity vigilance, customer-centric innovation, value creation and risk management*. The study used the online questionnaire as a data-gathering tool, which was disseminated through Qualtrics platform and aimed to answer the following questions: What role does marketing play in family businesses in Romania? Who are the actors and what is their influence in the marketing efforts? If and how family business identity is integrated in the marketing efforts of the business? What is the impact of family involvement on marketing efforts? How do family businesses rank compared to non-family SMEs on the entrepreneurial marketing scale? At a first level of analysis Romanian family businesses seem to behave in many ways like a non-family SME. Our study identify insignificant differences between the entrepreneurial marketing orientation of family businesses compared to non-family businesses and a limited integration of family identity in marketing communication.

Keywords: Entrepreneurial marketing, family business, family orientation, customer orientation, opportunity identification

JEL classification: M13

1. Introduction

The importance of marketing for the success of any business is unquestionable, especially in the light of the well-known saying "nothing happens in a company until a sales happens". Despite being considered the backbone of most economies (Howorth, et. al, 2010), little is known about the way family businesses incorporate and communicate their identity as "family business" in their marketing process and whether this "strategic asset", as it is labeled in the literature, helps them gain competitive advantage (Tokarczyk et al., 2007). Data regarding the marketing processes employed by family businesses is even scarcer in the context of Romania (SBA, 2013).

Family owned businesses are the playground of two apparently antagonist orientations namely the entrepreneurial orientation and the family orientation. Entrepreneurial orientation (Lumpkin and Dess, 1996) with its focus on risk taking, aggressiveness, autonomy, innovativeness, and proactiveness has the potential to lead to trans-generational value creation, while family orientation with its dimensions of interdependency, loyalty, security, stability, and tradition (Martin & Lumpkin, 2003) brings forth the relationship approach that is inherent to the nature of this type of business and which leads to trans-generational relationship creation. Harnessed and synergized these two orientations could foster a unique capability and distinctive competitive advantage for this category of business in its approach of marketing.

In spite of the existing debates, there is general agreement that family businesses are important for economic development and need to be further studied in order to discover more concerning their functions and how they can enhance their performance.

Grounded in an exploratory marketing research conducted among Romanian SMEs this article tries to answer the following questions: What role does marketing play in family businesses in Romania? Who are the actors and what is their influence in the marketing efforts? If and how family business identity is integrated in the marketing efforts of the business? What is the impact of family involvement on marketing efforts? How do family businesses rank compared to non-family SMEs on the entrepreneurial marketing scale?

These are questions that will be answered during this research study. The paper is based on primary data collected during a nation-wide study among SMEs in Romania and is exploratory in nature.

The reminder of this article is organized as follows: First, we consider the theoretical dimensions of entrepreneurial marketing. Second, we present a short overview of various findings in the literature regarding family businesses and their behavior towards different entrepreneurial orientation dimensions. Third we describe the methodology, data collection and results resulting from a recent nation-wide study among SMEs in Romania.

1. Entrepreneurial marketing

Entrepreneurship is an important part of the world economic system, being one of the most demanded practical fields nowadays. In most of the capitalist economy an important number of persons engage in entrepreneurial activities, either by creating new firms, by creating new companies in the name of larger corporation, by buying franchises or by licensing technological innovation (Shane and Wenkataraman, 2006). Thus, private business is the biggest employer in the economy.

While entrepreneurship is the process that can create something that has value by devoting necessary time and effort (Hrisch, Peters, & Shepherd, 2008), marketing can help firms to create new resources and to enhance the productivity of current resources by championing innovation in the form of new combination of resources (Mayasari, Maharani, & Wiadi, 2009). Marketing and entrepreneurship are generally regarded as two separate academic disciplines, but entrepreneurial marketing is getting more and more attention especially when applied to behavior in small and medium-sized companies (Hills G. H., Hultman, & Miles, 2008). Also, in order to gain competitive advantage a number of large firms engage in entrepreneurial marketing related activities.

Entrepreneurial marketing is defined as the proactive identification and exploitation of new opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation. (Moriss, Schindehutte, & LaForge, 2002). Kraus et all (2009) describes entrepreneurial marketing as "an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customers' relationships in ways that benefit the organization and its stakeholders. According to their definition, entrepreneurial marketing is best understood as "marketing activates with entrepreneurial mind set". Hills et al. (2008) considers entrepreneurial marketing "is a spirit, an orientation as well as a process of pursuing opportunities and lunching and growing ventures that create perceived customer value through relationships, especially by employing innovativeness, creativity, selling, market immersion, networking or flexibility." Thus, entrepreneurial marketing act as an umbrella for new perspectives on marketing and makes the link between entrepreneurship and marketing.

In an era of change, complexity, uncertainty and diminishing resources entrepreneurial marketing is proposed as a complex construct for marketing conceptualization that manifest itself differently as companies mature (Mayasari, Maharani, & Wiadi, 2009). Entrepreneurial marketing has eight dimensions: pro-activeness, calculated risk taking, innovativeness, opportunity focus, resource leveraging, customer intensity and value creation (Zahra & Garvis, 2000; Moriss, Schindehutte, & LaForge, 2002). In order to be able to engage in actions that are innovative and involve risks, proactive approach is needed.

Entrepreneurial marketing may take several forms, such as guerilla marketing, buzz marketing and viral marketing (Hill, 2009; Levinson, 1984).

Guerilla marketing takes a different approach to traditional marketing being an attempt to achieve high-impact promotions with low utilization of resources by acting like a guerilla (Kraus, Harms, & Fink,

2010). Ernesto Che Guevara described guerrilla tactic as a method of warfare "that builds on raids and ambush attacks" (Guevara, 1960). By adopting this approach to business concepts, marketers considered it as a means of gaining big results at low expenses (Baltes & Leibing, 2008). Guerilla Marketing enables individuals and small companies to use high-impact and low cost marketing techniques in order to attain results such as only big companies do. This unconventional system relies not on a big marketing budget, but on imagination, creativity, time and energy.

"Viral marketing" can be achieved by the use of social networks. (De Bruyn & Lilien, 2008; Swanepoel, Lye, & Rugimbana, 2009).

Buzz marketing refers to the use of word-of-mouth communication through social media such as internet, e-mail or cell phone networks. (Schmengler & Kraus, 2010) Formally called "street marketing" is a marketing technique that aims to promote products and services between a large population by using "word of mouth". Morrissey (2007) describes buzz marketing like a virus: "buzz marketing it is ideally spread with a predefined target which will relay the message to the people who love surrounding the same products and services that carry the message".

In their search for creating new opportunities, entrepreneurial marketing managers look at the value creation process from a different point of view. They are searching for new ways of combining marketing tools and also they are coming up with new ways of resources allocation. (Hills G. H., Hultman, & Miles, 2008). The rewards are being translated in monetary independence and personal satisfaction, but they come together with financial, physic and social risk. (Hrisch, Peters, & Shepherd, 2008)

SMEs differ from large companies regarding their marketing strategies and tools they use mainly because of resources scarcity in terms of physical and human capital. Still, they are able to generate competitive advantage due to their size. Marketing and entrepreneurship determine the faith of entrepreneurs and of the SMEs in the whole world in terms of success, development and profitability.

2. Family business – a union of contrasts

Family firms can be defined as owner-managed enterprises with family members exercising considerable financial and/or managerial control (Pistrui et al., 2000). The dual system of family business brings forth a confluence of aspirations and beliefs, motivations and goals regarding the way business should be managed which create unique characteristics of ownership, goverance and decision-making (Tokarczyk et al., 2007).This uniqueness generates a constant tension between two orientations - the family orientation and the business orientation- influencing the direction of the business and its strategic behavior (Zachary et al., 2011; Chua, Chrisman & Sharma, 1999).

Research indicates that family businesses are able to achieve higher profitability in the long run (Craig et al., 2007), display a long-term strategic outlook due to their main motivation for creating a legacy across generations and constitute natural incubators for entrepreneurial culture, nurturing the next generation of entrepreneurs (Aldrich & Cliff, 2003). These achievements are made possible by the inherent advantages of family businesses such as lower agency costs (Adams et al., 2002), higher flexibility of organizational structures and unique intangible assets such as familiness (Habbershon et al., 2003) among other advantages indicated by research literature.

Nevertheless, family businesses are often criticized to be too family-oriented (Martin & Lumpkin, 2003) too inwardly focused, too risk adverse, less competitive (Brigham et al. 2014; Zellweger & Sienger, 2010), too preoccupied with maintaining traditions, stability and autonomy, which leads them to act less entrepreneurially and consequently makes them less able to adapt to an ever-changing environment. However, the reality of markets around the globe indicates that family businesses are able to survive and display entrepreneurial behavior (Zellweger et al., 2011). Moreover, the relationship between entrepreneurship and family business is considered by some researchers to be so intricate that they have proposed the metaphor of fire and oxygen to surprise it, calling family the oxygen that sustains the fire of entrepreneurship (Aldrich & Cliff, 2003).

2.1. Entrepreneurial marketing orientation of family businesses

The union of contrasts that collide in the family business makes it worth it to examine the consequences of these characteristics on its strategic behavior such as entrepreneurial marketing orientation. In this paper we have measured entrepreneurial marketing orientation of small businesses in Romania using a scale developed by Niehm et al. (2013) especially designed to accommodate the unique challenges of small, independently owned businesses. The scale consists of 4 dimensions namely: *opportunity vigilance, customer-centric innovation, value creation and risk management*.

The first dimension, that of opportunity vigilance was conceptually defined using two aspects - proactive orientation and opportunity driven- and measured by 6 scale items. Proactive orientation is a business operator's tendency to demonstrate leadership by initiating actions with the goal of affecting change in marketing practices while opportunity driven is a business operator's tendency to identify unmet market needs and sources of sustainable competitive advantage.

The dimension of consumer-centric innovation was defined using the concepts of consumer intensity and innovation focused and measured by 4 scale items. Customer-intensity represents a business operator's tendency to establish marketing relationships that address individual customer needs/desires/preferences and relate to customers on a more personal level. Innovation-focused is a business operator's tendency to seek new marketing ideas from both within the firm and through external firm activities.

Value creation, the third dimension in this scale, represents a business operator's tendency to use marketing efforts and resources to discover and deliver untapped sources of value for the customer and was measured using 3 items.

Risk management, the last dimension in the entrepreneurial marketing scale, is a business operator's tendency to demonstrate a creative approach to mitigating risks that surround bold, new actions and was measured using 3 items (Fiore et al. 2013)

The purpose of this study was to shed light on how family businesses score on the scale of entrepreneurial marketing and whether they differ from non-family businesses in their orientation towards entrepreneurial marketing. In order to achieve this purpose we have formulated the following hypothesis based on the available research regarding family business.

2.1.1 Opportunity vigilance

Opportunity identification represents a critical component in the entrepreneurial process being considered the trademark of entrepreneurial behavior (Gaglio & Katz, 2001; Hayton, Chandler & DeTienne, 2011). The capability to identify opportunities is fostered by the existence of distinctive life circumstances which are build up through the education, work and life experiences of the individual entrepreneur (Shane and Venkataraman, 2000; Rae, 2005).

In the context of family business, where the business is embedded in the family system, entrepreneurs experience "idiosyncratic life circumstances" (Aldrich & Cliff, 2003) which are unique, more rich on one hand but more restrictive (Pistrui et al., 2000) on the other hand. Due to the interdependency between family and business, the strong family influences and the fact that family businesses present multiple constituencies to which they are accountable to during the opportunity identification process, research indicate that family businesses are less likely to engage in an opportunity identification process that is characterized by creativity and spontaneity (Hayton, Chandler and DeTienne, 2011).

The opportunity vigilance dimension is also influences by the strong preoccupation with survival for future generations and inward focus of family business (Cooper et al., 2005; Davis, 1983) which generate an insufficient attention given to external factors (Harris, Martinez & Ward, 1994), inhibits data gathering (Gudmundson et. al, 1999), keeps technological expertize at low levels (Cooper et al., 2005) and makes family businesses slower in adapting to modern approaches and strategies (Yildirim, 2015).

Based on these research findings regarding family business and opportunity identification capability we propose the following hypothesis:

Hypothesis 1. Family businesses display low opportunity vigilance in their marketing approach.

2.1.2. Customer orientation and value creation for customer

Research indicates that family businesses generally emphasize the importance of the business' image and reputation (Lyman, 1991) due to the fact that the reputation of the family and the business are highly intertwined (Cooper et al., 2005). This generates a genuine desire to provide outstanding customer service, an obsession with quality of products and services that bear the family name and a quick customer response (Carrigan & Buckley, 2008). Research also indicates that customer orientation is a major concern for family businesses (Tokarczyk et al., (2007) to the extent that they emphasize loyalty and customer satisfaction at the expense of profitability (Lee, 2006; Lyman, 1991; Zachary et al., 2011). Other studies emphasize the unique capacity of family businesses to cultivate long-term relationships across generations due to the strength of relational ties characteristic to their setting (Dyer, 2006). Family businesses are also expected to be more prone to collect and use customer information (Zachary et al., 2011). All these aspects put family businesses in an advantageous position in relation to their customers.

Thus, we hypothesize the following:

Hypothesis 2 a: Family businesses exhibit high levels of customer orientation in their marketing approach.

Hypothesis 2 b: Family businesses exhibit high levels of value creation in their marketing approach

2.1.3. Innovation orientation

Family businesses seem to be reluctance to utilize outside advice (Chua, Chrisman & Sharma, 1999) and are skeptic regarding financial markets (Claessens et al., 2002), which in turn leads to inadequate access to capital. This hinders their capacity to allocate investment for innovation and acquire technology required by innovative endeavors.

In terms of information access and sharing, family businesses present a unique context characterized by a greater number of strong kinship ties which on one hand, provide, on the basis of trust, an increased flow of information, but on the other hand, may inhibit information flowing from external sources, leading to less innovative opportunities being identified (Hayton et al., 2011). The innovation orientation of family businesses is also influenced by their strong emphasis on tradition and stability as part of their family orientation (Martin & Lumpkin, 2003) making them less prone to change, which is an inherent part of innovation process.

Other studies (Pistrui et al., 2000) indicate that family influence can generate conservative strategic behavior rather that innovation and creativity.

In light of these research insights we hypothesize the following:

Hypothesis 3: Family businesses exhibit low levels of innovation orientation in their marketing approach.

2.1.4. Risk Management

Some studies indicate that that family businesses are less willing to engage in risk taking activities or riskier opportunities which are normally associated with entrepreneurial processes (Hayton et al., 2011). The prudent approach of family businesses can be explain due to their tendency to set as priority for the business, family related goals, such as providing financial security and jobs for the family members. (Zachary, et al. 2011).

However, the reality of the market shows that many family businesses outperform their non-family counterparts and are doing so on the basis of entrepreneurial strategies (Zachary et al., 2011). Also, behavioral agency theory indicates that family businesses do engage in riskier behavior when they perceive a decrease in wealth (Isoraite, 2010).

In relation to family business risk management in the context of entrepreneurial marketing we hypothesize the following:

Hypothesis 4: In normal conditions, family businesses manifest a low level of risk in their

marketing approach.

3. Study sample and data collection

Our study is based on a nation-wide survey among existing SMEs in Romania and was administered from May 5 to May 15, 2016 using an online questionnaire consisting of 34 Likert –type scale questions disseminated using the Qualtrics platform. 16 items in the questionnaire represented the Entrepreneurial Marketing scale developed by Niehm et al. (2013) on the basis of which the hypotheses for this study were developed.

The study's hypotheses are tested empirically using a random sample of 296 SMEs in Romania who answered the questionnaire. Out of the 296 responding SMEs, 153 (52%) self-identified as family businesses (answered "Yes" to the question "Are you a family business" and meet the criteria of family ownership and family involvement in the business according to family business definition) and 143 (48%) identified themselves as not being a family business.

Because of the exploratory nature of the study no attempt was made to make any inferences or discuss generalizations. The main objective of the study was to produce base-line information that would help develop further analysis.

The majority of participants in our study were men (71%) in top management positions in their organizations (74% were owners, 10% General Directors and 10% Managers) with a higher education background: 59% have a Bachelor degree and 21% Masters degree.

National sample respondents averaged 15 + years of operation (51%). Approximately 90% of the businesses in the sample employ between 1-4 family members, 41% reported an annual turnover between 100.000 and 500.000 EUR and 36% a turnover between 500.000 and 1 mil EUR. The predominant activity sectors featured in the national sample were manufacturing (20%), services (18%) and retail and commerce (13%).

3.1. Preliminary analysis - General marketing practices
The role of marketing in organization

Although the marketing literature emphasizes the crucial role of marketing in the activity of any business, the practice of Romanian SMEs in our national study reveals that marketing activities are not given a distinct role in the organization with 38% of the respondents indicating that the marketing activities are distributed among other departments of the business according to what needs to be done. Only 11% of the respondents say that marketing activities are grouped in a dedicated department in their business while 21% of responding organizations feature a common marketing and sales department. Intriguingly enough, 18 % of respondents argue that their organization doesn't need a marketing department at all.

When it comes to the perceived ***role of marketing in the success of the business*** the majority (43%) of responding Romanian SMEs admit to the important role of marketing but they qualify it as "no crucial" for the success of their business. As Figure 1 shows, 31% of respondents claim that they cannot certainly say that marketing influence the success of their business.
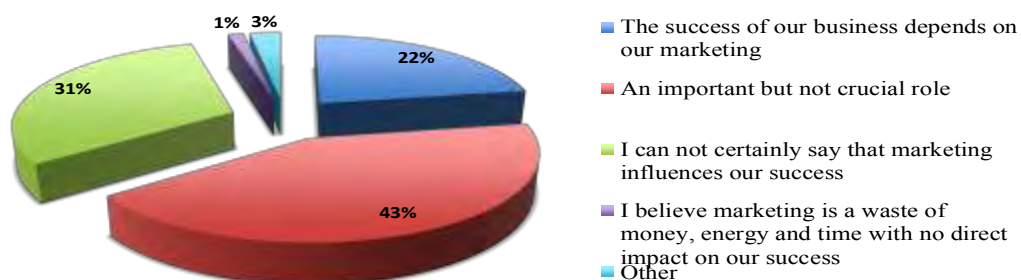
Figure 1. The role of marketing in business
Source: Own research

Among the responding Romanian SMEs, marketing activities are highly concentrated in the top management (Figure 2) with 56% of cases the owner performing the marketing activities, 32% of cases the manager and 16% the General Director.
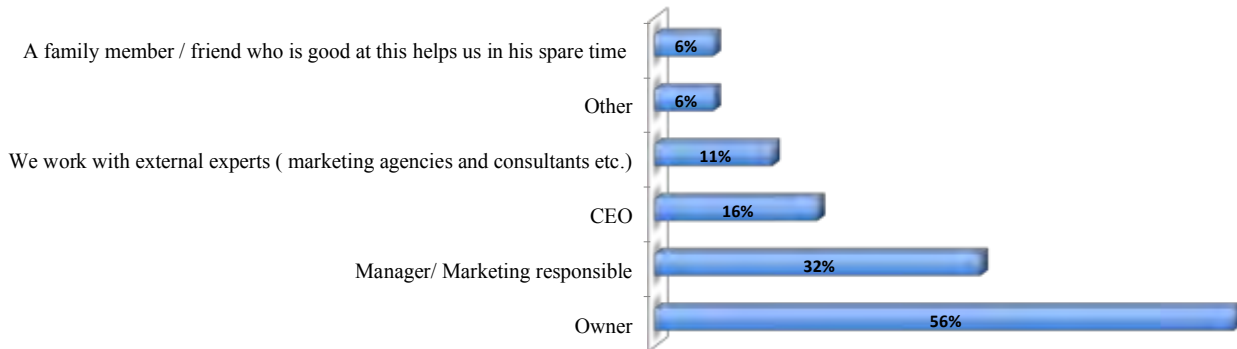
Figure 2. The responsible for performing marketing activities
Source: Own research

Marketing activities are mainly used for general presentation of the business and it's products (77%). Other purposes of using marketing are entering new markets (44%) and presenting promotional offers (44%). Marketing activities are not so common in employees attraction efforts (19%).

The main 2 *reasons for using marketing activities* are attracting new customers (77%) and increasing sales (67%). The relationship dimension of marketing comes third in expectancy lists of samples Romanian SMEs with 52% of respondents saying that they expect marketing activities to generate customer loyalty.
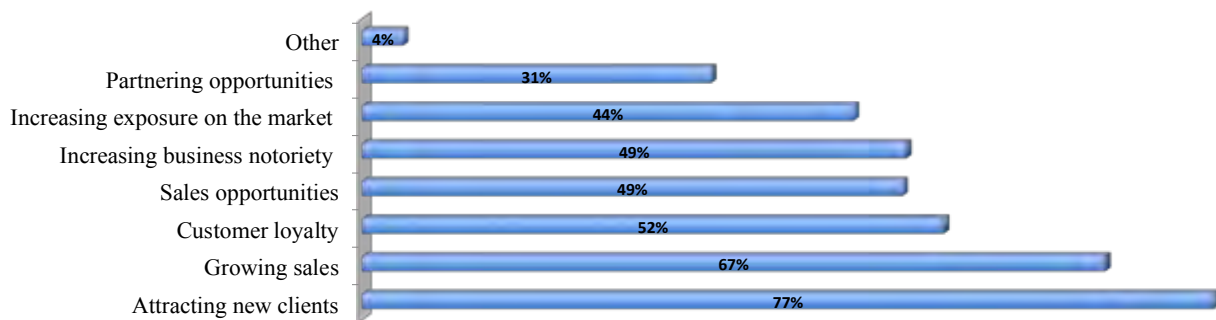
Figure 3. Expected benefits from marketing activities
Source: Own research

Dominating among main *marketing strategies* used by responding Romanian SMEs is the mouth-to-mouth strategy or customers' referrals, 60% of responding businesses replying on this strategy. Personal marketing (personal meetings with clients and prospects) are another main marketing strategy used by SMEs in our study. It seems that online marketing prevails (47%) over printed marketing (20%) in the preference list of strategies used.

The preference for certain marketing strategies can also be seen in the array of *marketing instruments* used by responding Romanian SMEs and the frequency with which they are implemented. Thus, traditional marketing instruments using newspapers, radio, television and printed flyers are never or only rarely used. In accordance with the personal marketing strategy, customer presentations are used monthly or multiple times a month (38%).

Among online marketing instruments, websites seem to be preferred and frequently used (40%)

while video content is less used (61% never used it).
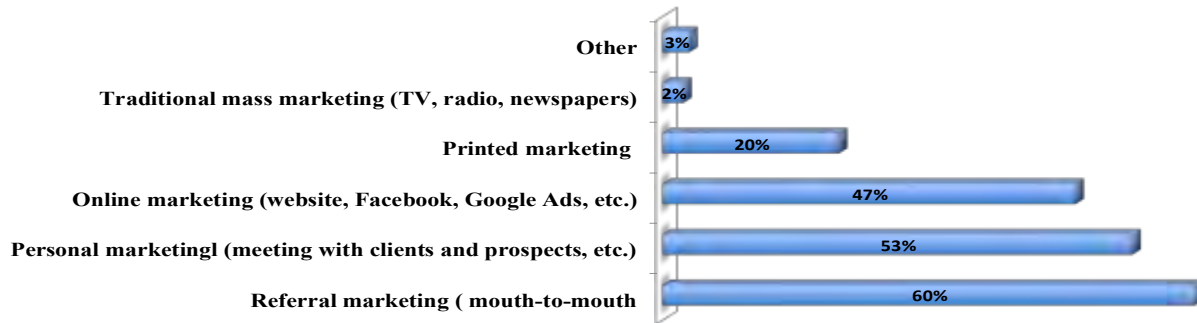
Figure 4. Main marketing strategies used
Source: Own research

When it comes to increasing the ***efficiency of marketing activities*** respondents believe that having more financial resources to dedicate to marketing activities is the most important aspect (51%). The next 2 ingredients to increase marketing performance are investments in technology and having employees with marketing knowledge and skills (42%). Although currently marketing activities of responding SMEs are highly concentrated in the person of the owner or other top management figures (CEO or General Director) respondent seem to think less at personal development with only 22% considering that their own development as marketers would positively influence the efficiency of marketing in their business.

Figure 5. Main aspects that would improve marketing performance
Source: Own research

The ***performance of marketing*** activities seem to be a taboo subject for the responding SMEs in our national sample since it goes mostly (45%) unmeasured. If measurement is applied this is done through the use of sales targets (39%) and periodical surveys among existing customers (33%).

3.2. The role of family in the marketing of the business
Although in our national sample 52% of respondents declared to be a "family business" they don't seem to be leveraging this identity to obtain a competitive advantage in their marketing efforts. Only 14% of them present this identity in written marketing communication.
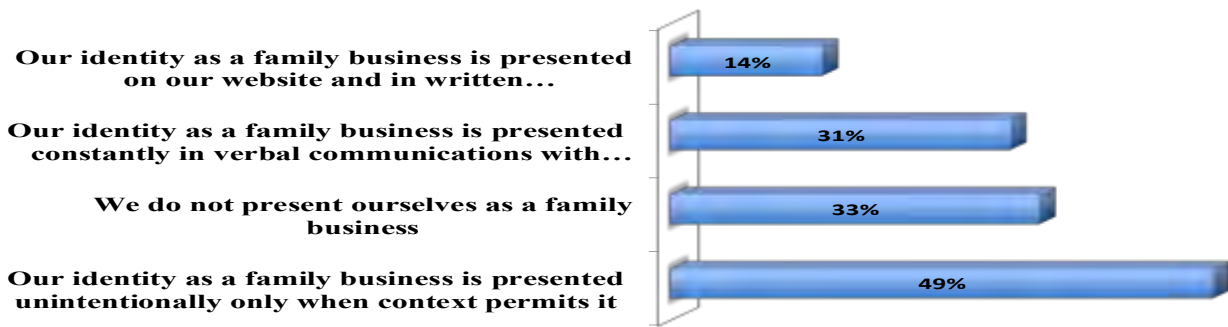
Figure 6. Integrating "family business" identity in marketing efforts
Source: Own research

This restraint could be explained by the fact that the majority of respondents (52%) believe that family business identity has a neutral impact on marketing success. Nevertheless, respondents recognize that involvement of family members generates benefits in terms of creativity (56%), knowledge (37%), access to new relationships (33%), enthusiasm (33%) and the necessary human resource for marketing activities (31%).

3.3. The entrepreneurial marketing orientation of family businesses

The entrepreneurial marketing orientation was analyzed using the a scale developed by Niehm et al. (2013) which was especially designed to accommodate the unique challenges of small, independently owned businesses.

The statistical analysis applied to our national sample in regards to the entrepreneurial marketing orientation of businesses that consider themselves a family business compared to businesses that don't see themselves as a family business show no significant differences between the two categories. The only significant chi-square identified was in the case of risk management component of entrepreneurial orientation (Table 1), which indicates that family businesses are more reserved when it comes to taking risks in their marketing activities compared with non-family businesses. This confirms our hypothesis regarding the attitude towards risk (H4) among family businesses. Hypothesis number 2, regarding customer centricity is not strongly supported by the data and statistical analysis. It seems that Romanian family businesses in our sample display only a slightly stronger focus on customers (39.2%) compared to their non-family counterparts (36.1%).

When it comes to proactive orientation, both family and non-family businesses in our sample only seldom or occasionally display a real passion for continually changing the way products/services are marketed in their business. Nevertheless, they occasionally and often monitor and improve the approach to marketing in their business. An occasional frequency dominates the opportunity driven component of entrepreneurial marketing orientation of both family and non-family businesses. Family businesses in our national sample seem to be slightly more aware (79.1%) of the importance of communicating with customers as a means to identify innovation opportunities than non-family businesses (77.8%). The statistical analysis for the other entrepreneurial marketing dimensions measured in our research – *opportunity vigilance, customer-centric innovation and value creation* are found in Appendix 1.

RISK MANAGEMENT H4: In normal conditions, family businesses manifest a low level of risk in their marketing approach.	Risk Management	When I decide to pursue a new marketing direction, I do so in stages rather than all at once to reduce the risk involved.	1 - It NEVER reflects my business at all	8.5%	13.9%
			2 - SELDOM	11.1%	13.2%
			3 - OCCASIONLLY	25.5%	36.1%
			4 - OFTEN	39.9%	22.9%
			5 - It ALWAYS reflects my business	15.0%	13.9%
		My marketing efforts tend to have a low level of risk for my business.	1 - It NEVER reflects my business at all	5.2%	11.8%
			2 - SELDOM	11.1%	11.1%
			3 - OCCASIONLLY	30.1%	29.2%
			4 - OFTEN	32.0%	34.0%
			5 - It ALWAYS reflects my business	21.6%	13.9%
		My business typically uses creative, low cost way to reduce risks associated with new marketing activities.	1 - It NEVER reflects my business at all	6.5%	9.7%
			2 - SELDOM	9.2%	9.0%
			3 - OCCASIONLLY	23.5%	25.7%
			4 - OFTEN	34.0%	37.5%
			5 - It ALWAYS reflects my business	26.8%	18.1%

Table 1. Entrepreneurial Marketing Orientation – Risk Management
Source: Own research

4. Discussions and further research

The present nation wide study was undertaken with the main objective of identifying family businesses among other SME's in Romania, their particular way of approaching marketing and whether the "family" factor influences the attitude towards entrepreneurial marketing. The study was therefore designed as an exploratory descriptive study that would yield base-line research. Due to the lack of information regarding this type of business in Romania, the identification of basic characteristics was critical in order to provide the background for further research. Our study revealed that businesses that qualify themselves as a "family business" in very few cases include their family identity in their marketing efforts, and if they do present themselves as so, they mainly do it occasionally and non-intentionally. This could be the reason why their approach to marketing and their entrepreneurial marketing orientation is not distinctively different from their non-family counterparts. Our statistical analysis didn't identify considerable differences in income level, industry, strategic marketing preferences, internal control mechanism or even number of family members involved in the business. Nevertheless, family members involvement in marketing activities is high and viewed as beneficial for the business in terms of creativity, access to larger relationship networks and human capital.

Although exploratory and descriptive in nature this research raises interesting questions that are worth pursuing in future research endeavors. The analysis of Romanian family businesses can be further developed by investigating the reasons behind the limited inclusion of family identity in the marketing communication of these businesses and whether it can be leveraged in a competitive advantage in relationship marketing.

References

ADAMS, F. A., TRUE, S. L. & WINSOR, R. D. 2002. Corporate America's Search for the "Right" Direction: Outlook and Opportunities for *Family Firms. Family Business Review*, Vol. XV, no. 4.

ALDRICH, H. E. & CLIFF, E. J. 2003. The Pervasive Effects of Family on Entrepreneurship: Toward a Family Embeddedness Perspective. *Journal of Business Venturing,* 18, 5 (September): 573-596.

BALTES, G., & LEIBING, I. 2008. Guerilla marketing for information services. *New Lib. World*, 109: 46-55.

BRIGHAM, K. H., LUMPKIN, G.T., PAYNE, G. T., & ZACHARY, M. A. 2014. Researching Long-Term Orientation A Validation Study and Recommendations for Future Research. *Family Business*

Review, Vol. 27 no. 1 72-88.

CARRIGAN, M. & BUCKLEY, J. 2008. What's so special about family business?' An exploratory study of UK and Irish consumer experiences of family businesses. *International Journal of Consumer Studies* 32, 656–666.

CHUA, J. H., CHRISMAN, J. J. & SHARMA, P. 1999. Defining Family Business by Behavior. *Entrepreneurship: Theory and Practice* 23 (4), 19-19.

CLAESSENS, S., DJANKOV, S., FAN, J. P.H. & LANG, L.H.P. 2002. Disentangling the Incentive and Entrenchment Effects of Large Shareholdings. *The Journal of Finance*, Vol. LVII, no. 6.

COOPER, M. J., UPTON, N. & SEAMAN, S. 2005. Customer Relationship Management: A Comparative Analysis of Family and Nonfamily Business Practices. *Journal of Small Business Management,* Vol. 43 (3), 242-256.

CRAIG, J., DIBRELL, C. & DAVIS, P., S. 2007. Leveraging family-based brand identity to enhance firm competitiveness and performance in family businesses. http://epublications.bond.edu.au/business_pubs/41.

DAVIS, P. 1983. Realizing the Potential of Family Business. *Organizational Dynamics* 12(1), 47-56.

DE BRUYN , A., & LILIEN, G. 2008. A multi-stage model of word of mouth influence through viral marketing. *International Journal of Research in Marketing 25*, 151-163.

DYER, W. G. 2006. Examining the "Family Effect" on Firm Performance. *Family Business Review*, Vol. XIX, no. 4

FIORE, A.M., NIEHM, L.S., HURST, J.L., SON, J., SADACHAR, A. 2013. Entrepreneurial Marketing: Scale Validation with Small, Independently-Owned Businesses. *Journal of Marketing Development and Competitiveness,* Vol. 7(4) 63-86

GAGLIO, C.M. & KATZ, J.A. 2001. The psychological basis of opportunity identification: entrepreneurial alertness. *Journal of Small Business Economics*, Vol. 16, pp.95–111.

GUDMUNDSON, D., HARTMAN, E. A. & TOWER, B. C. 1999. Strategic Orientation: Differences between Family and Nonfamily Firms. *Family Business Review*, Vol. 12 no. 1 27-39.

GUEVARA, E. C. 1960. *Guerilla Warfare*. New York: Monthly Review Press.

HABBERSHON, T. G., WILLIAMS, M. & MACMILLAN, I. C. 2003. A unified systems perspective of family firm performance. *Journal of Business Venturing*, 18(4), 451–465.

HARRIS, D., MARTINEZ, J. I. & WARD. J. L. 1994. Is Strategy Different for the Family-Owned Business? *Family Business Review*, Vol. 7 (2), 159–174.

HAYTON, J., CHANDLER, G.N. & DETIENNE, D.R. 2011. Entrepreneurial opportunity identification and new firm development processes: a comparison of family and non-family new ventures. *Int. J. Entrepreneurship and Innovation Management*, Vol. 13, No. 1, pp.12–31.

HILL, D. 2009, August. Ten steps to sell more products now. *Biocycle.*.

HILLS G. H., HULTMAN, C. M., & MILES, M. P. 2008. The evolution and development of entrepreneurial marketing. *Journal of Small Business Management 46(1)*, 99-112.

HOWORTH, C. 2010. Family Firm Diversity and Development: An Introduction.

HRISCH, R., PETERS, M., & SHEPHERD, D. 2008. *Entrepreneurship* . Boston: Mc Graw-Hill., *International Small Business Journal.*

ISORAITE, M. 2010. Guerilla Marketing Strategy Realization Assumtions. *Business and Management*.

KRAUS, S., HARMS, R., & FINK, M. 2009. Entrepreneurial marketing. Moving beyond marketing in new venturess. *International Journal Entrepreneurship and Innovation Management 11(1)*, 19-34.

KRAUS, S., HARMS, R., & FINK, M. 2010. Entrepreneurial Marketing: Moving beyond marketing in new ventures. *International Journal of Entrepreneurship and Innovation Management Vol 11 No 1*, 19-34.

LEE, J. 2006. Family firm performance: Further evidence. *Family Business Review*, Vol. XIX, no. 2.

LEVINSON , J. C. 1984. *Guerilla Marketing.Secrets for making big profits from your small business.* New York: Houghton Mifflin Co.

LUMPKIN, G. T. & DESS, G. G. 1996. Clarifying the entrepreneurial orientation construct and linking it

to performance. *Academy of Management Review*, 21, 135-172.

LYMAN, A. R. 1991. Customer service: Does family ownership make a difference? *Family Business Review*, 4, 303-324.

MARTIN, W.L. & LUMPKIN, T. 2003. From entrepreneurial orientation to family orientation: Generational differences in the management of family businesses. *Paper presented at the Babson College Entrepreneurship Research Conference*, Wellesley, MA.

MAYASARI, I., MAHARANI, A. & WIADI, I. 2009. Entrepreneurial Marketing for small and medium entreprises business. *Journal Management Bisnis Vol2, No1*, 1-12.

MORISS, M., SCHINDEHUTTE , H. & LAFORGE, R. 2002. Entrepreneurial marketing: a construct for integrating emerging entrepreneurship and marketing perspective. *Journal of Marketing Theory and practice 10*, 689-701.

MORRISSEY, B. 2007. Clients try to manipulate 'Unpredictable' Viral Buzz. *Adweek 48(39)*, 14-15.

NIEHM, L. S., HURST, J. L., SON, J.; FIORE, A.M. & SADACHAR, A. 2013. Entrepreneurial marketing: Scale development and validation in the small context. *Apparel, Events and Hospitality Management Conference Proceedings and Presentations*. Paper 2. h=p://lib.dr.iastate.edu/aeshm_conf/2.

NORDQVIST, M., WIKLUND, J. & HELLERSTEDT, K. 2011. Implications of Intra-Family and External Ownership Transfer of Family Firm: short-term and long-term performance differences. *Strategic Entrepreneurship Journal*, Vol. 5, no 4, 352-372.

PISTRUI, D., WELSCH, H. P., WINTERMANTEL, O., LIAO, J. & POHL, H.J. 2000. Entrepreneurial Orientation and Family Forces in the New Germany: Similarities and Differences Between East and West German Entrepreneurs. *Family Business Review* 13; 251.

RAE, D. 2005. Entrepreneurial learning: a narrative-based conceptual model. *Journal of Small Business and Enterprise Development*, Vol. 12 No. 3, 2005, pp. 323-335.

SBA Fact Sheet Romania. European Commission, 2013.

SCHMENGLER, K., & KRAUS , S. 2010. Entrepreneurial Marketing over the internet: an explorative qualitative empirical analysis . *International Journal of Entrepeneurial Venturing*, 56-71.

SHANE, S. & VENKATARAMAN, S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review*, Vol. 25, No. 1, pp.217–226.

SHANE, S. & WENKATARAMAN , S. 2006. The promise of entrepreneuship as a field of research. *Management Science, Vol 52*, pp 155-159.

SWANEPOEL, C., LYE, A. & RUGIMBANA, R. 2009. Virally Inspired: a review of the theory of viral stealth marketing. *Australasian marketing journal 17*, 9-15.

TOKARCZYK, J. HANSEN, E. GREEN & M. DOWN, J. 2007. A resource-based view and market orientation theory examination of the role of 'families' in family business success. *Family Business Review,* Vol. 20. no. 1.

YILDIRIM, S. 2015. The Relationship Marketing Attitudes in Family Businesses: A Pilot Study in Automotive Subsidiary Industry. *Research Journal of Social Science and Management*, Vol. 04 (10) 56-65.

ZACHARY, M.A. MCKENNY, A. SHORT, C.J., &PAYNE, G.T. 2011. Family Business and Market Orientation: Construct Validation and Comparative Analysis. *Family Business Review*, Vol. 24.

ZAHRA, S. & GARVIS, D. 2000. International corporate entrepreneurship and firm performance: The moderating effect of international environmental hostility. *Journal of Business Venturing 15*, 469-492.

ZELLWEGER, T. & SIEGER, P. 2010. Entrepreneurial orientation in long-lived family firms. Small Business Economics. *Advance online publication.* doi:10.1007/s11187-010-9267-6.

ZELLWEGER, T. M., NASON, R. S. & NORDQVIST, M. 2011. From Longevity of Firms to Transgenerational Entrepreneurship of Families: Introducing Family Entrepreneurial Orientation. *Family Business Review,* Vol. 25 no. 2 136-155.

www.mbd.ase.ro

Appendix 1

				Do you consider your business to be a family business?	
				Yes	No
				Column N %	Column N %
OPPORTUNITY VIGILANCE *H1: Family businesses display low opportunity vigilance in their marketing approach.*	**Proactive Orientation**	I have a real passion for continually changing the way products/services are marketed in my business.	1 - It NEVER reflects my business at all	21.6%	22.2%
			2 - SELDOM	27.5%	21.5%
			3 - OCCASIONLLY	35.9%	36.1%
			4 - OFTEN	9.8%	14.6%
			5 - It ALWAYS reflects my business	5.2%	5.6%
		My business is frequently one of the first in the community to alter its marketing methods.	1 - It NEVER reflects my business at all	30.1%	32.6%
			2 - SELDOM	32.0%	29.9%
			3 - OCCASIONLLY	22.9%	25.0%
			4 - OFTEN	9.8%	9.0%
			5 - It ALWAYS reflects my business	5.2%	3.5%
		I consistently monitor and improve the approach to marketing my business.	1 - It NEVER reflects my business at all	15.7%	16.7%
			2 - SELDOM	16.3%	25.0%
			3 - OCCASIONLLY	28.1%	28.5%
			4 - OFTEN	32.0%	20.1%
			5 - It ALWAYS reflects my business	7.8%	9.7%
	Opportunity Driven	I regularly pursue untapped market opportunities regardless of budgetary or staff constraints.	1 - It NEVER reflects my business at all	11.1%	11.1%
			2 - SELDOM	16.3%	13.9%
			3 - OCCASIONLLY	31.4%	32.6%
			4 - OFTEN	24.8%	30.6%
			5 - It ALWAYS reflects my business	16.3%	11.8%
		When new market opportunities arise, my business very quickly acts on them.	1 - It NEVER reflects my business at all	5.9%	6.9%
			2 - SELDOM	17.6%	17.4%
			3 - OCCASIONLLY	42.5%	41.7%
			4 - OFTEN	22.9%	28.5%
			5 - It ALWAYS reflects my business	11.1%	5.6%
		My business excels at identifying marketing opportunities.	1 - It NEVER reflects my business at all	9.2%	13.9%
			2 - SELDOM	28.8%	23.6%
			3 - OCCASIONLLY	37.9%	40.3%
			4 - OFTEN	18.3%	19.4%
			5 - It ALWAYS reflects my business	5.9%	2.8%

Table 2. Entrepreneurial Marketing Orientation (Opportunity Orientation)
Source: Own research

CONSUMER-CENTRIC INNOVATION	Consumer Intensity H2 a: Family businesses exhibit high levels of customer orientation in their marketing approach.	I spend considerable resources continually trying to learn more about each of my customers.	1 - It NEVER reflects my business at all	24.2%	27.8%
			2 - SELDOM	30.7%	28.5%
			3 - OCCASIONLLY	29.4%	30.6%
			4 - OFTEN	12.4%	11.1%
			5 - It ALWAYS reflects my business	3.3%	2.1%
		My business' marketing efforts reflect knowledge of what our customers really want from our products/service.	1 - It NEVER reflects my business at all	9.8%	10.4%
			2 - SELDOM	12.4%	10.4%
			3 - OCCASIONLLY	22.9%	31.3%
			4 - OFTEN	39.2%	36.1%
			5 - It ALWAYS reflects my business	15.7%	11.8%
	Innovation Focused H3: Family businesses exhibit low levels of innovation orientation in their marketing approach.	Communicating with customers is a great way to identify innovation opportunities.	1 - It NEVER reflects my business at all	2.0%	4.9%
			2 - SELDOM	2.6%	4.2%
			3 - OCCASIONLLY	16.3%	13.2%
			4 - OFTEN	35.3%	36.1%
			5 - It ALWAYS reflects my business	43.8%	41.7%
		Innovation is the key to achieving competitive advantage in my business.	1 - It NEVER reflects my business at all	5.2%	9.7%
			2 - SELDOM	13.7%	11.1%
			3 - OCCASIONLLY	24.2%	21.5%
			4 - OFTEN	29.4%	29.2%
			5 - It ALWAYS reflects my business	27.5%	28.5%

Table 3. Entrepreneurial Marketing Orientation – Customer and Innovation Orientation
Source: Own research

VALUE CREATION H2 b: Family businesses exhibit high levels of value creation in their marketing approach	Value Creation	I expect every employee to be looking for ways my business can create more value for customers.	1 - It NEVER reflects my business at all	6.5%	6.9%
			2 - SELDOM	15.0%	11.1%
			3 - OCCASIONLLY	18.3%	15.3%
			4 - OFTEN	38.6%	38.9%
			5 - It ALWAYS reflects my business	21.6%	27.8%
		In my business, employees contribute to ideas to create value for customers.	1 - It NEVER reflects my business at all	7.2%	6.9%
			2 - SELDOM	11.1%	13.2%
			3 - OCCASIONLLY	29.4%	21.5%
			4 - OFTEN	35.3%	38.9%
			5 - It ALWAYS reflects my business	17.0%	19.4%
		My business continuously tries to find new ways to create value for our customers.	1 - It NEVER reflects my business at all	3.3%	6.9%
			2 - SELDOM	7.8%	7.6%
			3 - OCCASIONLLY	21.6%	13.9%
			4 - OFTEN	37.3%	43.8%
			5 - It ALWAYS reflects my business	30.1%	27.8%

Table 4. Entrepreneurial Marketing Orientation – Value Creation Orientation
Source: Own research

Education as a Factor of Macroeconomic Development

Svetlana Ignjatijević
FIMEK- Faculty of Economics and Engineering Management in Novi Sad
svetlana.ignjatijevic@gmail.com
Ivan Milojević
University of Defense, Military Academy
drimilojevic@gmail.com
Drago Cvijanović
Faculty of Hotel Management and Tourism in Vrnjačka Banja
dvcmmv@gmail.com

Abstract

The subject being researched is, analysis of the role that a state, economy and educational facilities have in the development of an economy that is based on knowledge, with a goal to observe the differences in opinions that is had by people employed in the economy, people employed in educational institutions, and pupils, i.e. students. The research was conducted in Serbia during 2014, by using a survey method. The results of the research point to the fact that participants of the survey are of an opinion that the country in question doesn't invest enough efforts or means in promoting education, as well as the fact that it is inefficient in its struggle against emigration of its young population abroad. Results of the research point to the fact that economic subjects don't encourage education of its employees. Common opinion of the participants is that educational institutions are quickest at adjusting to the needs of the market, but that further reforms of the educational system are necessary.

Keywords: education, pupils of high schools and students, promoting education

JEL classification: M31.

Introduction

Intensive economic growth calls to question the state of the environment. This imposes the demands for limited use of natural resource (Harris, 2009) and intensification of knowledge (Huggins & Izushi, 2007). In accordance with this, Ilić and Nedić (2014) point out that "countries that are distinguished by the highest index of an economy based on knowledge are with a possibility to convert their research into products, with which they stimulate accelerated generation of economic growth". Practice of countries with high level of competitiveness points to a role of so called non-price factors (Lojpur and Petković 2013). The authors are of an oppinion that permanent recovery of "certain national economies, especially those in transitional conditions, is only possible with establishing knowledge economy". Nedić and associates (2014) have examined interconnection between the development of ICT and knowledge economy. They have identified the fording debt between the level of usage of ICT in ten countries (four countries of Western Balkan and six countries of the EU) and examined the trend of change of values between key variables of the ICT sector by using the correlation analysis. They conclude "that the determined gap in the ICT application between Western Balkan countries and selected EU countries means, per se, that these countries relatively lag behind in knowledge economy development, and, moreover, they lag behind in the development of information society in general" (p. 55). Afzal and Lawrey (2012) have tried to rank the most important entry and exit knowledge-based economy (KBE) factors in their work. Results of the research "show that Singapore is the best performer in knowledge acquisition, production and distribution and the Philippines are the best performers in knowledge utilization" (p. 13). Importance of the study is exactly in that, the work gives empirical results in ranking entry KBE factors, i.e. gives the authorities suggestions on, where to focus investment for the economies which are based on knowledge to be successful.

In the previous period, funding for education was at a very low level in the region, and formal education of adults was not foreseen by the budget, whether it was primary, secondary or high education (Klenha and cooperatives, 2010). It also must me emphasized, the level and the very system of funding education is different from the EU countries. In Serbia, approximately 90% of the expenses for primary

education are financed from the budget, on the country level, and 10% from municipal budgets. Babić (2009) points out that in the EU countries, primary education funding is in the most part provided on the local level (45.4%), on the regional level (20.3%), and from the country level (34.1%) of funds.

When we talk about funds in the Serbian budget for science, it is necessary to mention that in the period from 2001 to 2008 there was a significant change for the better. However, Serbia is significantly lagging behind developed countries, but also in comparison to the surrounding countries (Slovenia and Croatia give over 1% of their GDP (Obradović and Arsić, 2013)). However, Serbia is still far below the desired 1% of GDP, and there isn't a precise estimate of investment in private companies in scientific research. The problem of funding education exists in the very EU itself and depends on a country (Klenha and associates, 2010). Hereafter we have pointed the amount of funds which was given for education in Serbia and the EU.

Year	Country funding for high education (HE) in Serbia including funding for the student standard – in millions of dinars.	Participation of country funding for HE (including the student standard) in total budget expenses (4/2)	Participation of budgetary funds for HE (including the student standard) in the GDP of Serbia (4/3)	Average participation budget funds for HE in the GDP of the EU
2005	12,371.51	2.88%	0.73%	1.15%
2006	16,011.93	2.92%	0.82%	1.13%
2007	20,236.00	3.13%	0.89%	1.11%
2008	25,858.70	3.48%	0.97%	1.14%
2009	26,160.04	3.01%	0.96%	1.22%
2010	27,224.22	2.64%	0.94%	1.26%
2011	29,409.69	2.52%	0.92%	-
2012	31,863.23	2.29%	0.95%	-
2013	33,385.42	2.24%	0.89%	-
2014	34,317.73	2.16%	0.86%	-

Table 1. *Country funding for high education in Serbia and the EU*
Source: RZS

Analysis of the data shown in the table points that the average amount of funds given for high education in Serbia was at 25,683.85 millions of dinars. Average amount of funds was at 2.73% of total budget expenditures, while in the EU it was 1.17%, in the same period.

The subject being researched is the analysis of the role that a country, economy and educational facilities have in the development of an economy that is based on knowledge, with a goal to observe the differences in opinions that is had by people employed in the economy, people employed in educational institutions, and pupils, i.e. students. In the introductory part it was tried to point to the link between educational institutions and economic development. In the overview of the literature the views of authors on the role and importance of education in economic development and knowledge economy was analyzed, as well as the fact that education improves a society, manifold.

Methodology of research

Research was conducted in Serbia. The participants were divided in three groups: employed in educational institutions, employed in the economy (except in education) and pupils of high schools and students. The research was conducted by the survey method, the research included 99 persons, and the participants were picked by the principle of random samples. The questionnaire consisted of 37 questions, divided into three groups. The questions were about the role, significance and contribution of the country, economic subject and educational institutions in the development of the economy based on knowledge. The participants have marked the level of agreement with the mentioned statements, by answering on a scale from 1 (I don't agree or it isn't significant, not necessary) to 5 (significant or I completely agree), and the results were shown in a table. The questionnaire was anonymous, and the questions were analyzed after the

questionnaire was finished. The results of the questionnaire were grouped in the following way. The first group was made up of answers taken from all three groups of participants on the role of the state, the second group was made up of participants' results on the role of the economy and the third group was made of participants' answers on the role of educational institutions.

The data was processed in the SPSS program. Descriptive statistic was used for a detailed analysis of the phenomenon. Within each group of participants, it was established which questions were graded by the highest and the lowest grade, coefficient variation of the answers, frequency and the normality of distribution was examined. The analysis of variances was examined by the ANOVA test. After descriptive statistic within each entity, the existence of statistically significant difference between expected and obtained frequencies was examined by a h^2 test. The research was with the desired in order to test the null hypothesis – there isn't a significant difference between the participants on the role of the country, economy and educational institutions. The homogeneity of data was tested first, and after that the Brown-Forsythe test was conducted, and over it ANOVA. With the variance analysis the authors wanted to look at the significance and size of difference within the group and between the groups themselves on the questions of the role of the country, economy and educational institutions. With a post hoc test, an average grade per groups of employed and by the wholes was got.

Empirical results

ROLE OF THE COUNTRY - The role of the country was examined by the employed in the economy, educational institutions and students and high school pupils. The participants employed in the economy have graded the role, significance and contribution of the **country** in the development of knowledge economy, economic development and competitiveness of a state with an average of 2.13. The worst graded statements were that the state encourages life insurance (1.85; cv 53.4%) and that the state encourages education by using fiscal measures (1.88; cv 51.12%). The statement that the state recognizes education as the common interest was graded highest by the participants. The normality of distribution of answers within this group of participants was examined by using D'Agostino & Pearson omnibus normality test. The result shows that the following answers' distribution of grades deviates from the average: The country supports the concept of a lifetime education (K2 = 12.28 and p=0.0022); The country encourages and supports the most creative individuals (K2 = 7.99 and p=0.0884) and; The country invests significant efforts in preventing emigration of its youth and scientist abroad (K2 = 40.18 and p=0.05). By using the ANOVA test it was established that there is a statistically significant difference between answers of the participants in relation to the average (F = 5.27 and p<0.0001). Analysis of the frequency layout and percentage of all answers which relate to the role, significance and contribution of the state in the development of knowledge economy, economic development, picture that leaves a bad impression on the situation in Serbia can be gained. Based on the given results in the table it can be noticed that 35.39% of the participants graded the role of the state very poorly (grade 1), while only 1.88% of the participants' grade that role with a 5. The other group of the participants is made of the employed in educational institutions. The participants have graded the role, significance and contribution of the **country** in the development of knowledge economy, economic development with an average grade of 2.13. Most poorly graded statements were: The state invests significant efforts in preventing emigration of youth and scientists abroad (1.41; cv 40.18); The state gives sufficient funds for education (1.89; cv 50.51%) and; The country stimulates education by using fiscal measures (1.96; cv 46.08%). Seeing as how the role of the state was graded by 2.26 by this group of participants, no question is significantly different in its grade. The normality of distribution of answers within this group of participants was examined by using D'Agostino & Pearson omnibus normality test and points that the distribution of grades doesn't deviate from the group average. The ANOVA test established that there is a statistically significant difference between the answers of the participants employed in educational institutions in relation on the average (F = 5.04 and p<0.0001). Analysis of the frequency layout and percentage of all answers which relate to the role, significance and contribution of the state in development of knowledge economy, economic development of a state points to that, 19.52% of the participants graded the role of the country (with a 1),

while 18.72% of the participants grades this role with a 5. The third group of the participants was made of students and high school pupils. The participants graded the role, significance and contribution of the state in the development of knowledge economy, economic development and competitiveness of the state with an average grade of 2.44. Most poorly graded statements were: The state invests significant efforts in preventing emigration of its youth and scientists abroad (1.5; cv 49.9%) and; The state gives sufficient funds for education (1.9; cv 60.9%). Students and high school pupils have graded with the highest grade the statements: The state encourages international cooperation and specialization in the domain of education (3.06; cv 36.8) and; The conditions for e-business were created in the state (2.68; cv 45.73). The normality of distribution of answers within this group of participants was examined by using the D'Agostino & Pearson omnibus normality test. The results point that, the distribution of grades deviates from the average in the following answers: The country gives sufficient funds for education (K2=10.21 and p=0.0061); The country stimulates education by using fiscal means (K2 = 6.22 and p=0.045) and; The state makes significant efforts in preventing emigration of youth and scientists abroad (K2 = 7.06 and p=0.029). By using the ANOVA test it was established that there is a statistical difference between the answers of the participants employed in the economy, except in educational institutions in relation to the average (F =5.54 and p<0.0001). Based on the obtained results of the frequency layout in the table it can be pointed out that 13.44% of the participants grade the role of the country very poorly (grade 1), while 25.27% of the participants grades the same role with a 5.
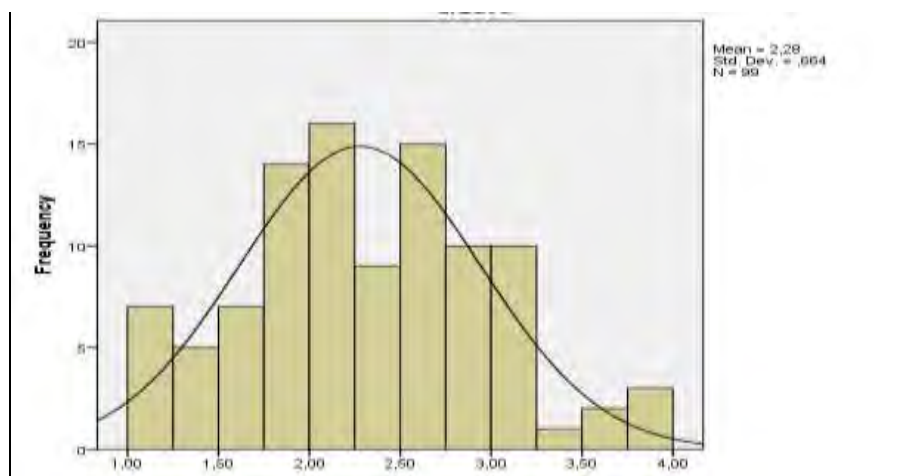
Picture 1. *Frequency of participants' answers on the role of the country*

ROLE OF THE ECONOMY - Role of the economy was examined by those employed in the economy, educational institutions and students and high school pupils. *The participants employed in the economy* have graded the role, significance and contribution of the **economy** in the development of knowledge economy, economic development of a country with an average grade of 3. Most poorly graded statements were: The private sector in the state encourages promotion of education of its employees (1.88; cv 51.12%). The participants have given the highest grade to the statement: Economy recognizes raising quality of the educational system as its personal interest (4.30; cv 22.86%); Knowledge and skills improve profitability and safety of employment (4.12; cv 23.30%) and; Knowledge and skills influence an increase in labor productivity (3.91; cv 26.7%). This is how it can be concluded that the participants positively and

uniformly answered that the economy recognizes significance of knowledge, education and skills during employment and raising productivity. Considering that there is a big variation of answers in the statement: The private sector in the country encourages promotion of education of its employees (1.88; cv 51.12%), it can be concluded that except the consciousness on the significance, the economy doesn't take adequate measures. The normality of distribution of answers within this group of participants was examined by using the D'Agostino & Pearson omnibus normality test. The result points that the distribution of grades deviates from the average within following answers: The educational system is oriented on pleasing the needs of individuals (K2 = 7.21 and p=0.027); The economy recognizes raising the quality of the educational system as its interest (K2 = 15.07 and p=0.0005); Educational institutions encourage specialization of the employed (K2 = 19.36 and $p<0.0001$); Knowledge and skills influence an increase in labor productivity (K2 = 7.14 and $p<0.0081$) and; The private sector of the economy dedicates great attention to high competences of the employed (K2 = 9.92 and p=0.007). It is noticeable that there is higher number of deviations in the group of questions that are related to the role of economic subjects in relation to the role of the country. With using the ANOVA test it was noticed that there is a statistically significant difference between the answers of participants in relation to the average (F = 16.34 and p<0.001), this was confirmed by the Brown-Forsythe test (F = 2.34 and p = 0.011) Analysis of the frequencies layout and percentage of all of the answers that relate to the role, significance and contribution of economic subjects in the development of knowledge economy, economic development of the state, a picture which is better in relation to the state can be got. Based on the results given in the table, it can be noticed that 36.46% of the participants gave a bad grade to the role of economic subjects (grade 2), while only 0.54% of the participants graded this role with a 5. *The participants employed in state institutions* have graded the role, significance and contribution of **economic subjects** with an average grade of 2.84. Most poorly graded statement is: The private sector in the country encourages improvement of education of its employees (1.93; cv 45.76%). The participants have given the highest grade to the statements: The economy recognizes raising the quality of the educational system as their own personal interest (4.24; cv 23.29%); Knowledge and skills improve profitability and security of employment (3.52, cv 31.90%); Knowledge and skills influence improvement of productivity (3.38; cv 39.08%) and; Long-term unemployment is dominant amongst people with low qualifications (3.35; cv 31.25%). It is interesting to conclude that both groups of participants, meaning employed in education and outside of it, have answered the role of economic organizations in the same way. Both groups of participants have answered quite negatively on the question: The private sector in the country influences improvement of its employees. This raises the question of what the given values show? A certain reason is the low level of cooperation between the economy and educational institutions, whether because of lack of means or interest of the employed? The causes should be searched in the wider context as well – through the lack of country's support to business subjects in the form of tax exemptions and other subventions and supports, as well as a lack of strategy for lifelong education Unfortunately, in such conditions promotion and modernization of the production process and the management process is very limited. Normality of answer distribution within this group of participants was examined by using the D'Agostino & Pearson omnibus normality test. The results points to that the distribution of prices deviates from the average in the following answers: The economy recognizes raising the quality of the education system as its own interest (K2 = 7.904 and p = 0.0192) and; The private sector pays high attention to high competences of its employees (K2 = 9.35 and p<0.0093). By using the ANOVA test it was established that there is a statistically significant difference between the answers of the participants in relation to the average (F = 11.23 and p<0.0001). Analysis of the frequency layout and percentage of all of the answers that relate to the role, significance and contribution of economic subject points that 16.58% of the participants grade the role of the country (grade 1), while 12.83% of the participants grades this role with a 5. *Students and high school pupils* have graded the role, significance and contribution of economic subjects in the development of knowledge economy, economic development with an average grade of 3.20. Worst graded statement was: The country private sector encourages education promotion of its employees (2.28; cv 52.71%). The participants have given the highest grade to the statement: The economy recognizes raising the quality of the educational system as their own interest (4 and cv 30.15%). It can be concluded that the

participants positively and equally answered: The educational institutions should listen to the needs of the market, encourage specialization of the employees and; Students and high school pupils are aware that education influences profitability and safety of employment, as well as promotion of productivity. On the other hand they are of an opinion that the private sector doesn't invest sufficient funds in specialization of its employees, as well as the fact that the educational system isn't adjusted to the needs and the interest of the gifted individuals. Normality of distribution of answers within this group of participants was examined by using the D'Agostino & Pearson omnibus normality test. The result points to the fact that distribution of grades deviates from the average in the following answer: High schools and faculties listen to the country on the market and follow changes ($K2 = 13.64$ and $p = 0.0011$). By using the ANOVA test it was established that there is a statistical difference between the answers of the participants in relation to the average ($F = 4.544$ and $p<0.0001$). Analysis of the frequency layout and percentage of all answers which relate to the role, significance and contribution of economic subjects the picture that is better in relation to the role of the country can be got. Based on the received results in the table, it can noticed that 11.02% of the participants grades the role of economic subjects badly (with a 1), while only 22.58% of participants grades this role with a 5.
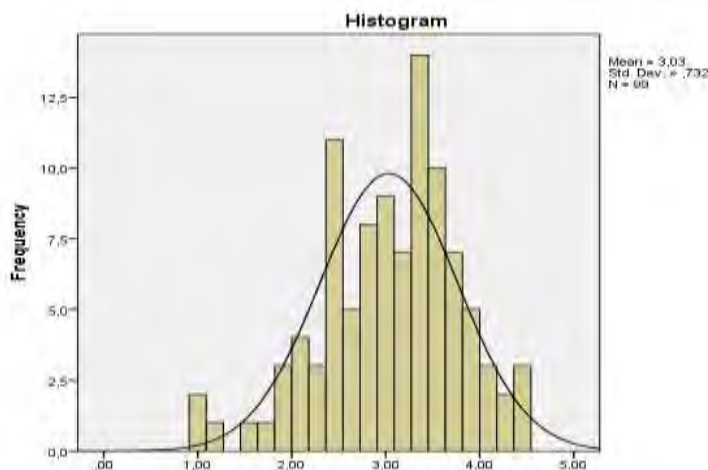
Picture 2. *Frequencies of participants' answers on the role of the economy*

ROLE OF EDUCATIONAL INSTITUTIONS - Role of educational institutions was examined by the employed in the economy, educational institutions and students and high school pupils. Employees in the economy have graded the role, significance and contribution of **educational institutions** with the highest grade on the statements: The country encourages investment in scientific-technological development (4.67; cv 14.83%); The public sector gives significant attention to the competences of its employees (4.30; cv 24.98%) and; Reforms of the educational system are necessary (4.33; cv 20.53%) in the direction of receiving applicable knowledge and competences (4.55; cv 13.57%). Average grade by the participants that valued the role and contribution of educational institutions is 3.07. The participants have given the average grade of 3.07 to the role, significance and contribution of educational institutions. The participants are of an opinion that high schools don't need external control (grade 1.76; cv 45.05%). Normality of answer distribution of this group of participants was examined by using the D'Agostino & Pearson omnibus normality test and it points out that the distribution of grades deviates from the average in the following answers: The state encourages investments in scientific-technological development ($K2 = 17.58$ and $p=0.0002$); The public sector pays attention to high competences of its employees ($K2 = 22.49$ and $p<0.0001$); There is a need of reforming compulsory education ($K2 = 10.13$ and $p<0.0001$) and; Schools and faculties are equipped with specialized classrooms, cabinets ($K2 = 7.42$ and $p=0.025$). By using the ANOVA test it was established that there is a statistically significant difference between the answers of the participants in relation to the average ($F = 42.89$ and $p<0.0001$), which was confirmed by the Brown-Forsythe test ($F = 2.34$ and $p = 0.001$) and by Barlett's test ($F = 24.19$ and $p = 0.012$). Analysis of the

frequency layout and percentage of all answers that relate to the role, significance and contribution of educational institutions shows that 28.95% of participants gave a bad grade to the role of educational institutions (a 3), while 4.56% of the participants graded it with a 5. *Employees of educational institutions* have graded the role, significance and contribution of **educational institutions** in the development of knowledge economy, economic development of a country with the highest grade on statements: The country encourages investment in scientific-technological development (4.48; cv 22.80%); The public sector gives special attention to the competences of its employees (4.66; cv 15.94%) and; The educational system requires reforms (4.35; cv 22.41%). The participants which valued the role, significance and contribution of educational institutions in the development of knowledge economy, economic development of a state have given it an average of 3.04. The participants have graded negatively: Schools and faculties are equipped with specialized classrooms, cabinets (2.17; cv 46.14%). Normality of distribution of answers within this group of participants was examined by using the D'Agostino & Pearson omnibus normality test and it points to the fact that the distribution of grades deviates from the average in following answers: The country encourages investment in scientific-technological development (K2 = 24.85 and p<0.0001); Public sector of the economy gives high attention to high competences of employees (K2 = 29.43 and p<0.0001) and; There is a need for reforms of compulsory education (K2 = 12.07 and p=0024). It is necessary to reduce the workload of teachers and pupils and put weight on applicable knowledge (K2 = 7.567 and p=0.0227). By using the ANOVA test it was established that there is a statistically significant difference between the answers of participants in relation to the average (F = 23.11 and p<0.001). Analysis of the frequency layout and percentage of all answers which relate to the role, significance and contribution of educational institutions shows that 22.73% of participants grades this role with a 5. *Students and high school pupils* have graded the role, significance and contribution of **educational institutions** in the development of knowledge economy, economic development with the highest grade, on statements: The state encourages investment in scientific-technological development (4.67; cv 13.65%); The public sector pays special attention to the competences of its employees (3.94; cv 34.18%) and; The educational system requires reforms (4.12; cv 26.58%) in the direction of acquiring applicable knowledge and competences (4.15; cv 25.28%). An average grade given by the participants which valued the role, significance and contribution of educational institutions in the development of knowledge economy, economic development and competitiveness of a country was 3.04. The participants were of an opinion that there wasn't sufficient synergy between companies and educational institutions in development of joint educational programs (with 2.35), as well as the fact that neither schools nor faculties are equipped with specialized classrooms (2.32). Normality of distribution of answers within this group of answers was examined by using the D'Agostino & Pearson omnibus normality test which points that the grade deviates from the average in following answers: The country encourages investments in scientific-technological development (K2 = 18.38 and p=0.0001); The public sector pays high attention to high competences of its employees (K2 = 6.32 and p<0.0043) and; There is a need for reforms of compulsory education (K2 = 7.75 and p<0.021). It is necessary to reduce the workload of teachers and pupils and put weight on applicable knowledge (K2 = 11.27 and p=0.0036). By using the ANOVA test it was established that there is a statistically significant difference between the answers of participants in relation to the average (F = 17.81 and p<0.0001). Analysis of the frequency layout and percentage of all answers which relate to the role, significance and contribution of educational institutions points that 13.40% of participants grades the role of educational institutions poorly (with a 1), while 23.86% of participants grades this role with a 5.
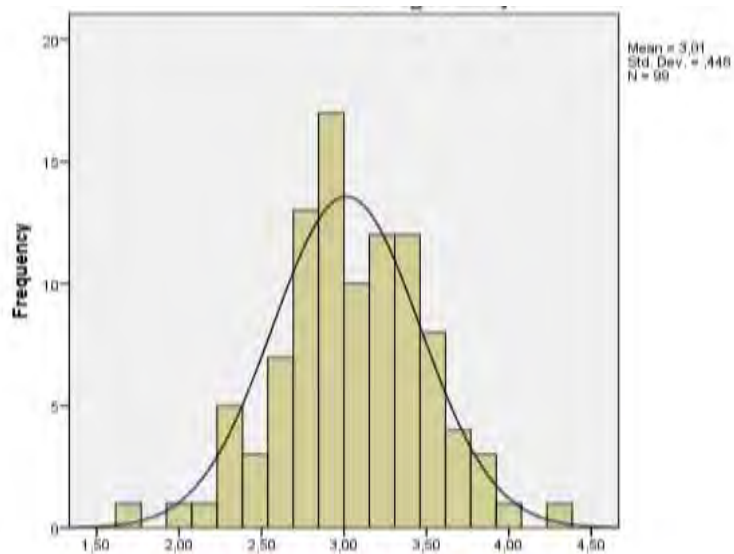
Picture 3. *Frequency of participants' answers on the role of educational institutions*

With an X^2 test the existence of a statistically significant difference between the received and expected frequencies was examined. As the realized value of X^2 in the answers: The State stimulates education through fiscal measures; Higher Education is associated with better employment prospects and high incomes; Secondary education system adequately prepares young people for the labor market or the continuation of education and Educational institutions encourage the specialization of its employees is higher than table value $X^2=15.50731$ for the degree of freedom 8 and threshold of significance p=0.05, the null hypothesis is rejected for these questions and it can be concluded that there is a statistically significant in attitudes of different groups of participants (Annex 1)

Descriptive statistic within each group of participants points to: State (mean 2.27; std.dev. .664; var. .440); Economy (mean 3.033; std.dev. .732; var. .536); Education institutions (mean 3.01; std.dev. .4477; var .200). In further research we wanted to establish whether employment influences the attitude of participants on the role of state, economy and educational institutions by using the ANOVA test. Firstly the homogeneity of data was tested.Test of Homogeneity of Variances for State is 1.107 (*sig.* .335), for Ecomony is 1.656 (*sig.* .196) and Educational institutions is .512 (sig. .601).

The resulting level of significance in all three groups is higher than 0.05. In order for the condition of homogeneity to be satisfied, the significance would have to be 0.05, which in this research isn't the case. Since the prerequisite isn't fulfilled, the Brown-Forsythe test and over it ANOVA test was done. The level of significance of Brown-Forsythe test was over 0.05, in all three groups of participants, while in ANOVA table F, the value of educational institutions is less than 1 with the level of significance of 0.781. In the ANOVA table there is a significant difference on the attitudes of participants between the groups in relation to the attitudes within each group on the role of the state and the economy.

		SS	Df	Mean Square	F	Sig.
State	Between Groups	1.745	2	**.873**	2.023	.138
	Within Groups	41.413	96	.431		
	Total	43.158	98			
Economy	Between Groups	1.863	2	**.931**	1.764	.177
	Within Groups	50.690	96	.528		
	Total	52.553	98			
Educational institutions	Between Groups	.101	2	.051	.248	.781
	Within Groups	19.540	96	.204		

	Total	19.641	98			
Robust Tests of Equality of Means						
		Statistic[a]	df1	df2	Sig.	
State	Brown-Forsythe	2,049	2	92,924	,135	
Economy	Brown-Forsythe	1,796	2	86,741	,172	
Educational institutions	Brown-Forsythe	,250	2	93,636	,779	

Table 2. *ANOVA*
Source: Work of the author based on the survey

The average grade of participants by groups of employment was examined by a Post Hoc test.

			Subset for alpha = 0.05
Country	Employed	N	1
Tukey HSD[a,b]	Employed in an organization of a different type	34	2.1263
	Employed in an educational organization	30	2.2578
	Pupil, student	35	2.4429
	Sig.		.130
Means for groups in homogeneous subsets are displayed.			
a. Uses Harmonic Mean Sample Size = 32,853.			
b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.			

			Subset for alpha = 0.05
Economy	Employed	N	1
Tukey HSD[a,b]	Employed in an educational organization	30	2,8667
	Employed in an organization of a different type	34	3,0053
	Pupil, student	35	3,2026
	Sig.		,152
Means for groups in homogeneous subsets are displayed.			
a. Uses Harmonic Mean Sample Size = 32,853.			
b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.			

	Employed		Subset for alpha = 0.05
Educational institutions		N	1
Tukey HSD[a,b]	Employed in an organization of a different type	34	2,9706
	Pupil, student	35	3,0374
	Employed in an educational organization	30	3,0385
	Sig.		,815
Means for groups in homogeneous subsets are displayed.			
a. Uses Harmonic Mean Sample Size = 32,853.			
b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.			

Table 3: *Post hoc analysis*
Source: Work of the author based on the survey

Conclusion

Results of the research point to the fact that participants are of an opinion that the state doesn't support lifelong education, doesn't support education by using fiscal measures, as well as the fact that it doesn't give sufficient funds for education in order to prevent emigration of youth abroad. It is interesting that all three groups of participants have a positive attitude towards the fact that the state recognizes education as a common interest. Analysis of the participants' answers shows that there is a significant difference between the answers of the employed in the in the economy, in relation to the other two groups, while the answers of the employed in educational institutions is closer to the answers of pupils and students.

Such structure of answers was expected considering that the participants are of an opinion that there isn't significant cooperation between the economy and educational institutions.

Research of participants' attitudes towards the role of economic organizations shows that the private sector doesn't encourage promotion of education of its employees. High level of consciousness on the fact that education and qualification of the work force increasing production productivity is evident, as well as that promotion of competences of the employees is in the interest of the economy. That is how the results of the research show that economic subjects don't encourage education of its employees which supplements the opinion of participants on the role of the state. Everything points to that there isn't synchronized activity of the state and the economy, activity which would stimulate companies to promote competences of its employees by using strategies and aimed measures. Students and high school pupils are aware that their level of education influences profitability and safety of employment, while at the same time are worried about the attitude that acquired knowledge in companies isn't further promoted. The participants are of an opinion that the state doesn't take sufficient measures to prevent emigration which is in accordance with the attitude that the system, as well as the companies don't follow the needs and possibilities of gifted individuals.

Participants have significantly positively graded the role of educational institutions in the development of the economy based on knowledge. Shared opinion is that educational institutions are the fastest at adjusting to the needs of the market (by creating new educational profiles and study programs), and that there are needs for further reforms of the educational system. The need for applicable knowledge of pupils and students is emphasized.

Analysis of the difference between received answers shows that in statements: The State stimulates education through fiscal measures; Higher Education is associated with better employment prospects and high incomes; Secondary education system adequately prepares young people for the labor market or the continuation of education and Educational institutions encourage the specialization of its employees, there is a statistically significant difference.

And finally the question of shared conclusion of the conducted research rises. The research on the attitudes of three groups of participants confirms the opinion that investment in education is an investment which contributes to the economic growth of a country and well-being of individuals.

References

AFZAL, M.N.I & LAWREY, R. 2012b. Knowledge-based economy (KBE) frameworks and empirical investigation of KBE input-output indicators for ASEAN. International Journal of Economics and Finance, Vol. 4, No. 9.

BABIĆ, V. 2009. Nauka i obrazovanje u funkciji održivog razvoja, Istraživanje i razvoj, br. 32-33, 3-4/2009, str.57.

HARRIS, J.M. 2009. Ekonomija prirodnih resursa i životne sredine: savremeni pristup, Data Status, Beograd.

HUGGINS, R. A. & IZUSHI, H. 2007. Competing for knowledge: creating, connecting and growing. Routledge.

ILIĆ, V., & NEDIĆ, V. 2014. Assessing countries' readiness for developing knowledge-based economy. Ekonomika, 60(3), 247-254.

KLENHA, V. I SARADNICI . 2010 Razvoj ljudskih resursa u Srbiji, EFT, Working together Learning for life, Pregled.

LOJPUR, A. I & PETKOVIĆ, S. 2013. ZNANJE I INOVACIONA POLITIKA ZEMALJA U TRANZICIJI KAO MJERA SPREMNOSTI ZA ULAZAK U EU, Economics & Economy, Vol. 1, No. 2, 61-75

OBRADOVIC, J. & ARSIC, S. 2013. ULAGANJE U LJUDSKE RESURSE: INVESTICIJA ILI TROŠAK?. *EMC Review-Časopis za ekonomiju-APEIRON*,6(2).

Annex 1
Chi square Test

	Chi-Square Tests				
	Questions	**Value**	**df**	**Asymp. Sig. (2-sided)**	
1	The State recognizes education as a public interest	9,925ᵃ	8	,270	a. 9 cells (60,0%) have expected count less than 5. The minimum expected count is ,91.
2	The State recognizes education as an important factor of economic development and increase of competitiveness of the industry	8,627ᵃ	8	,375	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,61.
3	The State supports the concept of lifelong learning	9,363ᵃ	8	,313	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,91.
4	The State allocates sufficient funds for education	5,210ᵃ	8	,735	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,60.
5	The State stimulates education through fiscal measures	**24,173ᵃ**	8	,002	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,91.
6	The State supports international cooperation and specialization in the field of education	14,557ᵃ	8	,068	a. 9 cells (60,0%) have expected count less than 5. The minimum expected count is 1,21.
7	The State encourages the acquisition of IT skills in the society	4,872ᵃ	8	,771	a. 4 cells (26,7%) have expected count less than 5. The minimum expected count is 1,21.
8	The State has created the conditions for e – business	3,834ᵃ	8	,699	a. 3 cells (25,0%) have expected count less than 5. The minimum expected count is 2,12.
9	The State encourages entrepreneurship and supports the most creative authors	10,708ᵃ	8	,219	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,91.
10	The State is making significant efforts to prevent the emigration of young people and scientists abroad	11,972ᵃ	8	,063	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,30.

18	The Public Sector of the economy devotes high attention to the high competence employees	7,395[a]	8	,495	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,61.
29	The Public Sector in the State encourages the improvement of the education of its employees	11,025[a]	8	,200	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,91.
	The Private Sector 2				
28	The Private Sector in the state encourages the improvement of the education of its employees	8,444[a]	8	,391	a. 4 cells (26,7%) have expected count less than 5. The minimum expected count is 1,82.
12	Companies in the industry believe that it is in their own interest improving the quality of the education system	9,327[a]	8	,315	a. 4 cells (26,7%) have expected count less than 5. The minimum expected count is ,91.
31	Employers are systematically encouraged to improve the educational structure of employees	8,119[a]	8	,422	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,91.
13	Knowledge and skills have an impact on increasing work productivity	10,897[a]	8	,208	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,91.
14	Knowledge and skills improve profitability and job security	13,321[a]	8	,101	a. 1 cells (6,7%) have expected count less than 5. The minimum expected count is 4,85.
36	Long-term unemployment is more dominant among people with low qualifications	5,597[a]	8	,692	a. 4 cells (26,7%) have expected count less than 5. The minimum expected count is 4,24.
16	Educated workforce has a positive impact on attracting investments	8,319[a]	8	,403	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is 1,21.
15	The companies with the professionals have the best business results	7,945[a]	8	,439	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is 2,12.

17	The Private Sector of the economy devotes high attention to the high competence employees	5,041[a]	8	,753	a. 7 cells (46,7%) have expected count less than 5. The minimum expected count is 3,03.
11	In a society there is an opinion that the education helps improving the material status and the quality of life	9,291[a]	8	,318	a. 3 cells (20,0%) have expected count less than 5. The minimum expected count is 2,42.
20	Higher Education is associated with better employment prospects and high incomes	**17,076[a]**	8	,029	a. 3 cells (20,0%) have expected count less than 5. The minimum expected count is 1,82.
	Education institution 3				
37	The reforms of compulsory education are needed	4,406[a]	8	,819	a. 12 cells (80,0%) have expected count less than 5. The minimum expected count is ,30.
21	It is necessary to reduce the workload of teachers and students, and put the emphasis on practically applicable knowledge	9,786[a]	8	,280	a. 9 cells (60,0%) have expected count less than 5. The minimum expected count is 1,21.
22	Secondary education system adequately prepares young people for the labor market or the continuation of education	**17,089[a]**	8	,029	a. 7 cells (46,7%) have expected count less than 5. The minimum expected count is 2,42.
23	The quality of the education system is important for the continuation of education and reducing school leaving	5,864[a]	8	,662	a. 9 cells (60,0%) have expected count less than 5. The minimum expected count is ,30.
24	The Secondary Schools need a process of external quality audits	13,160[a]	8	,106	a. 9 cells (60,0%) have expected count less than 5. The minimum expected count is ,61.
26	The Education System is focused on meeting the individuals needs	8,489[a]	8	,387	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is 2,12.
27	Talented individuals are supported by the system as powerful holders of	14,467[a]	8	,070	a. 6 cells (40,0%) have expected count less than 5. The minimum

	economic development				expected count is ,61.
30	Educational institutions encourage the specialization of its employees	**21,138ᵃ**	8	,007	a. 5 cells (33,3%) have expected count less than 5. The minimum expected count is 1,52.
33	The Educational System is prepared for the cooperation with the industry	8,804ᵃ	8	,359	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is 1,21.
32	Schools and faculties have adequate spatial capacities and adequate equipment for quality teaching	13,284ᵃ	8	,102	a. 9 cells (60,0%) have expected count less than 5. The minimum expected count is 1,52.
35	There is a synergy of the companies in the industry and the educational institutions in the development of joint educational programs	2,678ᵃ	8	,848	a. 3 cells (25,0%) have expected count less than 5. The minimum expected count is 3,33.
34	The Secondary Schools and the Faculties are adapting to the requirements of the labor market and they changing and specializing their programs in accordance with the needs of the economy	7,470ᵃ	8	,487	a. 6 cells (40,0%) have expected count less than 5. The minimum expected count is ,61.

Source: Work of the author based on the survey

Consumer Perspective upon the Marketing of Online Surveys

Larisa Boboc
THE BUCHAREST UNIVERSITY OF ECONOMIC STUDIES
boboclarisa17@gmail.com
Daniel Moise
THE BUCHAREST UNIVERSITY OF ECONOMIC STUDIES
moisedaniel@gmail.com

Abstract
More and more organizations are conducting online surveys as often as they can, no matter if they are for profit or non-profit organizations, even politicians use them in order to discover the behavior of their followers and not only. Companies are much preoccupied to deploy online surveys, irrespective if the surveys are just online or mobile ones. The mobile electronics, like laptops, tablets, smart phones have by far pushed the boundaries, allowing the organizations to reach their potential and actual customers anywhere and anytime of the day or night, as long as they have an internet connection. The mobile apps have changed the lives of how we interact and we conduct our lives.

Some of the main objectives of this research are focused on analyzing the basic concepts about online surveys, mobile marketing and applications, and chiefly aimed at mobile surveys assessing the impact of this tool in the levels of the user's perspective and satisfaction.

In this paper, we will conduct a research with a view to investigating how consumers perceive, interact and answer to online surveys and especially to mobile surveys. If the most online surveys are considered by many to be just spam emails, we want to find what triggers the impulse of answering mobile surveys and what kind of incentives those who answer want to receive.

Keywords: online surveys, mobile apps, mobile surveys, consumer perspective.

JEL classification: C83.

1. Introduction

The mobile electronics, like laptops, tablets, smart phones have by far pushed the boundaries, allowing the organizations to reach their potential and actual customers anywhere and anytime of the day or night, as long as they have an internet connection. The mobile apps have changed the lives of how people interact and conduct their lives.

Some of the main objectives of this research are focused on analyzing the basic concepts about online surveys, mobile marketing and applications, and chiefly aimed at mobile surveys assessing the impact of this tool in the levels of the user's perspective and satisfaction.

Some respondents complete web surveys via mobile devices. These devices differ at several levels from PCs. In fact, this paper tries to find the main reasons of completing questionnaires through smartphones or tablets, even to download a survey application.

This paper reports the results of a marketing research regarding how the consumers perceive, interact and answer to online surveys and especially to mobile surveys.

2. Literature review

Advanced technology in computing, mobile devices, conduct internet connectivity from the usage of conventional desktop computers to mobile devices. It is anticipated, there will be an amount of over 2 billion smartphone users worldwide by the year 2016 (Emarketer, 2014).

The last few years have seen a rapid development of the use of internet on mobile devices like smartphones and tablets. If the internet connection is developing the access via different devices, it can be expected that web surveys will also be expanding and completing on tablets and smartphones (Stern et al., 2014).

Web surveys became increasingly popular in marketing research, comparing with paper, mail and telephone surveys. A web survey includes different measurement error like: the type of device that

respondents use to complete the surveys. The users of tablets or smartphones, influence survey characteristics and preferences. The mobile device users spent more time than desktop or laptop users to complete the survey. Both, desktop users and mobile device users do not vary in acceptance tendency as an indicator of response patterns. For mobile device users only, it was found a negative ratio between interview lengthandscreen size and a positive connection between screen size and acceptance tendency (Liebe et al, 2015, pp.17).

Peytchev and Hill (2010), for example, do not find distinction about cognitive processing and use of pictures confronting mobile web surveys with other survey modes. But, they discovered that users of mobile phones do not like to write in the text box, for open questions, if the survey questions zoom in to the initially visible screen. Millar and Dillman (2012) conducted a study (experimental) with 600 students, where they tested if the use of smartphones has an effect on the response rate for answering the online questionnaire. The results shows: they do not find a requested influence of using the smartphone over the response rate.

There are also studies regarding mobile applications, Yang (2013) who investigated the use of mobile apps, which involves installation. The study was based on a model developed from the combination of Technology Acceptance Model (TAM), Theory of Planned Behavior (TPB) and Uses and Gratification Theory to research about young Americans' intention for using mobile applications. The model included seven variables for investigating the intention of using mobile applications: subjective norm, behavioral control, attitudes regarding mobile apps, perceived usefulness, facility, perceived expressiveness and enjoyment. The results of this study reflect that perceived behavioral control, usefulness, and mobile network use are predictors of young Americans' intention to use mobile apps.

Mobile App was created for general utilitarian purposes, for emailing, calendars,online market and weather information. Due to the development and availability of mobile technology, more functions appeared, such as mobile games, online banking, order-tracking, maps with GPS, and location-based services. The popularity and growth of smartphone, or tablets usage has facilitated the research on the extensive adoption for new mobile applications (Lee, 2014).

Technology Acceptance Model (TAM) was also investigated before, regarding affecting app usage. Variables used in this model are perceived informative usefulness, perceived entertaining usefulness, perceived ease of use,perceived social usefulness,attitude toward application usage, user review, and perceived cost-effectiveness. The study concluded that three of variables: perceived information usefulness, perceived entertaining usefulness, and perceived ease of use had significant influences on attitude toward app usage, which in turn had a significant influence on behavioral intention to use apps. User reviews also significantly influenced app usage, but cost-effectiveness had no influence on app usage (Kim and Yoon 2013).

Another study by Hew and Lee (2015) also studied the behavioral intention to use mobile apps. The variables analyzed were performance, effort, price value, facility, habit, social influence, and motivation. The authors set that all variables, except price value and social influence, were significantly related to behavioral intention to use mobile apps, especially habit had the strongest influence, but gender and educational level were not significant.

Resuming, there were no studies found that investigated the installation of survey apps, but some studies were found that investigated the adoption or utilization of mobile apps. While the act of installing an app does not necessarily mean that the app will be used, this is a hypothesis. Therefore, we perceive adoption, usage, and installation as similar, and therefore, group these studies together. Also, the web survey users should take into account that the device used can affect results.

3. Research Methodology

Thereby arises the need of deep researching ofconsumers perceive, interact and answer to online surveys and especially to mobile surveys. If the most online surveys are considered by many to be just spam emails, the paper is purpose to find what triggers the impulse of answering mobile surveys and what kind of incentives those who answer want to receive.

To achieve the research objectives it was considered the survey method, which involves the design and use of a questionnaire to collect data from respondents. This is an exploratory marketing research.

The respondents were mostly students, where the link invitation of questionnaire (Typeform) has been distributed to be completed via desktop or mobile devices. This sampling method is called Snowball Method and the study has been achieved with 150 completes. Also, we have set up steps like: the research purpose, the objectives, the research hypotheses, to determine the structure of the sample, questionnaire design, methods of collection and systematization of data, analysis and interpretation of results, the conclusion of research.

The purpose of this research is to identify the consumers perceive, interact and answer to online surveys and especially to mobile surveys.

The survey contains 25 questions that have been prepared to fulfil the purpose of research. It contains question filter, which is designed to select individuals that are part of the collectivity investigated. In the questionnaire, it can be identified five descriptive questions, which have the role to describe the characteristics and profile of respondents, such as socio-professional status, age, income and gender.

Also, the questionnaire has compartmental questions like the reason of completing a survey, the device used in completing a questionnaire, the frequency of filling out a survey, the commonly subjects in completing a survey and also about survey apps.

4. The Marketing Research Of Mobile User's Behavior Regarding Survey Apps

The main objectives of this study refer to:

Objective 1: To identify if the desktop or mobile users complete a questionnaire.
Objective 2: To determine the reason of completing a survey.
Objective 3: To determine the frequency of downloading apps.
Objective 4: To identify the mostly used method in accessing a survey.
Objective 5: To identify the types of surveys filled by users.
Objective 6: To identify the main causes of mobile users to download a survey app.

4.1. Results

1. Types of gadgets that users have

2. Rate response of completing online surveys
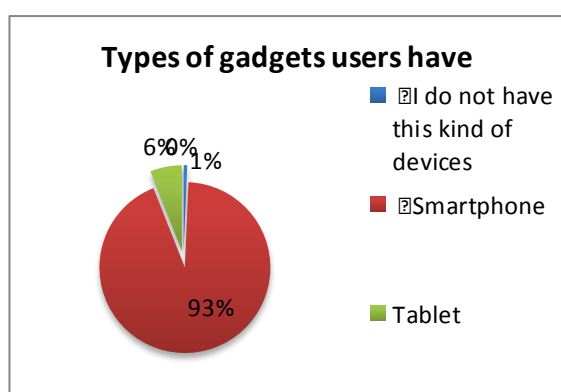
Figure 1. Types of gadgets users have
Source:Excel data analysis of exploratory marketing research
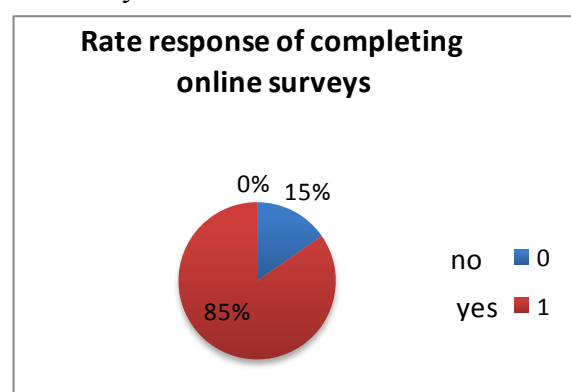
Figure 2.Rate response of completing online surveys
Source: Excel data analysis of exploratory marketing research

According to *Figure 1.Types of gadgets users have,* mostly respondents have smartphones (93%). Also, *Figure 2. Rate response of completing online surveys,* shows that 85% of respondents are used to completing a questionnaire and 15% no.

3. Reason of completing online surveys
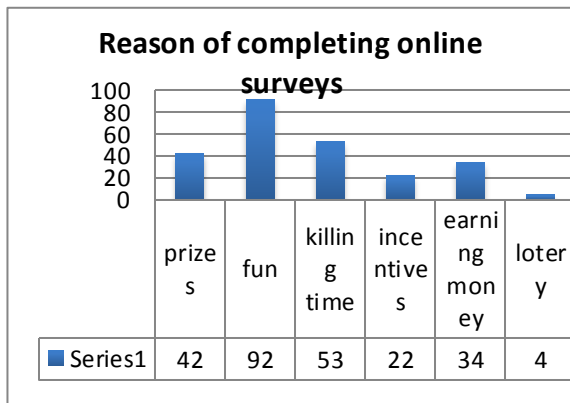
Figure 3.Reason of completing online surveys
Source: Excel data analysis of exploratory marketing research

4.Frecuency of downloding mobile apps

Figure 4.Frequency of downloading mobile apps
Source: Excel data analysis of exploratory marketing research

The main reasons of completing online surveys are: *fun* (92 answers from 150 respondents), *for killing time* (53 answers from 150 respondents) and for *prizes* (42 answers from 150 respodents). The last occupied in the top of reasons for completing online surveys were *lottery* (4 answers from 150 respodents), *incentives* (22 answers) and *earning mon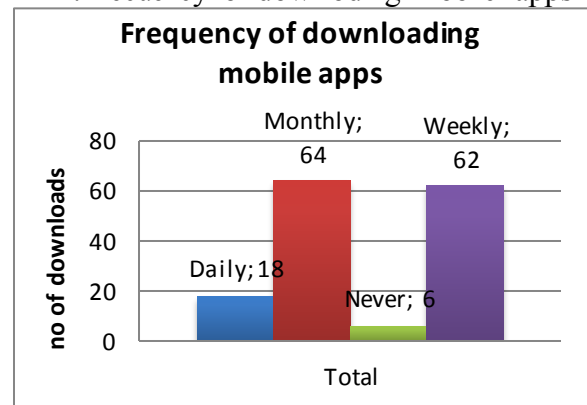ey* (34 answers from 150 respodents). The results reflect that respodents are not directly interested in completing questionnaires for money or for receiving recompense.

To find out the comportment of respondents regarding mobile apps, the study also included aspects like frequency of downloading mobile applications. So, according to data analyzed (Figure 4), respondents are installing mobile applications *monthly* (64 subjects from a total of 150) and *weekly* (62 subjects from a total of 150 respondents).

5. The way of how users choose to respond at online surveys
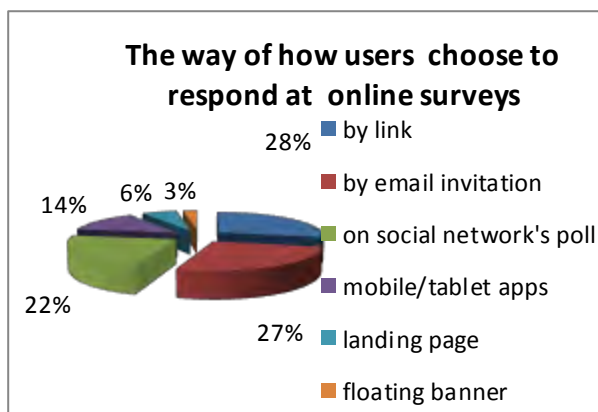
Figure 5. The way of how users choose to respond at online surveys
Source: Excel data analysis of exploratory marketing research

6. Mobile users opinion regarding survey applications
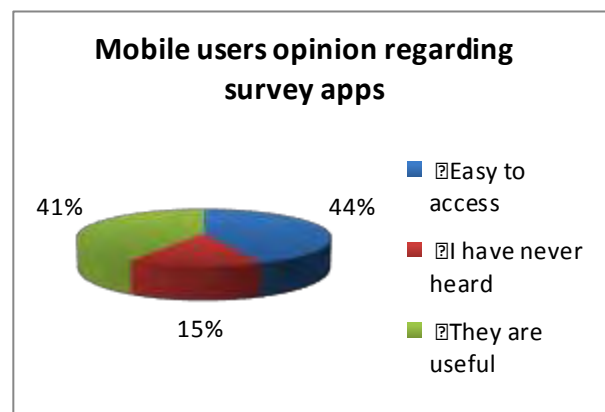
Figure 6.Mobile user's opinion regarding survey apps
Source: Excel data analysis of exploratory marketing research

It can be observed in *Figure 5. The way of how users choose to respond at questionnaires,* those respondents of the study have different ways to respond to online surveys, mostly of them chose *by link (28%), by email invitation (27%), by social network's poll (22%).* The most uncommon ways to access an online survey are *floating banner (3%), landing page (6%), and mobile/tablet apps (14%).*

Regarding survey apps opinion of mobile users are split into three: part of them says that are *easy*

for access (44%) and second part *never heard about survey apps (42%)*, and the third one thinks that *survey apps are useful (15%).*

7. Types of surveys filledout by desktop/mobile users

8. Frequency of completing surveys
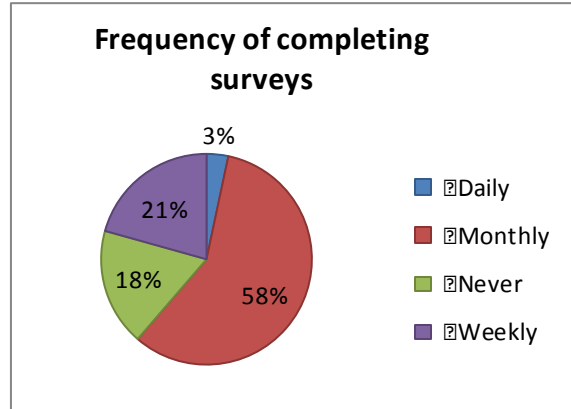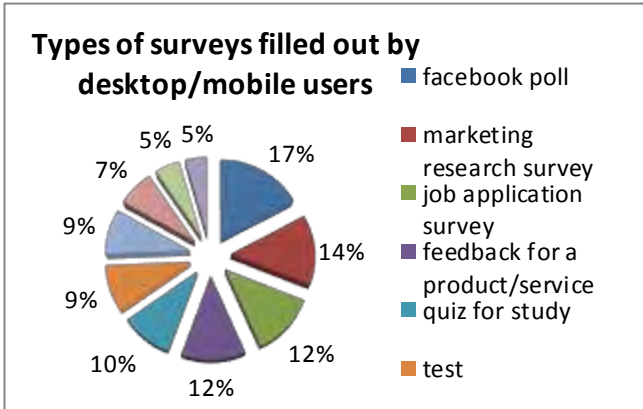
Figure 7. Types of surveys filled out by desktop/mobile users
Source: Excel data analysis of exploratory marketing research

Figure 8.Frequency of competing surveys
Source: Excel data analysis of exploratory marketing research

The frequency of completing surveys is 58% of respondents never complete a survey and the rest of 42% of respondents are completing surveys (monthly- 21%, weekly-18% and daily-3%).

From 42% of respondents who are completing surveys, the types of surveys filled out by them are *marketing research survey (17%), job application survey (14%),customer feedback (12%).*

9. The weakness of an online survey

10. How desktop/mobile users describe a survey app
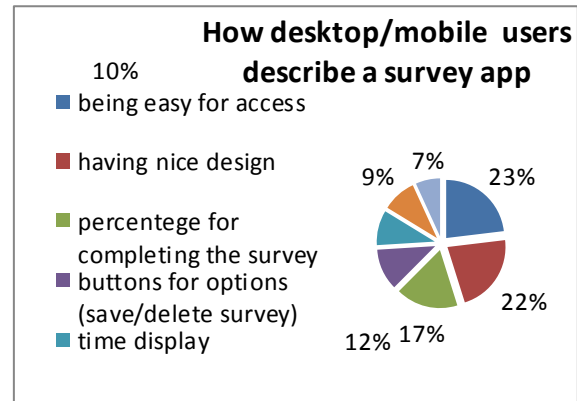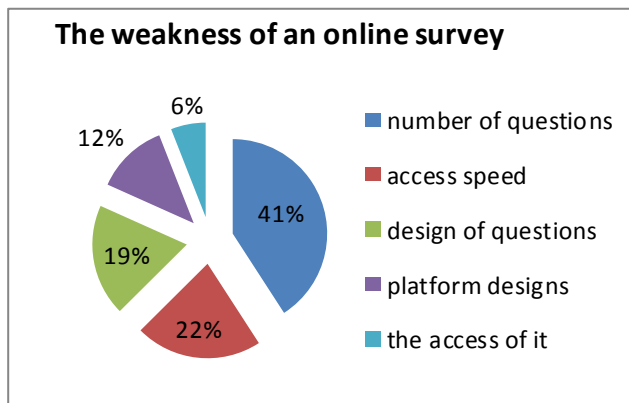
Figure 9. The weakness of an online survey
Source: Excel data analysis of exploratory marketing research

Figure 10. How desktop/mobile users describe survey apps
Source: Excel data analysis of exploratory marketing research

The study is also interested in discovering why the rate of completing a survey is low. Respondents answered that the *number of questions* is the biggest problem (41%). Secondly they are not comfortable with the *access speed* (22%) and *the platform design* (19%).

In return, the desktop/mobile users recommend for a survey app *to be easy for access (23%)*, to have a *nice design (22%),* to show *percentage for completing a survey (12%)* and different options like *time display- 9%.*

11. Why mobile users download a survey app
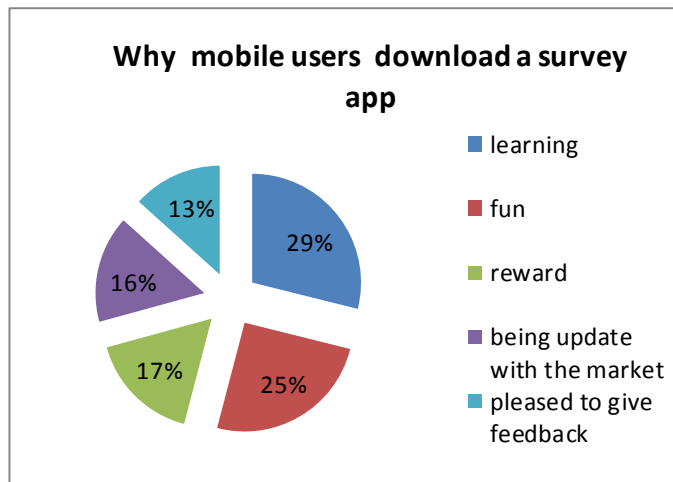
Figure 9.Why mobile users download a survey app
Source: Excel data analysis of exploratorymarketing research

The main reason for respondents to download a survey app is *to learn* (29%), *for fun* (25%), *to be rewarded* (17%), *to be update with the market*(16%), and the last *is to give a customer feedback* (13%).

5. Conclusions
In fact, this paper tried to find the main reasons of completingquestionnaires through smartphones or tablets, even to download a survey application.

This paper reported the results of a marketing research regarding the consumers perceive, interact and answer to online surveys and especially to mobile surveys.

The main objectives of this study refer to identify if the desktop or mobile users complete a questionnaire, to determine the reason of completing a survey, to determine the frequency of downloading apps, to identify the mostly used method in accessing a survey, to identify the types of surveys filled by users, and to identify the main causes of mobile users to download a survey app.

Rate response of completing online surveys, shows that 85% of respondents are used to completing a questionnaire and 15% no.

The main reasons of completing online surveys are for*fun*, *killing time*, *prizes*. The last occupied in the top of reasons for completing online surveys were *lottery*, *incentives*, *earning money*. The results reflect that respondents are not directly interested in completing questionnaires for money, or for receiving recompense.

The types of surveys filled out by them are *marketing research survey, job application survey and customer feedback*.

The study was also interested in discovering why the rate of completing a survey is low. Respondents answered that the *number of questions* is the biggest problem. Secondly, they are not comfortable with the *access speed*and with *the platform design*

In return, the desktop/mobile users recommend for a survey app *to be easy for access,* to have a *nice design,* to show *percentage for completing a survey,* and different options like *time display*.

The main reason for respondents to download a survey app is *to learn*, *for fun* and *to be rewarded*and the last *is to give a customer feedback*.

The limits of this study refer to the number of respondents, because the results cannot extrapolate to the entire population. Thereby, for a high accuracy of the results it is recommended to work with a larger sample and the quantity research to be applied to the entire sample. In this situation, we have to take into account some factors that can influence the terms.

Taking in consideration the observations obtained, as recommendations we can mention: to continue theme research in order to consolidate a strong base regarding the development of models and profiles that could be attached to the future analysis instruments with practical application.

References

LIEBE, U., GLENK, K., OEHLMANN, M. & MEYERHOFF, J. 2015. Does the use of mobile devices (tablets and smartphones) affect survey quality and choice behaviour in web surveys? *Journal of Choice Modelling,* 14, 17-31.

STERN, M., BILGEN, I. & DILLMAN, D. 2014.The state of survey methodology: challenges, dilemmas, and new frontiers in the era of the tailored design, *Field Methods*, 26, 284–301.

EMARKETER, 2014. *2 billion consumers worldwide to get smart (phones) by 2016 – eMarketer.*[online] Available at: http://www.emarketer.com/Article/2-Billion-Consumers-Worldwide-Smartphones-by-2016/1011694 (2014) [Accessed 23 March 2016].

PEYTCHEV,A. & HILL, C. 2010.Experiments in mobile web survey design: similarities to other modes and unique considerations*, Social Sciences Computing Rev.,* 28, 319–335.

MILLAR, M. & DILLMAN, D. 2012.Encouraging survey response via smartphones: effects on respondents' use of mobile devices and survey response rates, *Survey Practices,* 5(4), [online]. Available at: http://www.surveypractice.org/index.php/SurveyPractice/article/view/19/html [Accessed 23 March 2016].

YANG, H. 2013. Bon appetit for apps: young American consumers' acceptance of mobile applications. *Journal of Computer Information SystemS*, 85–96

LEE, W.,K. 2014. The temporal relationships among habit, intention and is uses. *Computer Human Behavior,* 32, 54–60.

KIM, S. & YOON, D. 2013.Antecedents of mobile app usage among smartphone users.*American Academy of Advertising Conference Proceedings, Norman*, 72–83

HEW, J. & LEE, V. 2015. What catalyses mobile apps usage intention: an empirical analysis. *Industrial Management & Data*, 115 (7), 1269–1291

Selected Aspects of Polish Digital Purchasers' Behaviour. Results of Research

Beata Tarczydło

AGH University of Science and Technology, Faculty of Management

beata.tarczydlo@poczta.fm

Abstract

The progressing digitisation, technical and technological development, new functionalities of the Internet and hyper-medial environment shape stakeholders', i.e. also customers' behaviour. Entrepreneurs, while seeking to grow up to such conditions, feel obliged to undertake holistic marketing activities.

At the heart of the process, there should stay digital (i.e. mobile) purchasers, equipped with the devices such as smart phone, tablet, etc. Now the questions arise: Who are these digital purchasers? What are their needs, preferences, tastes, likes, and habits? and What direction should the effective marketing activities take to target such purchasers?

The article aims at outlining the results of the studies of digital purchasers' behaviour, and identifying the directions of the marketing activities expected by them.

The analysis evolves around the following assumption: in the age of digitisation and mobile technology, the performance of effective marketing activities is determined by knowledge of behaviour of the market game players (stakeholders), including the purchasers, and keeping up with their expectations and habits.

Starting from the definition of a digital consumer, the methodology and results of the conducted research are discussed. As it turned out, the studied Polish purchasers (equipped with digital devices) adopt different habits; not only they communicate, but in practice they continuously remain on-line. The digital devices they have are used for communication with friends, for browsing for information, for dealing with personal matters, and for entertainment. The most important features of the digital purchaser include: courage, self-awareness and the awareness of own needs, and keen interest in innovation.

The article proposes recommendations for entrepreneurs who are interested in conducting effective marketing activities targeted at digital purchasers. In the current market conditions, the attention should be primarily focussed on creation of relevant experiences, stirring emotions, involving the stakeholders, providing entertainment, facilitating life, by means of, among other, offering new services and free applications for mobile devices.

Keywords: digital consumer, conditionalities of marketing activities, research of Polish digital purchasers' behaviour.

JEL classification: M31.

1. Introduction

This article is focussed on the behaviour of Polish shoppers using mobile devices equipped with access to the Internet and its multiple resources and functionalities. The article aims at outlining the results of the studies of digital shoppers behaviours, and identifying the directions of the marketing activities expected by them.

To find the response to the question of how the Polish digital shopper behaves and what are his/her habits, secondary research has been carried out on the available reports related to this subject, as well as the primary research. The research work has also been oriented at defining the effective marketing activities targeting the Polish digital shopper, as well as their scope.

2. Polish digital purchaser – behavior and profile

The digital (mobile) purchaser/shopper has been defined as the person who uses mobile devices, such as a smartphone, tablet, smartwatch, etc. (comp.: Persaud, Azhar, 2012, p. 420). A related notion is the one of e-consumer (comp.: Dejnaka, 2013, p. 15), who uses Internet both for decision making and for the purchase, in other words he/she cannot complete the actions without Internet access, though he/she may use any device, both stationary and mobile.

The Polish digital shopper usually stays connected, partly by his/her own choice but also due to technical reasons (no possibility to remove the battery). The devices under consideration provide wide functional and not only communication opportunities (see more in: Neves-Silva, Tsihrintzis, Uskov, 2014). Thanks to them, people may efficiently communicate and perform various daily activities, including purchases. Generally, life is better, more interesting and more comfortable with such mobile products, both in real and the virtual world. It should be remembered, however, that staying online facilitates collecting,

processing and analysing a wide scope of information related to the behaviour of Polish Internet users. It is possible to observe the development of content marketing, i.e. high quality content marketing. Sadly, a negative phenomenon is observed too, and even surveillance and effective influencing the decision-making processes and behaviour of the Polish digital customer.

Consumer behaviour is defined as a consistent set of reactions (activities) related to making choices in the process of satisfying the customers' needs in a specific social, cultural, and economic circumstances of the Polish market. Thus, the Polish digital shopper behaviour can be defined as a set of activities related to procuring, using, and disposing of products, including the decisions which precede and condition these activities performed by means of mobile devices, taking into consideration the specific features of the Polish market (notwithstanding the fact that Internet does not, directly, take account of the specific features of the Polish users).

Finally, the behaviours of Polish digital shoppers are defined as observable, explainable by means of psychological parameters models of behaviour of individuals as consumers, especially in the context of decisions related to buying and using of specific products, as well as their opinions on these products. The buying behaviour of the Polish customers is influenced by many factors. Most of all these are demographic, personal, psycho-physical (perception, motivation, education), social (social and family roles, social layer and group, personal culture), and legal features, economic situation, marketing stimuli (tools, methods and procedures), but also the mobile devices which are used and the access to the Internet.

Since the consumer behaviour is preceded by the sequential process of information processing taking place in the consumer's mind, what is it which leads/contributes to the decision. In the current market conditions we can observe a multitude of marketing stimuli, but also the quest for comfort of the Polish digital customers who aim at simplifying life and all the decision-making processes, including the ones which accompany purchases.

When a mobile device is used, its functionalities, Internet access, and e.g. the downloaded mobile applications limit the rationality of behaviour to a considerable degree. To a lesser degree, an analysis of potentially accessible offers takes place; the Polish digital shopper, though seemingly advanced, in reality is subject to an impact of a set of functionalities. Now a question arises: do the benefits outweigh the lost opportunities?

Polish digital shoppers now perform a considerable part of their activities in a virtual reality, making use of the selected Internet resources, becoming members of brand societies, getting involved in the social media and Internet fora, setting up and writing blogs, and doing shopping online. Due to their skill to filter information efficiently and navigate among the channels providing it, they become more and more conscious, critical, and independent. Moreover, factors such as ever-emerging Internet functionalities and resources
(e.g. development of social media, knowledge bases, services expected by the internauts), development of Internet marketing techniques, and the upgrades and mobile applications offered by the providers, visibly increase the human capacities and the functionality of the device.

Polish digital shoppers use the web daily to search for information resources useful in their education and work, as well as for the purposes of entertainment, spanning for example music, watching videos, playing computer games or getting in touch with others; they particularly appreciate low prices on the Internet and uninterrupted access to the offer (see Jaciow, Wolny, Stolecka-Makowska, 2013, p. 159). Mobile devices may have a function of a cash holder, a camera, a time- and task-organiser, and many other.

In the light of the available information, modern shopper is a person responding to sensory perceptions, creating his/her own subjective worlds of experience and observations, susceptible to various stimuli, additional attractions, including various neurotechniques. What is important, modern customer not only makes purchases, but also he/she experiences emotions and therefore the set of values is shaped by numerous factors. It is claimed that as much as 95% of human processes and behaviour take place subconsciously (Zaltman, 2003, p. 5). Whereas subconsciousness constitutes thinking processes which are inaccessible to conscious mind but they influence evaluations, feelings, and behaviours as a specific type of "shortcut" to assessment of the environment, its interpretation, and quick initiation of the given purchase.

In pursuit of the best understanding of the Polish digital shopper, it is worth trying to face the challenge of his/her description.

The assumption is that the profile of the object of observation – i.e. the Polish digital shopper – is formed by a list of his/her features. The Polish digital consumer, who not only makes decisions and buys goods and services online, strives to personalise everything (express his/her individuality by unique products) and to create something special on his/her own (comp.: Dhir, 2004, p. 87). The features attributed to the studied object include courage, self-consciousness and awareness of own needs, pursuit of novelties, but also high expectations and simplification of decisions (and Persaud, Azhar, 2012, pp. 418–443). Moreover, he/she is focussed on information, knows well how to obtain and analyse it, constantly interacts with other members of virtual social groups, and recommends and co-creates the content available online (Dejnaka, 2013, p. 17).

On the basis of the available studies, further characteristic features of the Polish mobile consumer which create his/her profile are described as the willingness to get involved in various actions and the quest for emotional experience (see more in: Sznajder, 2014, p. 13–25; Królewski, Sala, 2014, pp. 12–31), and pursuit and creation of a unique way of life related to the desire to satisfy the needs and conform to the e-customs (see more in: Fisk, 2014 and Mróz, 2013).

Summing up, the Polish digital shopper is strongly attached to his/her mobile device and finds it difficult to function without it. When any challenge emerges, first of all he/she refers him/herself to the online resources (see more in: Doligalski, 2013). He/she values highly the opinion/attitude of other internauts, and readily interacts and gets involved in the marketing activities of the providers.

Understanding the Polish digital shopper offers a basis for an attempt to indicate the directions of the efficient marketing activities which should be undertaken by the entrepreneurs.

3. Characteristics of the conducted research

Own qualitative research was aimed at verifying how the possession of mobile devices and access to the Internet influence the behaviour of Polish digital shoppers and the marketing activities required by them.

The research was exploratory in nature and was performed in March and April 2016. It covered the 2nd year undergraduate full-time and part-time programme students of the Faculty of Management of the AGH University of Science and Technology in Krakow, Poland. All the participants confirmed having a mobile device, at least a mobile phone[7], and in case of some of them, more than one, most often a tablet.

During the research carried out[8], the following problems were analysed:

— Does the access to mobile devices and the Internet influence the behaviour of the shoppers covered by the research, and in what way?

— What are the purposes for which the users apply their mobile devices?

— Are the participants of the research aware of the marketing influences on their behaviour?

— Which marketing activities/tools attract their attention?

— Can the participants point out to various marketing activities used by the sellers at the specific stages of the buyer's decision-making process? To what extent are these activities digitalised?

— What place do the e-marketing activities and other marketing concepts occupy in the sellers' efforts?

— Do the respondents buy online or offline and what does it depend on?

— Do they always look for information in the Internet? Where and in what resources?

— What conclusions have the students formulated, what lessons have they drawn from the analysis of the decision-making process encompassing marketing tools, methodologies, and procedures?

---

[7] The commonly used term "mobile phones" should be understood as mobile devices used for the purpose of communication, although at present they include smartphones, tablets, etc. with multiple use.

[8] The research was of preliminary (pilot) nature. It aimed at specifying the problems for the intended research, as well as testing and improving the research tools. Due to the need to remain concise, this article discusses only selected problems from the rich research material collected.

— What are the trends/directions of the modern marketing activities for the Polish digital shoppers?

The following methodologies have been used in the qualitative research: group interview (three sessions), auditorium questionnaire (in two groups of full-time and part-time students), participant observation in selected shopping situations (buying a smartphone, laptop, car, shoes, cosmetics, trousers, opening a bank account, and renting a flat). A study written by the students – entitled *Analysis of one's own decision-making process including buying of a specific product, and indicating as well as evaluating the marketing activities of the sellers* – also proved to be an important source of information. The results of research may have been shaped by the higher awareness of the participants since the research were carried out after the students had attended the classes on modern shoppers behaviour and marketing methods to influence it.

In total, 163 persons participated in the research, with 131 valid questionnaires received in the auditorium questionnaire, of which 83 from students of the full-time programme and 48 from students of the part-time programme. In the descriptive method on the decision-making and buying process 97 valid studies were received.

The Polish digital customer participating in the research (an AGH Faculty of Management student) is a sensible person who carries out his/her activities in the form of a decision-making process. The decision-making processes which were described lasted from two weeks to two months. The respondent does not make any decision related to the choice and purchase unless he/she has an access to the Internet, he/she has acquainted him/herself with the opinions of other users, he/she knows and is able to identify valuable information (e.g. price comparison websites, industry portals, etc.). Almost all the participants of the research at first look for opinions online, then they consult friends, take into consideration the opinion of the industry experts, opinion leaders or bloggers, rarely their parents/next of kin. They have practical knowledge of marketing, its tools, methodologies, and procedures, which made it possible to indicate the direction of the marketing activities expected by them. The participants are reluctant to formulate conclusions for potential managers, from their point of view they prefer the client. Majority of the respondents notice benefits arising from the conducted analysis: they have realised that the sellers exert influence over the decision-making process in a multitude of ways. The respondents particularly enjoy the benefits obtained, i.e. a better price offered by a different seller, a discount voucher, a price reduction for subsequent shopping after expressing their opinion online.

Taking into consideration the indicated marketing activities of the sellers and the varied level of knowledge of modern marketing activities, the participants of the research should be divided into laymen, those who are acquainted, and the professionals. However, a doubt arises whether they do not possess a sufficient knowledge, or if they were unwilling to make an intellectual effort. Before the beginning of the task, it was pointed out that it aimed primarily at indicating efficient ways of exerting marketing influence. Finally, while describing *ex post* one's own decision-making process, it is possible to list the remembered techniques, but there were many other stimuli (conscious and subconscious ones) experienced in the specific situational context which is impossible to be fully reconstructed.

4. Effectiveness and directions of the marketing activities expected by the respondents

It is considered that the efficient marketing activities are the marketing tools, methodologies, and procedures which are adapted to the expectations of the digital shoppers, which lead to execution of the goals established by their author in the real market conditions (based on: Govindarajan, 2007; Jyoti, 2010). The effectiveness of the marketing activities is determined *inter alia* by: a strong competition between market players; specific expectations of the customers and other stakeholders; technical and technological progress; and the development of the resources and functionalities of the Internet. It is difficult to identify the effective marketing tools, methods, and procedures, since each time it is necessary to show professionalism, flexibility, and creativity in their choice.

Understanding the behaviours of the Polish digital shoppers and knowledge of the mechanism of their influencing proves to be of key importance for improving effectiveness of the sellers' marketing activities. Individual and institutional shoppers buy products for the purposes of consumption, as well as for the purposes of using, processing, and reselling them, and it is particularly important to build proper

relations with them (see more in: Kotler i Keller 2013, pp. 134–165).

General marketing activities are aimed at the target recipients to motivate them, in a skilful way, to make an optimal set of values (utility of the form, time, and place and possession). In the modern market conditions, the activities are also aimed at exerting a skilful influence over the human central nervous system (in particular the brain and its processes, both conscious and subconscious), in order to provide satisfaction, but also stimulate to choose a specific market offer.

Among the marketing activities which are expected and appreciated by the Polish digital shoppers participating in the research, we can identify:

— all the resources in the format compatible with mobile devices
— professional positioning of the company/brand resources adapted to the browsers
— careful communication of the high-value content
— social media profiles, especially the FB
— placement in social media, industrial fora and blogs, as well as other web locations (videos, photos, content, advertisement, sponsored texts, etc.)
— involving the internauts, and especially the customers in various initiatives
— enabling and stimulating the interaction (commenting, making available, liking, participating in competitions, etc.)
— advertisements in browsers, e.g. Google
— providing satisfaction by means of various discounts, vouchers, awards, accessories, etc.
— word of mouth marketing in thematic Internet fora and by means of social media, involving active internauts (including the customers) and their friends and the friends of their friends, etc.
— creating social groups for the brand of a market object (a person, producer, seller, product, initiative, etc.)
— providing entertainment
— creating experience related to a brand which enhance the link with it
— matching the demand for the offers responding to the important problems of life
— possibility to pay by phone
— facilitating various life activities (learning, work, contacts with other people, taking care of one's health and physical fitness, entertainment, journeys, time management, shopping, meeting social needs, etc.)
— and many other activities, depending on the means and creativity.

Table 1 shows directions of modern marketing activities expected by the digital shoppers covered by the research.

Conclusions and recommendations based on respondents' opinions	Marketing tendencies/concepts
The aim: widespread marketing activities carried out online to support the market offer/brand. The participants of the research expect to find the product they look for in the online information services and to be able to view the profiles in the social media. It is important that the content related to the product should be valuable, proper positioning counts. The stress is put on involvement of the internauts, skilful fitting of the brand into daily life, building links due to creating opportunities for personal meetings, expanding the brand social group, and many other (competitions, fora, campaigns, charity and social actions, etc.). Material related to the product, e.g. videos, photos, notes are available online. An active cooperation with those who are interested should be maintained. Value/specific benefit for the stakeholders is important. Special benefits, additions, offers or individual approach are particularly appreciated.	online partner relation, value marketing
It is necessary to use sensory stimuli for the benefit of modern products. Sensory marketing consists in exerting impact on human senses controlled by the brain right hemisphere. Sensory marketing strategy aims at using: sensors (image, sound, touch, etc.) and experience (audio, visual, tactile, etc.). Generally, it is aimed at exerting influence on the shopper's emotional state, i.e. pleasure (=well-being) and activation – identified with the feeling of interest and excitement. Under the influence of neuromarketing stimuli (for example: images, shapes, colours, light, furnishings, music, accessories, scents, temperature, etc.) it is possible to direct the influence over the human	sensory marketing, neuromarketing

consciousness and subconsciousness, which shapes the individual's decision making processes and behaviour.	
An important area of modern marketing efforts to support the market object (a product, brand, organisation, etc.) is the creation of personal experience and not the indirect communication forms. Most often, implemented measures should appeal to the addressee by attracting his/her attention, interest, desire for use and active participation. Gained experience or perceptions should influence emotions, move, raise feelings, but also provide rational arguments, and in consequence generate, in a sense, a quantifiable response to the efforts related with the brand/product (e.g. by means of well-designed actions, events, etc.).	experiential marketing
Modern market players get socially involved in order to achieve their goals and do some good in the process. The respondents are more inclined to choose products which are socially responsible as this is trendy and generates quantifiable benefits, such as a higher level of acceptance. Contributing to the social good without realising own benefits and just aiming at changing the societal behaviour is even more appreciated. The respondents take notice of the social campaigns and assess them positively.	socially responsible marketing and social marketing
In keeping with the holistic approach, activities aimed at supporting the market object (a product, brand, organisation, etc.) should be integrated and carried out both in the real and the virtual world (see more in: Tarczydło, 2014, p. 247–257). Generally, the set of activities targeting the stakeholder should be taken into consideration, which is related to the fact that he/she reacts on the psychical, physical, and spiritual level at the same time.	holistic marketing

Table 1. Effective marketing activities in the opinion of Polish digital shoppers
Source: Own work on the basis of the conducted research.

Conclusion

Considering the advancing digitalisation, even the best marketing activities may turn out to be ineffective, if the stakeholder is not subject to their influence in a correct way. In the light of the results obtained, a customer who uses mobile devices expects: a proper communication by means of social media, promotional actions, internet competitions, discount vouchers, integrated loyalty programmes (e.g. when buying fuel it is possible to get a discount in a clothing store), involvement in the sellers' marketing activities, facilitating life (adapting the offer to important problems, such as ready gifts for various occasions), facilitating the choice (opinions on the fora, bloggers' comments, various price ranges and the offer which creates a choice), provision of entertainment, availability of mobile applications which are useful in daily and business activities, advancement in the marketing communication, i.e. attractive and integrated activities leading to the 360 degrees strategy.

The conducted primary and secondary research lead to the conclusion that the following activities play a particular role in influencing the behaviour of digital shoppers: Internet marketing, experiential marketing, neuromarketing, socially involved and social marketing, and holistic marketing.

References:

DEJNAKA, A. 2013. Proces podejmowania decyzji zakupowych przez e-konsumentów w kontekście mediów społecznościowych. Warszawa: CeDeWu.pl.

DHIR, A. 2004. The Digital consumer technology handbook. A comprehensive guide to devices, standards, future directions and programmable logic solutions. Burlington: Xilinx Inc.

DOLIGALSKI, T. 2013. Internet w zarządzaniu wartością klienta. Warszawa: Oficyna Wydawnicza.

FISK, P. 2014. Geniusz konsumenta. Prowadzenie firmy skoncentruj na oczekiwaniach nabywcy. Warszawa: Oficyna a Wolters Kluwer business.

GOVINDARAJAN, M. 2007. Marketing management. Concepts, cases, challenges and trends. 2nd Ed., New Delhi: Prentice-Hall of India Private Limited.

JACIOW, M., WOLNY, R. & STOLECKA-MAKOWSKA, A. 2013. E-konsument w Europie. Komparatywna analiza zachowań. Gliwice: Wydawnictwo HELION.

JYOTI, A. 2010. Marketing management. New Delhi: Gennext Publication.

KOTLER, P. & KELLER, K. L. 2013. Marketing. Poznań: Dom Wydawniczy REBIS.

KRÓLEWSKI, J. & SALA, P. (red.). 2014. E-marketing. Współczesne trendy. Pakiet startowy. Warszawa: Wydawnictwo Naukowe PWN.

MRÓZ, B. 2013. Konsument w globalnej gospodarce. Trzy perspektywy. Warszawa: Wydawnictwo SGH.

NEVES-SILVA, R., TSIHRINTZIS, G. A. & USKOV, V. (red.). 2014. Smart digital futures. Amsterdam:

IOS Press.

PERSAUD, A. & AZHAR, I. 2012. Innovative mobile marketing via smartphones: Are consumer ready? *Marketing Intelligence &amp*, Vol. 30, 418–443.

SZNAJDER, A. 2014. Technologie mobilne w marketingu. Warszawa: Oficyna a Wolters Kluwer business.

TARCZYDŁO, B. 2014. Holistyczne zarządzanie marketingowe – wybrane aspekty. W: ROMANOWSKA M., J. CYGLER (red.), Granice zarządzania (s. 247–257). Warszawa: Oficyna Wydawnicza SGH.

ZALTMAN, G. 2003. Jak myślą klienci? Podróż w głąb umysłu rynku. Poznań: Wydawnictwo FORUM.

Blurring Lines – The Case for a Marketing Mind Set within the Third Sector

Janette Sheerman
Ulster University Business School
ja.sheerman@ulster.ac.uk
Nancy Brown
Ulster University Business School
n.brown@ulster.ac.uk

Abstract

Third sector organisations need to identify and grasp opportunities related to fund-raising, commercial trading activities, the acquisition of volunteers (including voluntary employees), collaboration with for-profit businesses, and so on, in order to compete with others in the marketplace (Cooney, 2011; Gainer & Padanyi, 2005; Macedo & Pinho, 2006). This study is a work in progress with the focus group being completed at the end of May.

This aim of the research is to evaluate the importance of marketing activity within Northern Ireland's third sector organisations (Charity, Community and Voluntary and Social Enterprise). The research population includes 75 third sector leaders who have completed and 50 are completing the Advanced Diploma in Sustainable Investment for the Third Sector (AdDipSITS). AdvDipSITS is a part-time Level 5 qualification developed by Ulster University Business School in partnership with Atlantic Philanthropy and Charity Bank. Leaders on this programme demonstrate their commitment to helping their organisations rise to new challenges.

This study investigates the:
- Marketing mind-set of third sector leaders
- Role and marketing needs of third sector organisations
- Perceptions of marketing in the third sector
- Strengths and weakness of existing marketing activities, and the
- Impact of AdvDipSITS Marketing module on marketing practice and mind-sets.

This research utilises a mixed-model methodology with an online survey and focus group. This allows for quantitative and qualitative data to be collected and analysed using both methods for analysis. Triangulation of results will be achieved by the mixed-method research, the literature review and from the research participants.

Key findings show that there is a lack of depth with understanding marketing and it is viewed as an operational in nature, with the focus on communication. The participants state that marketing is important and can support the sustainability of third sector organisations yet this is not reflective within the organisations themselves. There is a huge disconnect from what individuals recommend and transpires. Marketing lacks resources, strategic importance, board support, planning, measuring and is not being utilised to support sustainability.

Keywords: Marketing, Social Enterprise, Third Sector, Leadership, Business Development, Stakeholder engagement.

JEL classification: M31.

1 Introduction

Ulster University Business School's Business Institute uses innovative research-informed teaching to support knowledge transfer to enhance sector growth. Growing the marketing capabilities of third sector organisations resonates strongly with the Business Institute remit. This research explores the marketing mind-set of senior leaders in third sector organisations. Leader participation in formal learning opportunities demonstrates commitment to developing their organisation. Likewise dissemination of newly-acquired marketing skills acts as a support to staff enhancing the organisation's capability to engage with the new and emerging realities.

The research is designed to investigate the:
- Marketing mind-set of leaders
- Role and marketing needs of third sector organisations
- Marketing perceptions held
- Strengths and weaknesses of existing marketing activities, and the
- Impact of the AdvDipSITS marketing module on marketing practice and mind-set.

The third sector in Northern Ireland has changed significantly over the last number of years. Drivers for change have included the challenging funding environment, the introduction of charity

regulation in Northern Ireland and the emphasis on more collaborative working.

It is widely recognized (Bruce, 2013; Lee and Kotler, 2011; Kotler and Zaltman, 1971; Lindsay and Murphy, 1996) that Kotler and Levy's (1969) conceptual paper on 'Broadening the Concept of Marketing' is the first academic work that questions if marketing could apply to non-profit organisations. The article challenged the beliefs of other academics that marketing was primarily a discipline of profit making organisations. In particular the authors identified the concept that "all organisations are formed to service the interest of particular groups". Critically no organisation can avoid 'marketing' if it is to remain customer orientated.

Kotler and Murray (1975) argue that marketing should be a function for non-profits and that many are doing it anyway albeit not in a strategic or integrated way. They raise the ethics of marketing as a barrier to non-profits taking up marketing practices. 'Traditional' marketing perception meant non-profits did not want to be seen to be associated with it.

In a time of austerity, where funding continues to decrease, there is an important debate on the role of marketing and how it can contribute to sustainable growth within the sector. This is particularly important for organisations at different stages in their development. It is important to recognise that not all third sector organisations have the capacity or expertise to embrace the role of marketing, possibly due to the size and nature of the organisation.

In order to compete in the marketplace third sector organisations need to identify and grasp opportunities-related marketing, fund-raising, commercial trading activities, the acquisition of volunteers (including voluntary employees), collaboration with for-profit businesses, and so on, (Cooney, 2011; Gainer & Padanyi, 2005; Macedo & Pinho, 2006).

2   The profile of the third sector in Northern Ireland

The third sector generally comprises organisation offering a range of services and activities which stand outside, but not apart from, the traditional groupings of public and private sectors. Price Waterhouse Coopers (PWC) was commissioned by the Department of Enterprise, Trade and Investment (DETI) and the Department for Social Development (DSD) to examine the size, structure and contribution of the 'third sector' to the economy in Northern Ireland. PWC defined the '*third sector' as:*

"A range of institutions which occupy the space between the state and the private sector. These include small community and voluntary groups, registered charities both large and small, foundations, trusts and the growing number of social enterprises and cooperatives" (Hopkins, 2010, p.9)

The Office for the Third Sector, established in 2006, defines third sector organisations as:

"Non-governmental organisations that are value driven and which principally invest their surpluses to further social, environmental and cultural objectives" http://www.cabinetoffice.gov.uk/third_sector.aspx

There is no agreed definition of the third sector according to NICVA (2012). However, there are certain criteria that can be applied to all third sector organisations. These criteria are: formality, independence, non-profit distribution, self-governance, voluntarism, and private benefit versus public benefit. In terms of commercial viability, third sector organisations tend to be more reliant upon government/non-commercial funding. The third sector in Northern Ireland is diverse and rooted in the community with the delivery of services driven by social benefit. The type and scale of organisations differ significantly, ranging from small grant funded community groups and groups of volunteers to sophisticated large scale social enterprises and charities operating and trading as successful not-for-profit businesses.

The sector plays an important role in Northern Ireland in economic, social and environmental terms, providing direct employment and assistance in economic development to many local communities. It connects with and works in all parts of the community, particularly in those areas that cannot be easily reached by the public and private sector. It also provides the opportunity for local people to make a difference in their communities by volunteering.

Research by the Department of Enterprise, Trade and Investment and the Department for Social

Development (2013) reported that in 2012 there were 3,821 third sector organisations in Northern Ireland (see Table 1), 473 were social enterprises and 3,348 were community or voluntary organisations.

Third sector	
No of organisations	3,821
Number employed	29,784
Turnover (£ million)	1,217.7
Number of volunteers	46,674

Table 1 –Estimated size of the third sector in Northern Ireland
Source: PWC Survey, PWC Calculations, NICVA (2012)

Third sector organisations employed just fewer than 30,000 people, excluding volunteers, equivalent to around 4% of the economically active in Northern Ireland. For the same period the public sector employed around 210,000 people and 510,930 were engaged by the private sector (NICVA, 2015). The three main goals for third sector organisations were identified as enhancing communities, helping people into employment and improving the environment. DETI's Employment Survey (2015) further identifies community development as the largest single purpose of third sector organisations (22%) with education and training the next largest 'other'/secondary purpose, followed by community development and advice/advocacy and information services (NICVA, 2015).

3 Marketing and the Third Sector

Marketing is arguably a core function of third sector organisations. Every organisation has a purpose they are trying to achieve which needs to attract sufficient resources to convert into products, services and ideas and to then distribute the outputs (Kotler and Murray, 1975). More recently, in response to an increasingly competitive environment, non-profit organisations have adopted more business-like techniques (Goerke, 2003).

Kotler and Levy's (1969) paper was the first academic piece to explore the fit between marketing and non-profit organisations. Non-profit organisations are involved in marketing, subconsciously or otherwise (Kotler and Murray, 1975). The question is about the thought and focus that goes into it and how strategic non-profit organisations are about marketing. Kotler and Murray (1975) argue that non-profit organisations should be interested in formal marketing principles to assist them to become more effective in achieving their strategy and objectives. Marketing enables charities to attract resources, customers, funders and stimulate employees. Marketing also has the intent to engage stakeholders and improve their satisfaction. Therefore, if marketing is not embraced the charity may not understand stakeholders' needs.

This may in turn lead to a poor reputation in the marketplace (Kotler and Murray, 1975). For non-profits to flourish they must be agile and adapt to evolving social needs. They need to be in tune with their markets and stakeholders so they can allocate resources to areas of high social need. This demands market analysis, planning and control (Kotler and Murray, 1975).

Third sector organisations need to be heavily involved in raising awareness of the work they do to not only attract funding but also to raise public recognition of social issues. Awareness raising is greatly enhanced by professional calibre marketing communication and advertising (Bennett and Savani, 2004). Ideally organisations should perceive marketing with strategic importance and employ talented marketing specialists (Bond, 1996; Cervi, 1996; Bennett and Gabriel, 1998).

Marketing does not always fit comfortably with not-for-profits "motivated primarily by values rather than by wealth creation or the phenomenon of power" (Lewis et al., 1997, p.279). Their focus is on helping stakeholders and some leading UK charities even have an "anti-marketing bias" (Burnett, 1986; Clutterbuck and Dearlove, 1996; and Bennett, 1998). This may stem from some diverse stakeholders believing emphatically that charities should devote all income to purely philanthropic activities as opposed to marketing. Competent marketing may not be viewed as relevant by individuals involved in a charity because they align with the values of the organisation or believe in what the organisation stands for (Cantano et al., 2001). Cantano et al (2001) posit that for volunteers, particularly those in leadership roles, who may be involved psychologically are more concerned about the philanthropic operations, not the

success of the marketing or how the external world views the organisation (Bennett and Savani, 2004).

For some organisations and senior level executives marketing may be seen as a detractor to the aims of the organisation and as a cost centre that drains resources that could be utilised to do further good work in the pursuit of their philanthropic objectives (Bennett and Savani, 2004). Another objection would be the assumption that one charitable organisation receiving funds is a false economy because it means that a successful campaign by one leads to another losing that charitable support (Bennett and Savani, 2004). High profile promotions may lead donors to believe that their money may be spent on further expensive marketing campaigns. O'Sullivan (1993) found that 40% of a sample of 1,312 people felt that charities "wasted money" on advertising. It is important to note that the UK press have attacked charities for having large fundraising to total expenditure ratios (Omisakin, 1997; Paton, 2002).

Conflict between marketing and other functions may also arise as charities are increasingly focusing on sustainability. For some the marketing function is viewed as a "cash cow" which finances the rest of the organisation but is not given the resources it requires (Barclay, 1991). Marketing requires resources including money, information and properly paid specialist personnel. At times this function is requesting these resources from unsympathetic senior executives who do not value the role of marketing or prioritise it (Bennett and Savani, 2004; Srivastava et al., 1998; Hudson, 1985).

There are numerous researchers (Kotler and Levy, 1969; Kotler and Zaltman, 1971 and Shapiro, 1974) who have supported the application of marketing to the third sector with a more systematic approach (Andreasen and Kotler, 2003; Dolnicar and Lazarevski, 2009). Marketing continues to be misunderstood by non-profits and social enterprises as a transactional process of promotion or selling, rather than one of building longer-term business-to-business and business-to-customer relationships that would contribute to their long-term sustainability (Powell and Osborne, 2015). Consequently, managers need to be encouraged to engage with the relevant body of services marketing practice to build on their unconscious understanding of the need to maintain relationships as the essential for sustainability (Powell and Osborne, 2015). Is it that leaders do not put emphasis and value on marketing or is it that they do not have the skill set or the mind-set to see the value of marketing and its pivotal role to the work of the organisation? Moreover, beyond the clash of social and economic conceptions, Powell and Osborne (2015) found that often many social enterprise leaders had limited actual experience of the application of private sector business skills and this limited their effectiveness. This may also be the case within leadership of non-profits. According to Akchin (2001), whilst some leaders feel marketing is essential there are still non-profits that are not taking a comprehensive approach to marketing. Benson (1975) on resource-dependency theory and Williamson (1985) on transaction cost analysis, identify new levels of complexity to relationships that are perhaps beyond the scope and competences of traditional transactional models of marketing and which, it is argued here, is highly relevant to the practice of marketing in the third Sector. As evidenced in the literature review the relationship between marketing and third sector has changed due to the competitive nature of funding and the macro environment. Third sector organisations must realise the role and importance of marketing and utilise it as a platform for engaging with stakeholders and achieving competitive advantage.

4 Methodology

The organisations and leaders selected for this study will be current and past participants of the part-time Level 5 Advanced Diploma in Sustainable Investment for the Third Sector (AdDipSITS) developed by Ulster University Business School in partnership with Atlantic Philanthropy and Charity Bank. Approximately 75 third sector leaders have completed the programme, with 50 currently studying.

This research utilises a mixed-model methodology. This allows for quantitative and qualitative data to be collected and analysed using both methods for analysis. Triangulation of results will be achieved by the mixed-method research, the literature review and from the research participants.

This approach is appropriate for several reasons. First the focus of this research is the exploration of the marketing mind-set of senior executives in the third sector and their demonstration of an explicit marketing orientation. Qualitative research is particularly adept at exploring real life settings and allows the researchers to discover differing perceptions of marketing. The approach adopted here is a grounded

theory approach (Glaser and Strauss, 1967) which allows the study to build theory inductively, starting from the ground upwards, rather than test hypothesised relationships.

5   Method

The research offers a first exploration of the marketing mind-set of third sector organisations and how marketing might contribute to their sustainability within a Northern Ireland context.

125 participants from cohorts of the Advanced Diploma in Sustainable Investment for the Third Sector were invited to participate in the research. They also have the potential mind-set and the ambition to learn new marketing skills to engage with the new realities that are emerging in the sector. This focus allowed the researchers to explore the congruity, or otherwise, between the marketing activity of these organisations and their explicit organisational purpose.

This approach also ensured a robust body of exploratory evidence allowing similarities and differences between the organisations to be highlighted. This dimension was critically important. While the third sector market is relatively mature, the role of marketing practices in their sustainability, is much less well established.

An online questionnaire consisting of 29 questions was sent to 125 senior third sector leaders. The aim of the questionnaire was to explore the marketing mind-set of the leaders, the role and marketing needs of third sector organisations, marketing perceptions/misconceptions held, and the strengths and weaknesses of existing marketing activities and to identify potential gaps.

Significantly respondents were mainly male and over the age of 44. With female respondents representing 40% of the sample. 67% were from the Charity sector with 13% from the social enterprise sector with 3% from community and 9% from voluntary. Organisations represented were evenly distributed across micro, small and medium sized organisations with only 9% from large organisations, which is reflective of Northern Ireland.

Focus groups will be conducted in May/June 2016 with 25 senior leaders from the Third sector who are students on the Advanced Diploma in Sustainable Investment for Third Sector but who have not completed the marketing module. The aim of the focus groups will be to explore in more depth their perceptions, opinions, beliefs, and attitudes towards the marketing mind-set in their organisation.

6   Research Findings

The response rate for the survey was encouraging at 32.5% (66 respondents) above the national average (10-15%) for external surveys (The Survey Unit, University of Nottingham). The majority of respondents ranged from those with minimal to extensive knowledge of marketing. Very few (5%) possessed extensive understanding with 36% (55 respondents) at the beginning of their survey, stating they had a good level of understanding of marketing.

The responses showed that 77% stated the person responsible for marketing is also involved in the organisation's strategy: 34% to some level and 43% to a great extent. 14% of the sample said that there was no one in the organisation responsible for marketing while more than half do not have a board member with significant marketing experience. 88% of the respondents stated that their staff were involved at some level in marketing the organisation. This reflects that third sector organisations view marketing as a communication activity rather than strategic to enhance competitive advantage (Powell and Osborne, 2015; Akchin, 2001).

87% of respondents stated that in their opinion marketing was extremely important (45%) or very important (42%). Again an interesting difference of opinion was identified and data shows that their organisation did not share this view. Only 13% reported that their organisation viewed marketing as extremely important. This is compounded by the fact that only 10 respondents (18%) stated that their organisation had a marketing-specific senior role, for example, Head or Director of Marketing. Data suggests that Communications Director (25%) and Fund Raising Manager (28%) were the most popular titles in third sector organisations given to individuals with marketing responsibilities.

A particular issue in this survey was whether third sector organisations adopted marketing as a holistic discipline across their entire organisation or whether they were more selective in its application.

49% of respondents agreed or strongly agreed with the notion of a holistic approach with 28% disagreeing or strongly disagreeing.

Respondents demonstrated a varied understanding of the role of marketing and its potential in the organisation. (21%) ranked communication as being the most important role for marketing. This suggests the notion that a large proportion of the leaders surveyed, viewed marketing as a communication activity only. Similarly, all but three respondents, did not recognise the benefit of focussing their marketing efforts to achieve competitive advantage.

Interestingly, the survey highlighted that 63% of the respondents did not see any tension between their social objectives and the business means (marketing) through which to achieve them. A significant difference of opinion was identified here (Table 2).

Yes	*9%*	6 respondents
No	63%	41 respondents
Somewhat	25%	16 respondents

Table 2: Q4. *Do you feel there is tension between marketing and the social aims of your organisation?*

34% of the respondents, however, had the opposite view stating that there was a tension and that the social aims should always take precedence. Their comments included the following statements:

"not wanting to appear too "business-like"

"the notion that a charitable purpose social enterprise would promote itself or its services to someone appears vulgar"

"we don't always see our members and beneficiaries as customers"

The data collected shows that for the majority of respondents (73%), decision making about the level of marketing expenditure is set at board level. 65% of respondents have little or no marketing budget even though the majority of those sampled view marketing as very important or extremely important. 84% (55 respondents) agreed that marketing can contribute significantly or greatly to the sustainability of the third sector which is not reflected in the setting of the level of organisation marketing budget or view of marketing importance. At an individual level marketing is given significance but at an organisational level it is not deemed strategically important. However there is potential for increased budgets in the future according to participants with 43% reporting a possible increase in marketing expenditure. Further evidence of the lack of strategic importance of marketing is that 60% of those sampled do not have a marketing plan, 90% reported little or no measurement of marketing activities and 84% agreed that there was insufficient resources for marketing.

7   Conclusions and recommendations

This research been based on exploratory research and has explored the marketing mind-set of senior leaders operating in the third sector of Northern Ireland and its contribution to the sustainability of their organisations.

As such, results have to be treated as indicative, rather than definitive. However, the findings are significant and require further research to validate them, as the implications are important. Three major conclusions are important and discussed below along with recommendations:

1.   There is a significant lack of understanding and knowledge with genuine marketing theory and practice indicating that there is little or no strategic importance and resource given to marketing practice within the organisations of senior leaders who participated in the research. It suggests that this lack of understanding and engagement with marketing as a holistic approach is widespread and threatens the long-term sustainability of third sector organisations in Northern Ireland.

2. There is also a serious lack of resource for marketing. Whilst the majority of the sample surveyed highlighted the importance this was not found to consistent at an organisational level. Most organisations have little or no marketing budget and there was no strategic planning of marketing. There was also lack of any type of planning and there was limited measuring of the marketing. Again this may support the lack of importance if it is not being planned for or measured therefore making it more of a transactional function. Marketing should be strategic, planned and measured in order to value it, leverage it and to view it as a tool for sustainability.

3. There is a misconception of the actual nature of marketing for third sector organisations. As suggested by the wider third sector marketing literature (Akchin, 2001; Kotler and Murray, 1975; Powell and Osborne, 2015) discussed earlier, marketing continues to be perceived to be associated with the communication or promotion of services, products or programmes rather than a strategic process to achieve competitive advantage and therefore sustainability. This research would support the notion that if marketing and its role was clearly understood by senior leaders and applied in its correct manner within the third sector it would have the potential to make significant contribution to their sustainability. It could build upon the "unconscious marketing" practised by some of the organisations in this research and increase its contribution to organisational performance. At present, marketing as a strategic and holistic process is not fully understood or applied by a significant proportion of the research sample, and this is undermining the sustainability of third sector organisations operating within the Northern Ireland context.

References

AKCHIN, D. 2001. Non-profit marketing: just how far has it come? *Non-profit World*, Jan/Feb, 19 (1), 33-35.

ANDREASEN, A. & KOTLER, P. 2003. *Strategic Marketing for Non-Profit Organizations*. Upper Saddle River, NJ: Prentice Hall.

BENSON, J. 1975, The interorganizational network as a Political economy, *Administrative Science Quarterly*, 20(2), 229-249.

BENNETT, R. 1998. Marketing orientation among small to medium sized UK charitable organisations: implications for fundraising performance, *Journal of Non-profit and Public Sector Marketing*, 6 (1), 31-45.

BENNETT, R. & GABRIEL, H. 1998. Direct marketing managers in UK charitableorganisations, *Journal of Non-profit and Voluntary Sector Marketing*, 3 (2), 160-72.

BENNETT, R & SAVANI, S. 2004. Managing conflict between marketing and other functions within charitable organisations. *The Leadership and Organizational Development Journal*, 25 (2), 180-199.

BOND, C. 1996. Special report on career development: charity begins with the market, Marketing, February, 12-13.

BRUCE, I. 2013, *Charity marketing: delivering income, campaigns and services*, ICSAPublishing, London, 4thed.

BURNETT, K. 1986. Advertising by Charities, *Directory of Social Change*, London.

CANTANO, V., POND, M. AND KELLOWAY, E. 2001. Exploring commitment and leadership in volunteer organisations, *Leadership & Organization Development Journal*, 22 (6), 256-63.

CERVI, B. 1996. Grow your own managers, *Third Sector*, 7 March, 14-15.

CLUTTERBUCK, D. & DEARLOVE, D. 1996. The Charity as a Business: Managing in the Public Sector, Directory of Social Change, London.

COONEY, K. 2011. An exploratory study of social purpose business models in the United States.' *Nonprofit and Voluntary Sector Quarterly*, 40 (1), 185–196.

DOLNICAR, S. & LAZAREVSKI, K. 2009. Marketing in non-profit organizations – an international perspective, *International Marketing Review*, 26 (3), 275-291.

GAINER, B. & PADANYI, P. 2005. The relationship between market-oriented activities and market-oriented culture: Implications for the development of market orientation in nonprofit service

organizations. *Journal of Business Research*, 58 (6), 854–862.

GOERKE, J. 2003. Taking the quantum leap: nonprofits are now in business. An Australian perspective, *Journal of Nonprofit and Voluntary Sector Marketing*, 8 (4), 317-27.

GLASER, B. & STRAUSS, A. 1967. *The Discovery of Grounded Theory*, Aldine Publishing Company, Hawthorne, New York, NY.

HOPKINS, L. 2010. *Mapping the third sector: A context for social leadership.* A Report Prepared for Clore Social Leadership Programme.

HUDSON, M. 1985, Managing without Profit: The Art of Managing Third Sector Organisations, Penguin, London.

KOTLER, P. & LEVY, S.J. 1969, Broadening the concept of marketing, *Journal of Marketing*, 33 (1), 10-15.

KOTLER, P. & MURRAY, M. 1975, Third sector management: The role of marketing. *Public Administration Review*, 30 (5), 467.

KOTLER, P. & ZALTMAN, G. (1971), 'Social marketing: an approach to planned social change', *Journal of Marketing*, 35 (3), 3-12.

LEE, N.R. & KOTLER, P. 2011. *Social marketing: influencing behaviors for good*, SAGE Publications, Thousand Oaks, CA, 4thed.

LEWIS, D., FRENCH, E. & STEANE, P. 1997. A culture of conflict. *Leadership & Organization Development Journal*, 18 (6), 275-82.

LINDSAY, G. & MURPHY, A. 1996. NSPCC: Marketing the "solution" not the "problem", *Journal of Marketing Management*, 12 (8), 707–718.

MACEDO, I.M. & PINHO, J.C. 2006. The relationship between resource dependence and market orientation: The specific case of non-profit organisations, *European Journal of Marketing*, 40(6), 533–553.

NICVA (2012), *State of the Sector VI.* Northern Ireland Council for Voluntary Action, Belfast.

O'SULLIVAN, T. 1993. Goodwill gestures, *Marketing Week*, 26 November, 17-21.

OMISAKIN, I. 1997. Value for money in the voluntary sector, *Management Accounting*, 75(3), 56-58.

POWELL, M. & OSBORNE, S. 2015. Can marketing contribute to sustainable social enterprise? *Social Enterprise Journal*, 11 (1), 24-46.

SHAPIRO, B.P. 1974. Marketing in non-profit organizations. *Journal of Voluntary Action Research*, 3 (3/4), 1-16.

SRIVASTAVA, R., SHERVANI, T. & FAHEY, L. 1998, Market-based assets and shareholder value: a framework for analysis, *Journal of Marketing*, 62 (1), 2-18.

WILLIAMSON, O. 1985. *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting*, Free Press, New York, NY.

Parametrization of the Personnel Function – Possibilities and Limitations

Beata Skowron - Mielnik
Poznań University of Economics and Business
beata.mielnik@ue.poznan.pl
Marcin Gołembski
Poznań University of Economics and Business
marcin.golembski@ue.poznan.pl
Grzegorz Wojtkowiak
Poznań University of Economics and Business
g.wojtkowiak@ue.poznan.pl

Abstract

The aim of this article is to define parametrization as a category facilitating diagnosis and development of HR processes, and to indicate the possibilities and limitations of its usage. The theoretical part of the article is based on literature; the empirical part presents the findings of original research – a survey. The research was conducted on a sample of 41 companies, and the research objective was to define the scope of application and directions of usage of various metrics in the delivery of the HR function. The results of analysis indicate that while there is a growing interest among companies in parametrization of HR functions/processes, its actual application is much lower.

Keywords: the personnel function, parametrization, human resources management.

JEL classification: M50, M51, M54.

1. Introduction

Globalization, increasingly turbulent economic environment and ever-growing competition have become permanent features of today's economic reality. This, together with a pressure exerted on enterprises by various stakeholders towards achieving a continuous long-term growth in value, makes the struggle to gain competitive advantage increasingly difficult, involving more and more aspects of the company functioning. Additionally, the global economic slowdown observed in recent years has had a major impact on the processes of company management, enforcing cost reduction, increased efficiency and process optimization in all functions of the enterprise. A key company function, which currently undergoes radical structural and organizational changes, is the personnel, or HR function. Among major concerns preoccupying personnel departments today, and one of the main reasons for the mentioned changes, are insufficient competences in communicating with other departments in the company's organizational structure. This is so because a large proportion of HR staff (including personnel managers) are not able to use the business language – a universally understood language of numbers (Król & Ludwiczyński, 2006). The company board expects verifiable answers regarding the return on assets and the effects of actions undertaken within the HR processes (Dziechciarz, 2011). Therefore, paraphrasing a statement attributed to Peter Drucker – "if you don't measure it, you can't manage it" (Drucker, 1999), a key challenge facing managers today is the problem of personnel function parametrization.

In view of the above, the aim of the present article is to show the importance of measuring the effects of processes implemented in the delivery of the personnel function in modern-day enterprises, and to identify possible application areas of selected metrics. The empirical part of the article presents the findings of a study in which the authors use secondary sources and results of their own studies conducted within a broader research project exploring the issues of the personnel function and workforce controlling[9].

2. Dysfunctions in the delivery of the personnel function in light of literature and company practices

To systematize terminology we must first define the key notion of this text, i.e. the notion of the personnel function. According to Antczak (2005) the personnel function deals with all activities connected with people functioning in an organization. It includes executive, advisory and regulatory activities,

---

[9] The methodology and the research sample are describes in the empirical part of the article.

although it has to be noted that in modern-day enterprises the division into regulatory and executive functions is much less defined, as the two functions become increasingly merged. In the HR theory and practice there are several synonymous terms used by various authors to describe processes, components and problems of a broadly construed personnel function, such as: personnel administration, personnel management, workforce management, human resources management, human potential management or human capital management (Antczak 2005).

Nowadays, in an effort to put the theory in order, it is accepted that the personnel "element" function of a company, i.e. the part of activities that are supportive of the company main activity ("the task function"), should not be equated with the personnel management function. This a view shared by Gableta (2003), who identifies the "element" personnel functions, such as workforce requirement planning, recruitment, selection, work induction, training and skills improvement, remunerations, and placement (Gableta 2003, p. 165).

We can, therefore, advance a thesis that the term "management" in reference to people in an organisation is a complex, multidimensional notion. These dimensions include (Piwowar-Sulej 2016, p.26):
- process dimension – identifying components and the logical order of activities directed at people and in connection with people;
- functional dimension – delivered through management functions. The specific management functions (planning, organizing, motivating, and controlling) intertwine with and superimpose on activities performed within the "element" personnel function. Identification and classification of these interrelations are still debated and therefore remain a question of convention;
- instrumental (tool) dimension – refers to the selection of appropriate instruments (methods, techniques, ways) of performing actions directed at company employees;
- institutional (actor) dimension – identifies actors engaged in the management, and their prerogatives.

The nature of the personnel function in a specific organization is influenced by many factors, such as company strategy, organizational structure and culture, and various relations among internal and external actors.

Referring to the definition presented above, in modern-day enterprises this is the internal relations that specifically provide a reason for change in the structure and organization of the personnel function (Mayo 2004). Research shows that even though both theorists and practitioners agree as to the role of human resources in gaining competitive advantage, they (practitioners in particular) hold a critical view of the personnel function delivery in terms of effects produced by HR departments. Literature review and analysis of numerous study reports suggest that the real expectations and needs of the business community are not satisfied by activities of personnel departments (Barometer HR, 2012). Literature studies have identified dysfunctions in the delivery of the personnel function based on a "traditional" centralized HR department. The following table present selected dysfunctions which, according to the article's authors, are the most significant.

| DYSFUNCTION	EFFECT
Line managers are not involved in the delivery of the personnel function tasks within individual business units	- responsibility for decisions and actions is diffused between the personnel department and line management - decision making process is lengthened - HR specialists have insufficient knowledge regarding the needs and problems of specific units due to lack of participation in task delivery processes
Routine HR processes and tasks are not standardized (automated) and delegated	- HR specialists do not focus on strategic issues that create value for the organization - high costs of the functioning of personnel departments

Performance of the personnel function is not measured	- HR activities are misunderstood and not accepted due to inability to measure their quantitative and qualitative effects - the relationship between productivity, competitiveness and investments in HR activities cannot be estimated

Table 1. Dysfunctions of the "traditional" personnel function model
Source: Authors own work based on: (Baron, Armstrong 2008);

Bearing in mind the aim of this article, noteworthy are the dysfunctions relating to not measuring (parametrizing) the personnel function. This deserves a closer look because the question of measurability of people-related processes in an organisation poses a major challenge for the modern-day HR management (Briggs 2011). Further, we may state that in this particular area there is a gap between activities performed within the personnel function and expectations of the business community. For this reason the HR function of today transforms into a function whose success increasingly depends on skilful data management. The HR task is not simply to report and provide data for the company board, but above all to enable the board to make conscious decisions, accurately forecast employee productivity and output, and plan workforce resources in an advanced manner. Observation of global trends suggests that modern-day enterprises show interest in parametrization of the personal function. A report based on global studies, published by the multinational advisory firm Deloitte appears to confirm this finding. The report shows that 78% of large companies (employing 10 000 people or more) believe that HR analytics is an urgent or important issue in the context of activities planned for the immediate future. Authors of the report believe that this is reason enough to place HR analytics among the three highly urgent issues facing companies today (Deloitte, Global Human Capital Trends 2014). However, at the same time it is apparent that despite growing awareness among managers the use of parametrization is still relatively rare (Diagram 1).

The fact that HR analytical capabilities were assessed as excellent only in 7.5% of the investigated firms leads to a conclusion that the gap between performance of the personnel function and real needs of the business is still large. After all it would appear that in modern-day enterprises data derived from measuring HR processes should be used in planning and improvement of employee productivity as common practice. But it turns out that almost 70% of the studied entities rate their capabilities in this area as low.
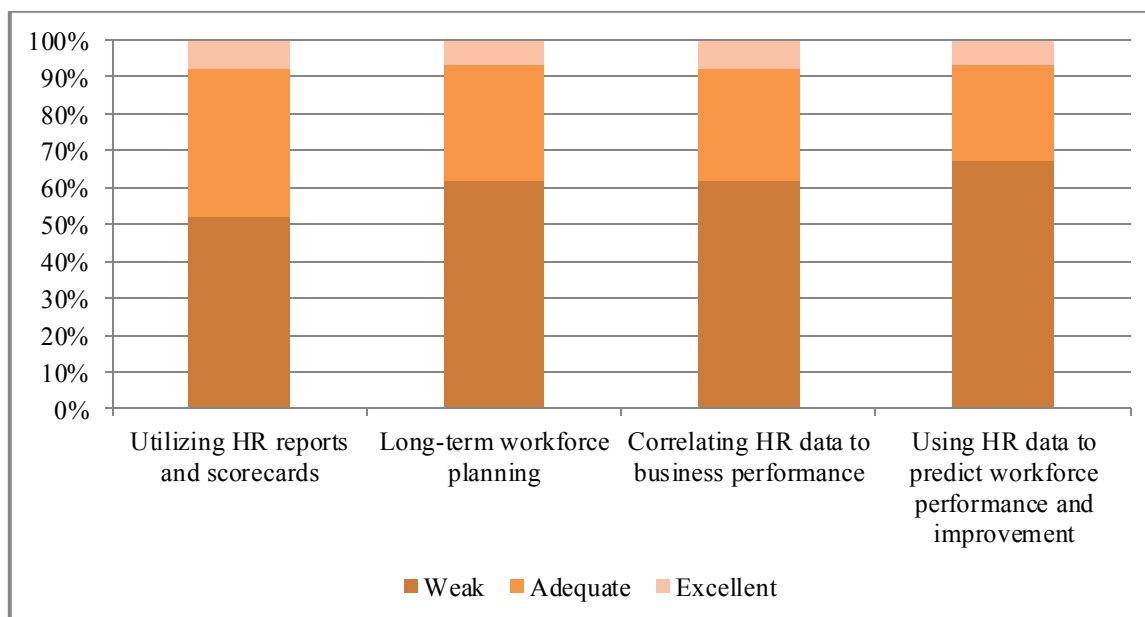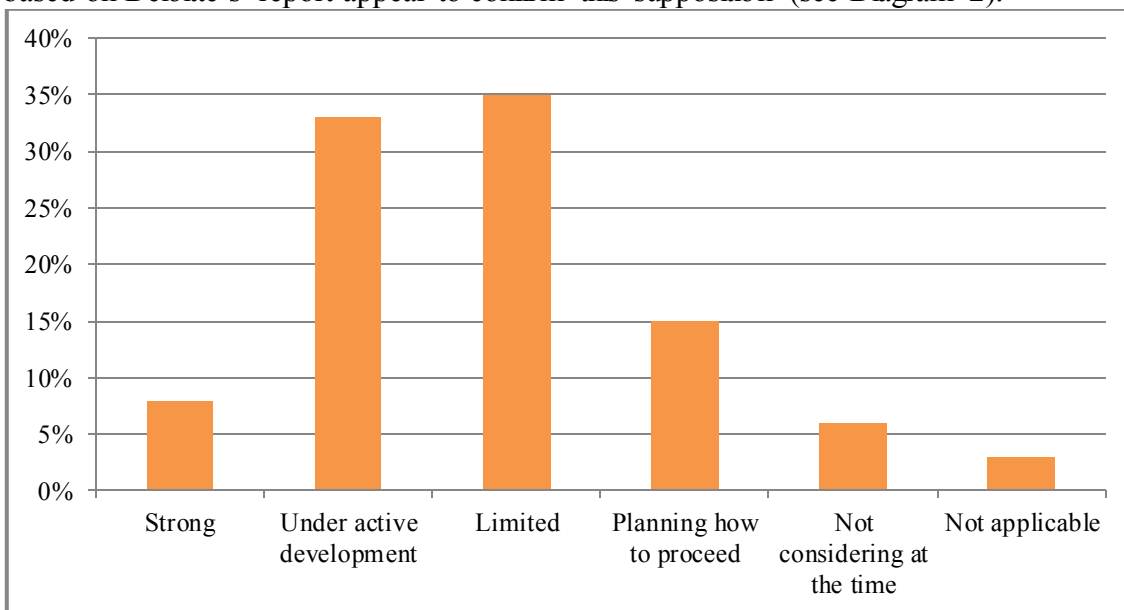

Diagram 1. HR analytical capabilities in the opinion of management
Source: Authors own work based on: (Deloitte, Global Human Capital Trends 2014)

Given that with such fundamental management problems the time interval between identifying a need and implementing (and consolidating) a required change is relatively long, without a doubt

transforming the qualitative approach to the design and delivery of the personal function into a more quantitative model can be regarded as one of the major issues facing contemporary management. The findings based on Deloitte's report appear to confirm this supposition (see Diagram 2).

Diagram 2. Current level of HR analytical capabilities
Source: Authors own work based on: (Deloitte, Global Human Capital Trends 2014)

A positive aspect of the HR analytical capabilities development seen in the diagram is the fact that these capabilities in 40% of the investigated firms are either in the phase of active development (33%) or are already strong (8%). It means that companies discern practical business benefits afforded by parametrization of the personal function. However, in the context of our discussion, valid remains the question as to what aspects of HR functions should be measured to achieve a synergy between delivery of the personnel function and competitive advantage.

3. Key problems and challenges of the personnel function parametrization

The considerations so far lead to a general conclusion that in contemporary enterprises there is a clear tendency on the part of personnel professionals to orientate HR processes towards a more pro-business approach. This, however, requires consistent implementation of a more measurable quantitative approach to a broadly understood management of human resources (Hennessy, McCartney 2008).

Such approach can largely be reduced to a question about what really (in the context of measures and data) is supposed to create value and who is the addressee? The answer is that nowadays with respect to the subjects and the object of HR measurements it is possible to find certain discriminants that can help identify the source of value creation (Bondarouk, Marsman, and Rekers 2014). If parametrization of HR processes were to provide a real support for management decisions, a distinction must be made between the so-called HR scorecard and the metrics used to measure people's performance in an organization.

▪ The HR scorecard is concerned with indicators measuring effectiveness and efficiency of the personnel function itself. In practice its use helps separate the indicators and statistics describing HR processes from measures and indicators relating to all employees.

▪ Metrics and indicators measuring people's performance comprise a set of tools aimed at monitoring employees in order to precisely evaluate their efficiency and effectiveness, to make workforce predictions and take decisions about possible changes.

With such approach, a confrontation of the results produced by personnel function parametrization with business performance can lead to right decisions and, consequently, to measurable improvements in various aspects of the company functioning (see Figure 1).

```
┌─────────────────────────────┐          ┌─────────────────────────────┐
│ Business Drivers            │          │ HR techniques               │
│                             │          │ Organizational design       │
│ Vision and strategy         │          │ Remuneration                │
│                             │          │ Resourcing                  │
│ Competitive positioning     │          │ Development                 │
│                             │          │ Systems & processes         │
│ Market conditions           │          │ Knowledge sharing           │
│                             │          │ Cultural development        │
│ Financial status            │          │                             │
└─────────────────────────────┘          └─────────────────────────────┘
```

Measurable increases in

Cost efficiency

Engagement or

```
┌─────────────────────────────┐          ┌─────────────────────────────┐
│ Employee impact on          │          │ HR impact on employees      │
│ Drivers                     │          │ Strategic HR plans          │
│ Speed to delivery           │          │ Project management          │
│ Customer service            │          │ Facilitation                │
│ Low cost                    │          │ Implementation              │
│ Knowledge & skills          │          │ Leadership                  │
│ Relationships               │          │ Change management           │
│ Use of technology           │          │ Communication               │
│ Operational efficiency      │          │                             │
└─────────────────────────────┘          └─────────────────────────────┘
```

Growth

Figure 1. Effects of combining measurable business knowledge with measurable HR knowledge
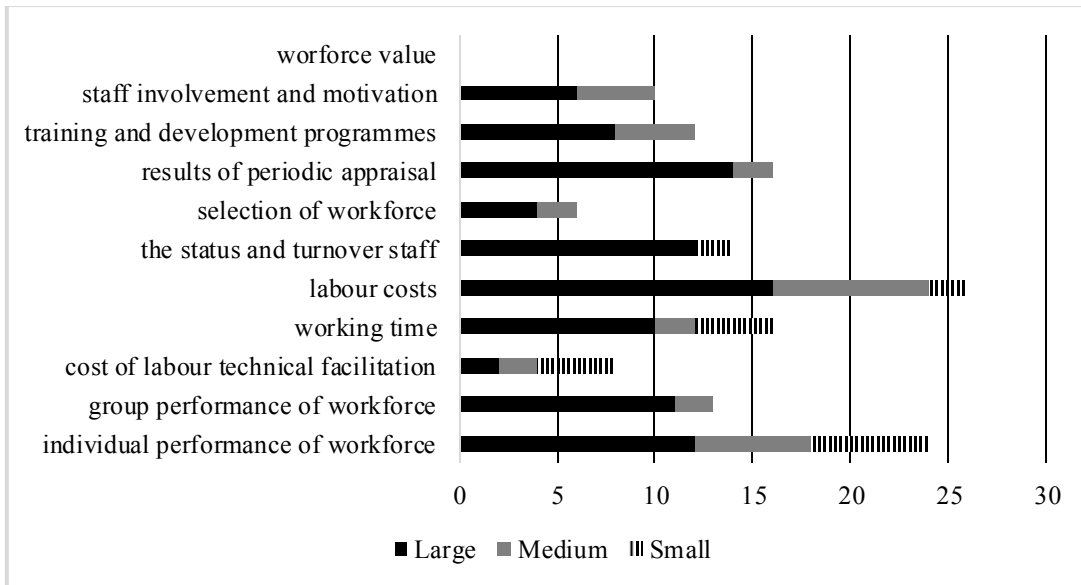Source: Authors own work based on: (Deloitte, Global Human Capital Trends 2014)

The above discussion of HR performance dysfunctions, key challenges relating to the issue of the HR function measurement, and impacts of such measurement on business decisions has so far provided a theoretical background, and its purpose was to illustrate and underline contemporary global trends in this area. Literature studies, however, always inspire empirical research. The next part of the article presents the results of studies conducted by the authors, in which a set of specific metrics were used in parametrization of the HR function. A discussion of application areas for these metrics is also provided.

4. The scope and areas of application of the personnel function parametrization in Polish companies in light of empirical studies

With reference to the issues discussed in the theoretical part of this article, the authors used literature studies and observation of business practices to identify possible metrics of HR processes delivery and potential decision areas that might facilitate improvement of business performance, depending on company size and the type of industry to which it belongs. On this basis a series of empirical studies was prepared, to begin in the year 2015. The aim was to examine how controlling instruments were used to make operational and strategic decisions. The studies focused on identifying the practices of using workforce metrics, and their role in the delivery of the personnel function. The studies, using personal interviews and a questionnaire, were conducted on a purposefully selected group of companies. In the first stage of the process a number of open (unstructured) interviews were conducted to narrow down the list of questions to finally prepare a detailed scope of the research. The respondents were company representatives (mid-level and senior managers) selected on the basis of respondent availability and credibility of responses. The respondent group structure is presented in table 1. Before proceeding to the questionnaire, the interviewers outlined to the respondents the aim of the study and explained the meaning of terms used in individual questions and proposed answers. It is assumed that the studies will be continued in the future to deepen and popularize the knowledge on workforce parametrization (Gołembski, Wojtkowiak 2015). For reasons of space limitation the empirical part presents only those partial results of the study that best correspond with the objective of this paper.

Firstly, the researchers proceeded to establish the type and scope of metrics employed in the

measuring of HR processes according to company size and represented industry (Diagrams 3, 4 and 5).

Diagram 3. Metrics used in HR parametrization by company size
Source: Authors own work based on original studies

The first and main finding of the study is the fact that HR parametrization finds the broadest application in large firms. In most cases this is a consequence of intensive international exchange on many levels. One of the benefits of such exchange is undoubtedly knowledge transfer and thus adoption of global management trends, including those relating to human resource management. This is reflected in the fact that the most readily used indicators include labour costs, periodic staff appraisal, and staff turnover. It must be assumed that this is a result of the scale of employment and high share of labour costs in company overall cost structure.
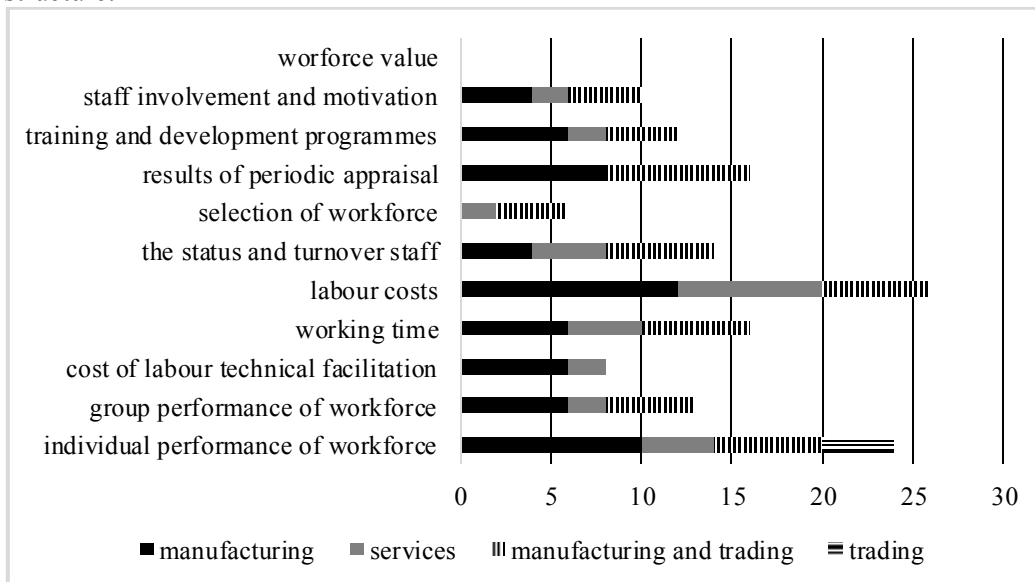
Diagram 4. Metrics used in HR parametrization by industry
Source: Authors own work based on original studies

The leading position of the manufacturing sector in HR processes measurement may seem rather surprising, given the prevailing opinion that the service industry leads the way in introducing management innovation (due to a change from manufacturing to services in the global economy). However, with respect to the types of indicators used, the breakdown by industry returns results similar to the breakdown by company size.

The research logic determined the next step in which the researchers attempted to establish where companies use the measurement results of human resources (Diagrams 5 and 6).
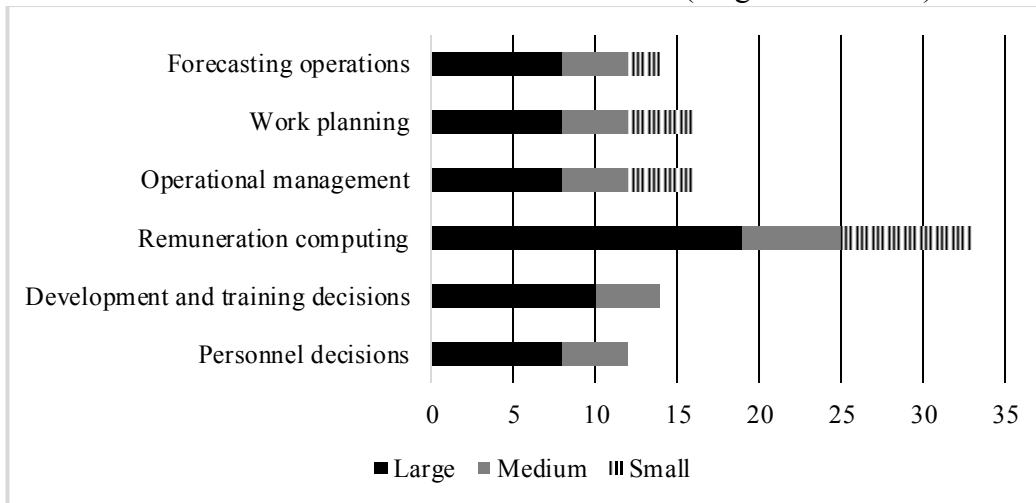
Diagram 5. Application areas of HR measurements by company size
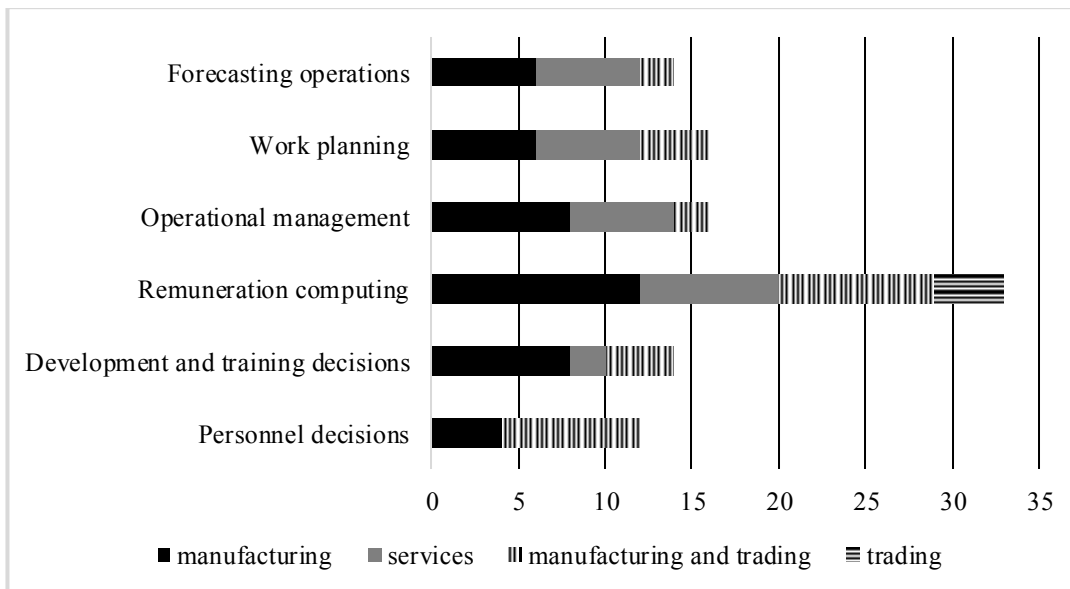Source: Authors own work based on original studies

Diagram 6. Application areas of HR measurements by industry
Source: Authors own work based on original studies

A closer examination of the areas where HR measurement results are used paints a rather disturbing picture, suggesting that most decisions made on the basis of such measurements are of administrative and operational nature. It is worth noting here that a true cause-effect relationship can be identified by correlating, for example, the measuring of labour costs with the area of application identified as remuneration computing. This application, however useful and needed, is not commonly associated with value creation or development. By contrast, HR measurement results are rarely used, for instance, in personnel decisions or decisions in the area of training and skill improvement. This can be observed by merely comparing the scores regarding the use of performance appraisal metrics and the scores regarding the application area identified as personnel decisions. A hypothesis can therefore by proposed that in many cases the measurement of HR processes is conducted without purpose and its analytical potential is wasted. This is a clear reason why studies of this issue should be continued.

5. Summary

While the strategic importance of human resources has been considered and debated for at least

thirty years now, solutions regarding the structure, organization and measurement of the personnel function only became to be described and utilized in American and West European firms relatively recently (Boselie, Paauwe 2005). In Poland, by contrast, the theory and practice of the personnel function parametrization aimed at optimization and company performance improvement is still insufficiently explored. This is evidenced by the results of pilot studies presented in this text, illustrating – in particular – a gap between the state of awareness and the practice of using metrics to measure personnel processes. This article is a contribution to the debate and provides inspiration for further in-depth studies on the effectiveness of the personnel function.

References

ANTCZAK Z., 2005. *Funkcja personalna w przedsiębiorstwie w okresie transformacji społeczno – gospodarczej w Polsce*, AE Publishers, Wrocław 2005, p.18

BAROMETER HR. 2012. Trends & Perspectives 2010-2012 [Online], Available at: http://www.aon.com/human-capital-consulting/thought-leadership/leadership/reports-pubs_european_trends_2010.jsp,

BARON A., ARMSTRONG M., 2008. Zarządzanie kapitałem ludzkim. Uzyskiwanie wartości dodanej dzięki ludziom, *Wolters Kluwer business*, Kraków 2008, pp.. 145-160

BOSELIE P., PAAUWE J., 2005. Human resource function competencies in European companies, *Personnel Review*, Vol. 34 Iss 5 pp. 550 – 566

BONDAROUK T., MARSMAN E. & REKERS M. 2014. HRM, Technology and Innovation: New HRM Competences for Old Business Challenges? *In Human Resource Management, Social Innovation and Technology*. Published online: 08 Oct 2014; 179-215.

BRIGGS H. 2011. How to use a data-focused approach to embed good HR practices. *Strategic HR Review*, Vol. 10 Iss 2 pp. 18 – 23

DRUCKER, P. 1999. *Innovate or die: Drucker on financial services*, The Economist, September 25,

DZIECHCIARZ P., 2011, *Pomiar efektywności polityki personalnej, in: Zarządzanie Zasobami Ludzkimi*, No 3-4/2011, Instytut Pracy i Spraw Socjalnych, Warszawa 2011, p. 161

HENNESSY J., MCCARTNEY C. 2008. The value of HR in times of change. *Strategic HR Review*, Vol. 7 Iss 6 pp. 16 – 22

GABLETA M. 2003. Człowiek i praca w zmieniającym się przedsiębiorstwie, AE Publishers, Wrocław

GOŁEMBSKI M., & WOJTKOWIAK G. 2015. Zarządzanie przez paradoksy, http://www.wsparciedecyzji.pl

KRÓL H., & LUDWICZYŃSKI A. 2006 (red.), *Zarządzanie zasobami ludzkimi. Tworzenie kapitału ludzkiego organizacji*, PWN, Warszawa, p.34

MAYO A. 2004. *Making metrics relevant,* Volume 4 Issue 1 November/December 2004

PIWOWAR – SULEJ K. 2016. *Zarządzanie ludźmi w organizacjach zorientowanych na projekty*, Difin,

WARD A. 2008. Ac-Count-able HR, *Human Resource Management International Digest*, Vol. 16 (3), 11 - 13

An Exploration on The use of Canvas's Business Model to Create Value in a Food Sector

Kamel Ben Youssef

Université Paris Ouest Nanterre La Défense, France

kby.branddesign@gmail.com

Giuseppe Giaccardi

Studio Giaccardi & Associati - Consulenti di Direzione, Ravenna, Italy[1]

g.giaccardi@giaccardiassociati.it

Michela Pellicelli[2]

Department of Economics and Management, University of Pavia, Pavia, Italy

michela.pellicelli@eco.unipv.it

"Business Is About Creating Value Together" R. Edward Freeman

Abstract: The Business Model Canvas has been applied in different sector (industrial, services, newspaper industry), while little has been written about the application in the food sector.

This study outlines the increasing challenges of business model innovation in the food sector. It analyzes the impact on innovation in the food sector and the implications for the modeling business and the innovation process. The empirical research analyses twenty case studies in the food industry, in Emilia Romagna Italian Region.

The findings show that the Business Model Canvas in the food sector needs to be linked to the innovation process and especially with adding the human capital key. In this context, for customer, the product is perceived as unique and authentic; it's required to reduce the number of intermediaries; the technology reinforce the DNA of brand and finally, the management point out conflict and complexity of change.

Keywords: Business Model Innovation, Canvas Business Model, Customer value, Entrepreneurship, Food sector, Knowledge, Micro entrepreneurs, Process.

JEL classification: M130 – M150

1. Introduction

Value can also be created through revolutionary business models. According to Hamel (2000), "to thrive in the 'age of revolution', companies must develop new business models in which both value creation and value capture occur in a value network - which can include suppliers, partners, distribution channels, and coalitions that extend the company's resources" (Zott *et al.* 2011, pp. 11).

The business model Canvas analyses the firm's value proposition, infrastructure, customers, and finances in order to align the activities by illustrating potential trade-offs (Osterwalder 2004; Osterwalder and Pigneur 2010). The model is based on nine components (developed in section 2.3): key activities, partner network, key resources, value propositions, customer relationships, customer segments, distribution channels, cost structures and revenues. According to Osterwalder and Pigneur (2010, pp. 34-35), key resources can be physical, financial, intellectual or human, however the research purposes are focused on human capital, separately from the other components, because this is a fundamental item from the research point of view. "The investment of human capital, the individual's acquired knowledge and skills, can be easily transferred to certain goods and services" (e.g. Romer, 1990; cited in Kwon, 2009, pp. 2). As an intangible resource for the firms, human capital is a crucial element in the transformation process of information to valuable knowledge that will enhance firm

---

[1] In collaboration with Marco Antonioli, data analyst, and Valentina Zanon, web analyst, Studio Giaccardi & Associati (www.giaccardiassociati.it), Consulenti di Direzione, Ravenna, Italy.
[2] Michela Pellicelli has contributed to paragraph 2.

performance. Human capital is mainly based on individual abilities, knowledge, know-how, talent, education skills and experience of employees in the firms (Bontis et al. 2000; cited in Muda *et al.* 2016, pp. 685) and directly influences SMEs performance, therefore the management are encouraged to put more effort in providing training to employees. "The retention of knowledgeable and skilled employees is important for SMEs in achieving superior performance" (Daou *et al.* 2014; cited in Muda *et al.* 2016, pp. 686).

Based on the reasoning above, the purpose of this paper is to gain a better understanding of how Canvas Business Model is used as a creational value tool. We have outlined two research questions, which by answering will help us gain the understanding of how Internet shapes business model for SMEs working in the food industry. The specific research questions are thus:

- *RQ1: Can Canvas's Business model be used in a food sector to create value?*
- *RQ2: Is Canvas's Business model appropriate for creating value in food sector?*

This paper has been structured as follows. The next section describes research approach introducing the Osterwalder and Pigneur (2004; 2010) business model Canvas and the context of the studied companies. Subsequently, the key findings of the study are discussed, and finally, this research concludes the results with the final remarks.

2. Literature review

2.1. What is Business Model?

The Business Model represents a rationale model for analyzing the main variables in the business context useful in the strategic management process to create value.

According to Margeretta, (2002) firm's business model analyses the economic logic of how the organization strategy can create value for the customers at an acceptable price with reasonable profit. Some business model definitions proposed by authors are the following.

• ''A business model describes how companies create, deliver and capture value'' (Chesbrough, 2007; Osterwalder, Pigneur, 2010).

• ''The business model analyses the potent value proposition in a profitable way using certain key resources and key processes'' (Johnson *et al.*, 2008).

• "The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit […]. It thus reflects management's hypothesis about what customers expect, how they require it, and how the enterprise can organize to best meet those needs, get paid for doing so, and make a profit" (Teece, 2010, pp. 173).

• ''A business model is a representation for creating and capturing value within a value network'' (Shafer *et al.*, 2005).

• ''A statement of how a firm will make money and sustain its profit stream over time'' Stewart and Zhao (2000).

• ''The design of key interdependent systems that create and sustain a competitive business'' Mayo and Brown (1999).

• ''The totality of how a company selects its customers, defines and differentiates its offerings, defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for customers and captures profits'' (Slywotsky (1996).

These business model definitions point out the importance to represent the business context with a rationale model in a common direction toward the keywords: 'value'; 'resources', 'processes', 'activities', 'profits'.

According to Casadesus-Masanell and Ricart (2011, p.1), "the success or failure of a company's business model depends on how it interacts with models of other players in the industry (almost any business model will perform brilliantly if a company is lucky enough to be the only one in a market). Because companies build them without thinking about the competition, they routinely deploy doomed business models".

2.2. The business model in the food sector

The business model is used as a strategic tool to analyze how to combine the different value chain elements in order to create value and achieve goals.

In order to understand the application of the Business Model Canvas in the food industry, we must highlight the characteristics of the sector and analyze the importance of the innovation as strategic factor for growth and business success.

2.2.1. Food sector and SME's profitability in Emilia Romagna

The food sector is one of the three pillars of the Emilia Romagna regional economy. It's characterized by an important occupational relevance regionally, with a high capacity of export and a high propensity to internationalization. The food sector ranks in the second place by revenues in Italy, after the engineering industry and, at the regional level, the production of Emilia-Romagna represents the 21% of the global revenues of the country (Unioncamere, 2014).

In the food sector the Emilia Romagna is a national leader in various fruit and vegetable production and zootechnical requirements. The main products that present a market trend largely positive are those concerning to the production of meat products and to the production of milk derivatives. The region is depository of many traditional products registered Protected Designation of Origin (DOP), Protected Geographical Indication (PGI) and Traditional Speciality Guaranteed (TSG) and holds specialization indices particularly high in the dairy sector, meat processing and fish, fruit, vegetables and tomato sauces, pasta and baked products, tea and spices. The organized catering and supply of quality restaurant are also highly developed.

The regional companies of this sector are global leaders in food processing, food technologies, food packaging, cold chain, integrated logistics, in the areas of the quality products regulated - food and wine -, but also in the mechanical and agricultural mechanics and process systems (i.e. packaging).

Finally, the growing importance of the health and environment themes, related to the food sector, opens numerous research profiles and technological development in the areas of safety and traceability, sustainability of processes, the preservation of organoleptic qualities and healthy properties, naturalness and functionality of foods (RIS3ER, 2013).

2.2.2. Competitive strategies and SME's internationalization

The food industry is an important form of the "Made in Italy" promotion around the world and, in the context of the international trade, agriculture plays a vital role, as pointed out even within the World Trade Organisation (Unioncamere Emilia Romagna, 2014).

The Emilia Romagna is considered as a regional symbol in Europe for its great propensity to export and innovation. However, in 2012 the economic crisis and the earthquake that struck the central areas of the region, have worsened the economic and employment situation. The competitive strategies adopted by companies in the sector are differentiation strategies that focus principally on food quality and safety.

The quality is one of the main characteristics of food products considering the strong sensitivity of consumers towards the nutritional and health of the food, including the hygiene

and health security. This increases the importance of control systems, assurance and communication, with the inevitable increase of the business costs.

The competitive strategies concerning the quality of a product of the food industry in Emilia Romagna are mainly due to the 1) competitive strategy based on prices, which aims to the leadership in the production costs and 2) the strategy of product differentiation, which aims to achieve a sales price greater than the competitors.

The products of the food industry must necessarily ensure the food safety, which refers to the absence of possible negative impacts on the health of consumers. Even the ethical aspects have significant importance in the food sector.

Finally, we should point out that, precisely on the food system (in addition to the building and construction system and to the mechatronics and engines system), the Emilia Romagna region will develop the Smart Specialisation Strategy (S3), according to EU provisions (RIS3ER, 2013).

2.2.3. Innovation as strategic factor for growth and business success

The research conducted on SMEs shows that they contribute greatly to the innovation system by introducing new products and adapting existing ones to the needs of customers. For SMEs, one of the important sources of competitiveness has been to act as driver for a new generation of ideas (Organisation for Economic Co-operation and Development 'OECD', 2000).

The Emilia Romagna is one of the most known regions worldwide for its culinary excellence, but also as leader on the subjects of production, packaging and services, through the food sector. It integrates deep tradition and practice, innovation and design. The region, universities, research institutions, business organizations and many local authorities cooperate continuously in order to implement the regional ecosystem of innovation.

The SWOT's analysis (see table 1) of the regional innovation system can clarify what are the strengths of the food sector and the opportunities arising from the external environment compared with the weaknesses and the threats (RIS3ER, 2013).

Overall the food sector appears bright for the new ingredients innovation, especially regarding the fields of biotechnology, and information and communications technology (ICT). Several technological advances, especially in the field of life sciences and biotechnology, suggest new methods to achieve two important objectives: the standardization of the quality and stability within the shelf life stated by the manufacturer. In this field is particularly pronounced the commitment of the applied research from public and industrial sources. Simultaneously inevitably emerges the tension on reducing costs, safety and quality (Fondazione Faber, 2006).

Finally we have to point out that the sources of innovation for the Emilia Romagna firms in the food sector are mainly due to: training, recruitment, universities, research organizations, consultants, R&D, customers and competitors. The drivers of innovation can be divided in internal and external drivers. The internal drivers can be summarized as: 1) reduction of cost; 2) safety; 3) processes optimization; 4) time delivery; and the external drivers as: 1) extent of variety; 2) life of the product; 3) timing of the introduction of new products; 4) quality perceived by the consumer.

In conclusion the SMEs in the food sector in Emilia-Romagna are an important part of the industry, and some of them are prestigious for the regional economy. The industry is also competitive in standardized and craft production and this aspect reinforces its resilience and adaptability during the falls of demand (Mazzanti *et al*, 2006).

	Strengths	Weakness
Internal	• Industrial system highly integrated around few areas of specialization, highly articulated horizontally and vertically within them; • One of the most specialized agricultural system, oriented to quality products; • High specialization and focus on product innovation and process innovation; • Increasing collaborative relationships between innovative companies and research facilities; • Research system diffused and quite integrated with the production system; • High propensity to export.	• Low level of management to deal with the international competition; • Institutional rigidity of the research organizations; • Limited presence of international centers of excellence in science; • Lack of attractiveness for the "talent"; • Difficulty of growth for innovative and creative start up; • Lack of competitiveness and weak role of services; • Poor ability of integration between agriculture producers; • Unstructured presence in the international markets.
	Opportunities	Threats
External	• Need to address new challenges of change; • Great opportunities and technological paradigm changes; • Expansion of international markets; • High demand for new needs.	• Macroeconomic and institutional overview at the national and European level; • Deflationary national policies and its social, welfare, finance local, domestic demand consequences; • Excessive competition at the international level; • International financial instability; • Rapid changes in climate.

Table 1: The SWOT analysis of the Emilia Romagna food sector
Source: Our own elaboration

2.3. Introduction to the Business Model Canvas

Developed by Osterwalder (2004, pp. 157) and Osterwalder and Pigneur (2010) the business model Canvas views the phenomenon from the perspective of a company. The model is divided into nine parts (Figure 1):

- Customer Segments: which customers a company wants to achieve.
- Value Propositions: collection of products and services that a company offers to meet the customer needs.
- Distribution Channels: the distribution partners are important actors of a company.
- Customer Relationships: relationship type that a company wants to create with their customer segments.
- Revenues: how a company makes income from each customer segment.
- Key Resources: the resources that are necessary to create value for the customer.
- Key Activities: the most important activities in executing a company's value proposition.
- Partner Network: relationship type the company wants to create with their customer segments.
- Cost Structures: describes the most important monetary variable as consequence of different business models.

These nine components cover the four main areas of a business:
- Customer Segments, Distribution Channels, Customer Relationships
- Value Propositions
- Key Activities, Network Partnerships, Key Resources
- Revenues, Cost Structures.

These components are put together in a table that demonstrates their connectivity with each other (Figure 1) and the efficiency of the business is allocated to the left side, while the value to the right side of the Canvas (Osterwalder and Pigneur, 2010).
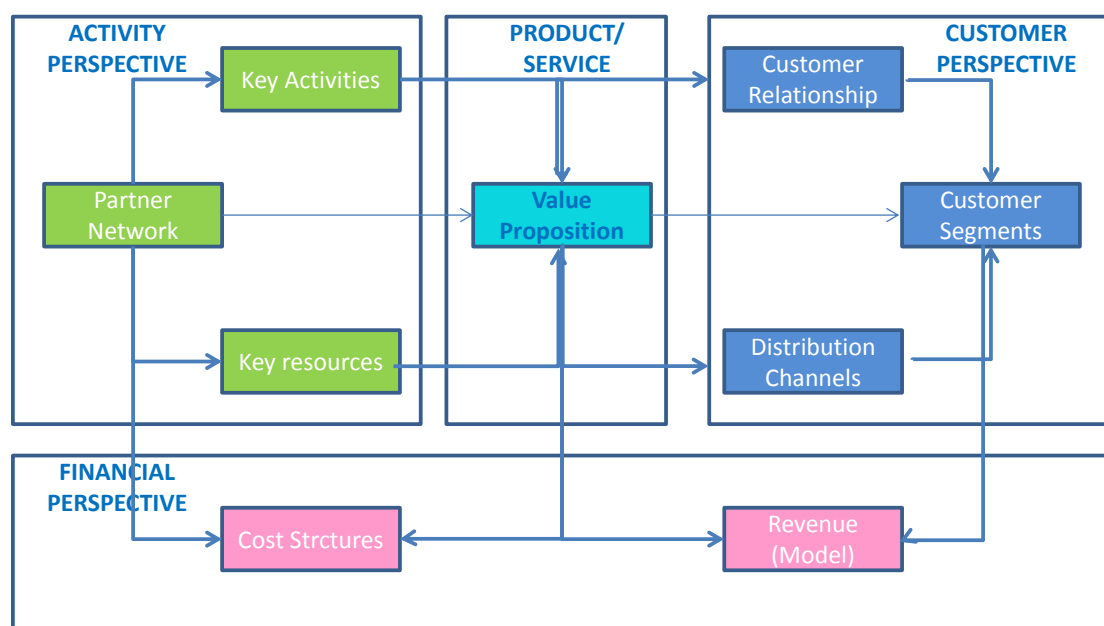
Figure 1: The Business Model Canvas
Source: Adapted from Fritscher and Pigneur (2010)

3. An Empirical Test Application of the Canvas's business model for 20 SME

Emilia-Romagna is the second region in Italy in terms of gross saleable production and the first in terms of agri-food value: 25 billion euro in 2014. It's also first in terms of number of products with designation of origin labelling (41 products, 15% of the national total and 3% of the EU total) and fifth in Italy for the number of traditional agri-food products (7% of the national total).

3.1. Methodology and Analysis

There are two research studies that will result in different outcomes depending on the data the researcher aims to collect (Saunders *et al.,* 2009). In a qualitative research, collected data is non-numerical, meaning that it cannot be measured in numbers and be quantified. While in a quantitative research the data collection is numerical and can be measured in quantitative measures (Saunders *et al.* 2009; Bryman & Bell, 2011). The research questions in this studies could be answered by both qualitative and quantitative research since the thesis aim to examine how SME's operate in food sector use Internet to create value. A qualitative approach will facilitate the understanding of how SME implement the Canvas Model in their business. Creswell (2014) argue that a qualitative research increases the understanding of the topic studied.

Taking into account the research objectives, the subsequent interviews were semi-structured (Pawson, 1996). Most of the interrogations were based on multiple-choice questions, with single or multiple answers allowed and open-ended questions (Foddy, 1993) were also developed. Twenty interviews was conducted through in-depth with managers of SME – where they showed their perspectives about the nine blocks as the centerpiece of Osterwalder and

Pigneur model (2010) updated by a tenth namely human capital have been realized. A total of 56 questions dealing for this resrach (see appendix, pp. 12-14). The interviews were conducted from May 12 to June 26 2015, nearly seven weeks. Each interview lasted on average three hours and three hours of reporting. To improve the quality and validity of the research, several procedures were followed (Tracy, 2010) and various triangulation procedures (Patton, 1990 and Tracy, 2010) were also undertaken.

3.2. Overview over the Business Models in the Examined food sector SMEs

The model shown in Figure 1 has been applied to a major Emilia Romagna's private food producers, providing the following results:

20 businesses in the food sector were interviewed using the Canvas model, spread among the 5 provinces of eastern Emilia-Romagna as follows: 4 in the province of Bologna, 4 in Ferrara, 4 in Ravenna, 5 in Forlì-Cesena and 3 in Rimini.

All the companies in our sample work in at least one of the districts and one of the main regional supply chains (fruit and vegetable, wine, dairy, livestock, cereals and industrial tomatoes).

Most of those interviewed were owners and CEOs of the businesses (60%), others were service managers (25%) and still others were simply the founders (15%). The average age is 30-50.

12 companies surveyed are B2B and and 12 do B2C (number totals more than 20 as some companies do both B2B and B2C). Of the businesses doing B2B, most work with restaurants and specialist shops (66%), with wholesalers and traders (58%) and with large-scale distributors (58%). 25% of companies surveyed work with Eataly. Of those who do B2C, most have a farm shop (66%), others take part in local farmers' markets (45%) and still others make use of e-commerce (25%).

70% of companies work only within the Italian market, the remaining 30% work in a foreign market.

The main value that all businesses interviewed (100%) seek to convey to their clients is the uniqueness and authenticity of products linked to the local area. The second value is the the product quality (90%) and the third is linked to upgrading their own business model (75%).

All companies surveyed (100%) have introduced important innovations in products and marketing (web, brands, events, etc.). 80% of companies have brought in process innovations. 15% have brought in innovations in staff training.

Customer relationships are handled by the CEO directly and by service managers in 50% of companies. 40% also maintain relationships using the internet. 20% maintain relationships with sales agents.

The total revenues of the qualitative sample is €233,820,000 with an average revenue of €11,961,000.

55% of business is located in a mid-price range, 25% in high-end and 20% at the low end.

The main key resources of companies interviewed are skills and passion for work (60%) and the role of owners and CEOs (55%). Other important resources are business organisation (40%), owning property (35%) and working methods (30%). 10% believe the area in which they work is an important resource.

Key activities are primarily linked to production: processing (95%), cultivation and farming (65%), raw material and process checks (40%). Others have to do with customer relationships: shop management (35%) and marketing activities and on-line marketing (35%). 15% of businesses surveyed believe Research & Development to be a key activity and only 10% think the same of partnerships.

Key partners to businesses interviewed are suppliers of raw materials (85%) and goods and services suppliers (70%). Technical consultants are also important partners (30%). 15% have entered into partnerships with universities and research centres and believes this to be relevant to their business. It is interesting to note that one SME interviewed believes friends to be a main partner.

Main structural costs are cited as raw materials (85%) and payment to employees and operating partners (85%). Other costs which feature prominently on business balance sheets are bureaucracy (60%) and the energy needed to run the business (50%). 25% believe that marketing is the main cost.

55% of the companies surveyed believe that the most important human capital is made up of the family, which is often fully involved in managing the company. 45% believe that the most important skills are those related to product creation. 30% believe that it is important to organise training opportunities for their staff. Only two companies (10%) said they believed on-line and digital skills were indispensable. Two more companies think that consumers are the most important human capital.

4. Findings

From the first combination of strategic analysis on the ratio of turnover to the number of innovations we can see the two companies with the highest turnover are also those that have introduced the highest number of innovations. SMEs with a turnover of less than € 1 million have nevertheless developed a large number of innovations.
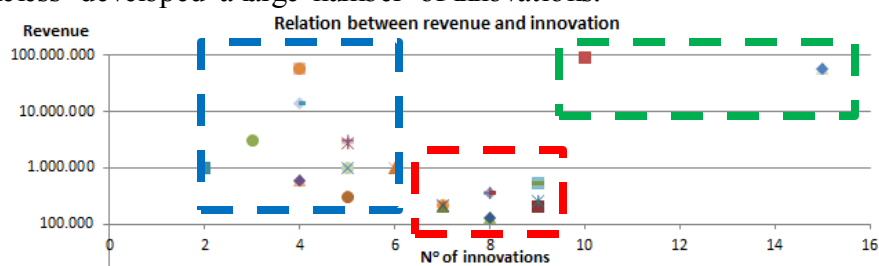
Table 2: The relation between revenue and innovation
Source: Our own elaboration

The second combination is the ratio between turnover and on-line presence. 35% only have an info-commerce website, 30% have a 2.0 site with blog and links to social networks, while only 10% have a website with e-commerce. Both companies with e-commerce have a turnover of over 1 million euro (see table 3).
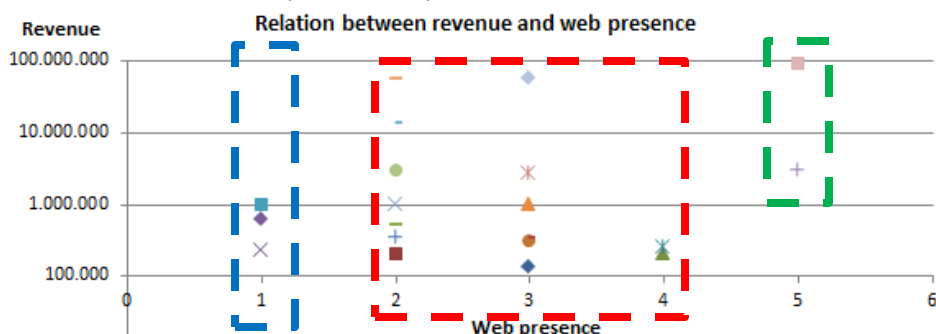
The X-axis values are as follows: 1 = no website, 2 = info-commerce website, 3 = web 2.0, 4 = e-commerce site, 5 = web 2.0 site with e-commerce.

Table 3: The relation between revenue and web presence
Source: Our own elaboration.
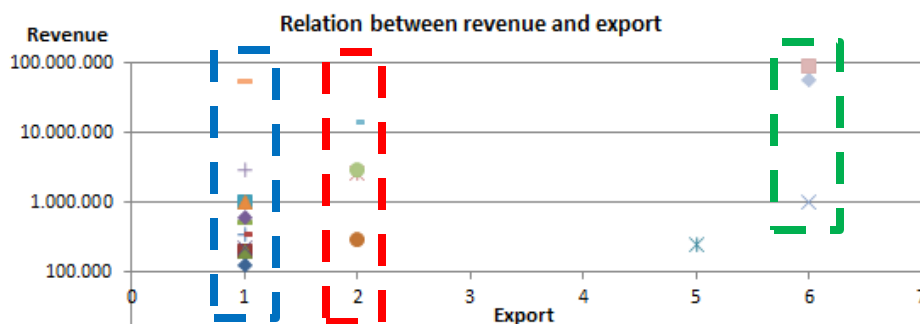
The X-axis values are as follows: 1 = export only in Italy, 2 = also exports to EU, 3 = also exports to Africa, 4 = also exports to America, 5 = also exports to Asia, 6 = all export

Table 4: The relation between revenue and export
Source: Our own elaboration

The second and third combination allowed us to note that companies less evolved on-line are also less likely to export and, vice versa, businesses with the most advanced on-line presence are also more likely to work on foreign markets (see table 4).

5. Conclusions and implications

This is the lesson learned from the research
- The authenticity and uniqueness of the product are common factor and reference point, but are contextualised in a new way;
- The direct management of customer relationships, with the aim of greater cash control and no longer having to depend on intermediaries, is the impetus to changes in proccesses and products;
- Innovation and marketing have entered the companies' DNA, replacing 20th century approaches focusing on production. Moreover, innovation and marketing are becoming integrated and are interpreted originally and in a way appropriate to the business and its organisation. Brand reputation, events to engage customers, appeal to the culture of the area, looking for new products and new ways to present them are becoming distinctive and impressive, thanks to the internet and social networks;
- In almost all the companies interviewed, there has already been or there is an ongoing generational shift or societal shift, indicating conflict and complexity of change at the same time. Traditions, the land and a passion for their work, alongside technology, are essential to human experiences which no-one wants to abandon because everyone understands they are carrying out a social function important both to their area and for the modern world.

The findings show how this adapted model fits well with the Food sector and identifies nine Osterwalder and Pigneur's block of business model which would lead to increased both SME and customer value. Despite the fact that this is an explorative study and needs to be applied to a larger number of customers, and testing via subsequent regression analysis, some early managerial implications from the SME operate in Food sector perspective are outlined.

According to our questionnaire submitted to our sample, results show how SMEs implemented management measures to increase competitiveness through strategies to develop the latent potential of both the company and the territory. These actions come from the optimal management of generational change (Woodfield, 2012), which saw the interviewed managers

to support the company without changing crafts and traditional features of the company and the territory it is located in. These features were also enhanced by the use of web 2.0 and new technologies. As Nielsen and Lund (2012, pp. 15) already stated, the coherence of the strategic choices of the company, which enable relationships to create value at its operational, tactical and strategic levels. The business model is therefore the platform which connects resources, processes and the supply of a service which results in the fact that the company is profitable in the long term.

References

BRYMAN, A. & BELL, E. 2011. *Business Research Methods*. Third Edition. Oxford University.

CHESBROUGH, H. 2007. Business Model Innovation: It's not just about technology anymore, Strategy and Leadership, *Emerald Group Publishing*, Vol. 35, 2007.

CASADESUS-MASANELL, R. & RICART, J. E. 2011. How to Design a Winning Business Model, *Harvard Business Review*.

CRESWELL, J. W. 2014. *Research Design Qualitative, Quantitative, and Mixed Methods Approaches* (4th ed., p. 304). Thousand Oaks, CA: SAGE Publications.

DAOU, A., KARURANGA, E. & SU, Z. 2014. Towards a Better Understanding of Intellectual Capital in Mexican SMEs. *Journal of Intellectual Capital*. 15(2), 316-332.

FODDY, W. 1993. *Constructing Questions for Interviews and Questionnaires: Theory and Practice in Social Research*. Cambridge University Press.

FONDAZIONE FABER (a cura di), STUDIO DI FORESIGHT. 2006. *Strategie per la gestione delle alternative tecnologiche del futuro nella filiera agroalimentare*. Fourth Edition. Pearson Education.

FRITSCHER, B. AND PIGNEUR, Y. 2009. 'Supporting business model modelling: A

compromise between creativity and constraints'. In International Workshop on Task Models and Diagrams for User Interface Design, September, p. 28-43. Berlin Heidelberg: Springer.

HAMEL, G. 2000. Leading the revolution, *Boston: Harvard Business School Press*.

JOHNSON, M. W., CHRISTENSEN, C. M. & KAGERMANN, H. 2008. Reinventing your business model. *Harvard Business Review*, 86(12), 50-59.

KWON, D. B. 2009. Human capital and its measurement, *The 3rd OECD World Forum on "Statistics, Knowledge and Policy" Charting Progress, Building Visions, Improving Life Busan*, Korea - 27-30 October.

MARGRETTA, J. 2002. Why Business models matter. *Harvard Business Review*, 80(5), 3-8.

MAYO, M.C., & BROWN, G.S. 1999. Building a competitive business model. *Ivey Bus J*, 63(3):18 − 23.

MAZZANTI, M., PINI, P. & TORTIA, E. 2006. Organizational innovations, human resources and firm performance: The Emilia-Romagna food sector. *The Journal of Socio-Economics*, 35(1), 123-141.

MUDA, S. & RIDUHAN CHE ABDUL RAHMANB, M. 2016. Human Capital in SMEs Life Cycle Perspective. *Procedia Economics and Finance*, 35. 683- 689.

NIELSEN, C. & LUND, M. 2012. Business model: networking, innovating and globalizing. *Ventus Publishing Aps*, Available at: <http://ebooksforexcellence.files.wordpress.com/2012/12/business-models.pdf>. Accessed on: May 25, 2016.

OECD, 1959. Migliorare la Competitività delle PMI nell'Economia Globale: Strategie e Politiche. Workshop INNOVATIONE DELLE PMI NELL'ECONOMIA GLOBALE, Conferenza dei Ministri delle Penrose, E.T., (1959), 'The thery of the growth of the firm', New York: Wiley.

OECD, 2000. Migliorare la Competitività delle PMI nell'Economia Globale: Strategie e Politiche. *Conferenza dei Ministri delle Piccola e Media Impresa e dei Ministri dell'Industria*, Bologna, Italia 13-15 Giugno.

PICCOLA E MEDIA IMPRESA E DEI MINISTRI DELL'INDUSTRIA, (2000). Bologna, Italia 13-15 Giugno.

OSTERWALDER, A. 2004. The Business Model Ontology a Proposition in a Design Science Approach. *PhD Thesis,* University of Lausanne, Ecole des Hautes Etudes Commerciales HEC,* Suisse.

OSTERWALDER, A. & PIGNEUR, Y. 2010. *Business Model Generation*, John Wiley and Sons Inc, 1ST edition.

OSTERWALDER, A. & PIGNEUR, Y. 2010. *Creare modelli di business*. Milano: FAG, 2012. Press. Range Planning, 43 (2-3): 216-226.

PATTON, M. Q. 1990. *Qualitative research and evaluation methods*. SAGE Publications, Newbury Park, California.

PAWSON, R. 1996. Theorizing the interview. *The British Journal of Sociology*, 47 (2), 295-314.

RIS3ER, 2013. *Regional and Innovation Strategy for Smart Specialisation Regione Emilia-Romagna*.

ROMER, P. M. 1990. Endogenous Technological Change. *Journal of Political Economy*, 98(5), 71−102.

SHAFER, S. M., SMITH, H. J., & LINDER, J. C. 2005. The power of business models. *Business Horizons*, 48(3), 199-207.

SAUNDERS, M., LEWIS, P. & THORNHILL, A. 2009. *Research Methods for Business Students,* (5th Edition), Pearson Education.

SLYWOTSKY, A.J. 1996. Value migration. Boston (MA): *Harvard Business Review Press*.

STEWART, D.W., & ZHAO, Q. 2000. Internet marketing, business models, and public policy.

J Public Policy Mark, 19(Fall):287-96.

TEECE, D. J. 2010. Business Models, Business Strategy and Innovation. *Long Range Planning*, 43 (2): 172-194.

TRACY, S. J. 2010. Qualitative Quality: Eight "big-tent''criteria for excellent qualitative research. *Qualitative Inquiry*, 16 (10), 837-851.

UNIONECAMERE EMILIA ROMAGNA, 2014. Osservatorio sull'internazzazione, EMILIA-ROMAGNA.

WOODFIELD, P. J. 2012. *Intergenerational Entrepreneurship in Family Business: Conceptualising ways Entrepreneurial Family Businesses can be Sustained across Generations*. The University of Auckland.

YIN, K. R. 2014. *Case Study Research: Design and Methods*. SAGE Publications.

ZOTT, C., AMIT, R. & MASSA, L. 2011. The Business Model: Recent Developments and Future Research. *Journal of Management*, 37 (4): 1019-1042.

Webgraphy

http://www.businessmodelgeneration.com/Canvas/bmc, (Accessed on March 25th 2016).

https://hbr.org/2013/05/a-better-way-to-think-about-yo, (Accessed on April 20th 2016).

http://www.fastcompany.com/3034788/hit-the-ground-running/building-a-more-effective-way-for-startups-to-brainstorm, (Accessed on May 10th 2016).

http://www.giaccardiassociati.it/2015/03/31/come-portare-innovazione-nellazienda-agricola-di-famiglia-la-storia-di-alessandra-ravagli-di-ravenna, (Accessed on December 20th 2015).

Appendix: *Questionnaire for the marketing manager of the 20 Emilia Romagna SME*

Topic	Questions

1. Customer Segments	*Describe the different groups of people and/or organizations to which the company is targeting*
	1. Who are the people/organizations for which the company creates value?
	2. Who are the main customers of the company? (On what kind of markets the company is positioned:
	   o mass
	   o niche
	   o segmented
	   o diversified
	   o multi-sided
	3. What kind of product/service they absolutely need?
	4. In which market-areas the company operates and what percentage of the total business?
	
	| MARKET
		% |
		|---|---|
		| Local | |
		| National | |
		| Europe Union | |
		| Russia and confederates countries | |
		| North Africa | |
		| Middle East | |
		| Central and South Africa | |
		| US and North America | |
		| Central and South America | |
		| Asia (China, India, Japan, etc.) | |
		| Oceania (Australia, New Zealand) | |
		| Total | 100% |

The market-areas sub-table:

MARKET	%
Local	
National	
Europe Union	
Russia and confederates countries	
North Africa	
Middle East	
Central and South Africa	
US and North America	
Central and South America	
Asia (China, India, Japan, etc.)	
Oceania (Australia, New Zealand)	
Total	100%

2. Value Propositions	*Indicate the mix of products/services that creates value by customer segment*
	1. What are the products/services on which is built the value proposition of the company?
	2. What are products/services that help the client to get a functional result, social, emotional, or to meet basic needs?
	3. How will the products/services provide the company to create advantages for customers:
	   ○ functional utility
	   ○ social benefits
	   ○ positive emotions
	   ○ cost savings
	4. How the products/services offered by the company relieve the customer sufferings/fatigues?
	5. How do they eliminate or reduce the negative emotions, the costs and the undesired situations together with the risks that the customer experiences or might experience before and after the usage of the product or service?
	6. In relation to the experiences so made, which are the most important innovation decisions choices of over the last 3-4 years? At the level of:
	   ○ products
	   ○ services
	   ○ organizational processes
	   ○ responsibility of company employees
	   ○ training internal expertise
	   ○ partnership
	   ○ sharing of key suppliers
	   ○ distribution choices
	   ○ tools and web policy
	   ○ digital marketing and online communications
	   ○ brand reputation
	   ○ e-commerce
	   ○ corporate social responsibility

3. Channels	*Describe how the company achieves its customers segments to present and provide the value proposition* 1. Through which channels the company distributes value to their customers? 2. How the different customer segments desire to be reached ? 3. Which are the direct channels (owned by the company) and indirect channels (partner properties) that the company uses to contact its customers? 4. How direct and indirect channels of the company are integrated? 5. Which channels work better?
4. Customer Relationships	*Describe how the company develops and structures relationships with the customers' different segments* 1. What kind of relationship is expected to instauriate for every customer segment? 2. What types of relationships have already been established and how? (e.g. promotion on/offline, sales on/offline, customer caring on/offline, community, co-creation, etc.) 3. On which contents did you structure your relations in the different segment of customers,? (e.g. reputation, experience with other customers, personal knowledge, sharing same places and events, innovation and related results, performance of products or services, specific technical interests and or personal , assistance, etc.) 4. What is the more functional relationship for every customer segments? Why? 5. What are the most efficient contents for every customer segments? Why? 6. Which difficulties have been encountered in the relationships? How they have been overcoming?
5. Revenue Streams	*Describe the business choices that determine the flows of revenues that the company gains from selling the products/services to customers segments* 1. How your price list is organized? 2. Which are the price driver for each of the different levels of the list, that is the price-guide of best selling products that develop higher sales results and therefore more adherent to the customer segments demand and the company's business objectives? 3. What timing and payments methods you got for every customer segment? 4. With respect to these experiences, what are the strengths and weaknesses of the corporate mix and the price drivers? 5. What should be revised in these choices and dynamics, how and why?

6. Key Ressources	*Describe the strategic assets that the company has to support its business model and continue to generate future* 1. With respect to each customer segment, which is the truly strategic resource to support the value proposition? 2. What other key resources the business model needs to continue to develop value? 3. What resources should be changed and/or replaced? 4. What new resources have to be included? 5. What obstacles in the management and development of these strategic assets? how can they be addressed?
7. Key Activities	*Describe the strategic activities carried out to create the value propositions, achieve the customers, maintain relations with them and generate revenues* 1. What key activities the company really needs to improve its business model? 2. Which of these activities is really crucial? 3. Which support with outsourcing to improve management and development at the level of: o industry (business model, R&D, design, marketing, communication, web, organization, management, pursuant systems, etc.) o finance (cash flows, strategic asset restructuring, new investments tangible and/or intangible, startupping, upgrading business model, etc.) o tax & legal (corporate structure, intellectual property, business contracts, accounting and fiscal management, etc.)
8. Key Partners	*Decline the network of suppliers and partners needed to the operation of the corporate business model* 1. Who are the key partners of the company? 2. Who are the key suppliers of the company? 3. What key resources acquired by the partners? 4. What key resources acquired by the suppliers? 5. What are the main difficulties with partners? How can they be addressed? 6. What are the main ledifficoltà with suppliers? How can they be addressed?
9. Cost Structure	*Describe the costs which the company claims to make operating their own business model* 1. Which are the characteristic costs behind the key resources and key activities of the company? 2. Which is the structural cost? 3. What are the guiding motivations of the company's costs? 4. Can you describe the trend of the last 3-4 years of: o revenues (or the value of production) o value added (revenues less costs for raw materials and outside services) o gross profit o collaborators number 5. In the economic and financial terms, what are the strengths and weaknesses of the business model?

10. Human Capital	*Describe the most important figures of the organization*
	 1. What are the most important roles of the company?
	 2. What functional characteristics skills to the business model?
	 3. Among those which are stable within the company? Which are outsourced?
	 4. What is done and how much invested to feed and grow the skills?
	 5. Which problems are there in organizational relationships?
	    i. between owners and employees
	    ii. between company employees and suppliers
	    iii. among employees of the company and partners
	    iv. among employees of the company and customers
	 6. How are these problems addressed?

Source: Own elaboration.

Effect of Viral Marketing in Health Services on Purchasing Decisions of Consumers: Sample of Ankara, Çankaya Province

İlyas Ersoy
Atilim University
pelinyilik@hotmail.com
Dilaver Tengilimoglu
Atilim University
dilaver.tengilimoglu@gmail.com
Pelin Yilik
Kudret International Hospital
pelinyilik@hotmail.com

ABSTRACT

The purpose of this study was to examine reflections of viral marketing phenomenon in health sector, which grows dependently to rapid improvement in ways of communication in globalizing world. In this study, It was observed that in health sector (service, product), viral marketing effects marketing activities positively. The population of the study was defined as the residents living in Çankaya/ Ankara and the sampling was chosen with the convenience sampling method and consists of 600 people who were older then 18. A survey was used to collect data. The survey results were evaluated with SPSS 22 package programme. This process transformed the data into quantitative and measurable and provided scientific ground to the study.

Findings of the study: In terms of demographic variables, health service consumers' purchasing decisions varies within the scope of viral marketing. Consumers' expectations on debriefing from the network increase patient satisfaction. Another important finding is that there is a meaningful difference in consumers' response levels to the positive and negative comments according to demographic variables. These variables also effect the level of sharing positive or negative experiences with others via network meaningfully. The behaviour of researching the health service on the network before a treatment also changes demographically.

As a result; The importance and usage of viral marketing increases day by day. Health care is a proper field for viral marketing because it has a limited substution and not possible to stock it. It is suggested that measures to overcome the bias against viral marketing should be taken.

Keywords: viral marketing, healthcare services, custumer purchasing process

JEL classification: M31.

1. INTRODUCTION

The information they obtain from the environment, from mouth to mouth, affect their purchasing decisions positively or negatively. Viral marketing is a new approach which can be defined as the mouth to mouth marketing adapted for our age.

In our age, marketing techniques and methods develop very rapidly. Today, when network webs have become widespread and technological improvements featured the phenomenon of consumer, manufacturers are in struggle for explaining themselves better. In addition, they benefit from technological enterprises to develop marketing strategies and to be competitive (Cevher, 2014).

In this study, consumer behaviors in health services, viral marketing and the effects of viral marketing in health services on the purchasing decisions of consumers were researched.

1.1. Consumer Behaviors in Health Services

Rapid perception of the positive effects of health services on the individual and the society makes the impression of benefiting from health services as much as possible in the general of individuals. Health indicators within the society are the main indicators of the status of being healthy, which constitutes the basic source of individual welfare (Bakır, 2006). The process of carrying out health services indicate a quite different attitude compared to other branches of operation. In health services, demand causes the supply. Knowledge, skill and qualification of health product and service manufacturer cause the differentiation of the result. As its scale factor is human, degrees of satisfaction are variable (İlgün, 2006)

That the consumer has the freedom to choose the provided goods or services in the market conditions makes he/she the basic determinant of the market activities. This situation obliged manufacturers to provide better service and make productions to create awareness in terms of the needs, desires and wished of the consumers (Akgün, 2008).

Consumer is the most difficult element to be understood and planned on within the structure of marketing. This is because the humans are social beings (İslamoğlu, 2013). Companies which can understand consumer behaviors and which determine their strategies in this context have a great superiority of competition in the market (Karaca, 2010).

1.2. Viral Marketing

That the technology develops and becomes widespread at an unpredictable speed shifted the communication and interaction among people very rapidly. Source and receivers, which are the keystones of communication change by being affected by these factors. While shortening the distances, this interaction makes close distances far. Audio and visual communication can be made with people all over the world (Cevher, 2014).

In the last period, consumption levels are at their highest, thousands of products come out of production lines per second. Consumer, who fall under the spell of the virtual media, finds reliable to purchase a product, the visually of which he/she likes, without any effort, touching or trying (Meriç, 2010).

Viral marketing application is based on three main factors. Positive feedback from the implementation of the factors indicates the success of the application. These are, spreading motivator, purchasing motivator and spreading medium (Hüseyinoğlu, 2009)

1.2.2. Viral Marketing Campaign Process

Today, traditionalism is left aside and new technologies with more virtual reality and instant mutual interaction opportunity are demanded more. Therefore, viral marketing campaigns through internet and successful sustainment of these campaigns gain importance. Factors that would help viral marketing campaign be carried out in a sustainable way are compiled under six titles. These are:

- Incentive should be provided in viral marketing,
- Persistent transmission shouldn't be considered,
- Sent e-mails should be personalized,
- Data should be monitored and analyzed,
- Sending to a friend should be encouraged all the time,
- Traffic of the web site should be well managed (Cevher, 2014).

1.2.3. Viral Marketing Strategies

Product and service providers, who plan to commission viral marketing strategies, should decide which marketing channel would be used. Viral marketing strategies may be assessed within six factors. These are;

- Sending goods or services free of charge,
- Providing easy transfer to others,
- Spreading easily from small masses to large masses,
- Using general motivations and behaviors,
- Benefiting from existing communication webs
- Benefiting from the advantages of other sources (Wilson et al., 2012).

2. MATERIAL AND METHOD
2.1. Purpose and Importance of the Research

The purpose of the study is to measure the effects of viral marketing in health services on the consumer. In terms of demand, health services are coincidental. It emerges in emergencies and sudden needs. As purchasing process is short, individuals rely on applying the views of the people who received

the same service before. Within this scope, the effectiveness of viral marketing is tried to be understood in health product and service preferences of individuals and repeated need conditions.

2.2. Research Problem

Does viral marketing have an effect on the purchasing decisions of health service consumers?

2.3. Scope and Limitations of the Research

Research was confined to the area of Çankaya Province. Coincidental sampling method was used. Therefore, certain occupation, gender, age or educational status are not emphasized.

2.4. Research Population and Sampling

Research population comprises the habitants of Ankara, Çankaya Province. In the research, sample is comprised of people between age 18-65 selected using coincidental sampling. Coincidental sampling method is a preferred method as it provides the opportunity to reach an abundance of data rapidly. Questionnaire method (**non-parametric**) was used in the research.

According to 2014 data of Turkish Statistical Institute, the population of Çankaya province is 913715. According to this, size of sample (n) was estimated to be about 599. Questionnaire was applied to a total of 600 people.

2.5.Hypotheses of the Research

The hypotheses below were constituted to guide the research and allow more detailed explanation. The hypotheses, which were created using literature, will be discussed and each hypothesis will be tested in detail. In this context, research hypotheses are defined below.

H1: There is a relation between the status of gender and Research on Internet about the Product/Service before Purchasing Health Product/Service.

H2: There is a relation between the status of age and Research on Internet about the Product/Service before Purchasing Health Product/Service.

H3: There is a meaningful relation between sharing positive and negative experiences with others over network and gender.

H4: There is a relation between the age status and Levels of Being Affected By Negative Remarks rather than Positive Remarks in the Purchase Decision Process of Health Consumers.

H5: There is a relation between the education status and Levels of Being Affected By Negative Remarks rather than Positive Remarks in the Purchase Decision Process of Health Consumers.

2.6. Data Collection and Evaluation Method

In the research, questionnaire method (nom-parametric) was benefited as data collection method. Questionnaire questions were prepared in accordance with literature scanning and expert advises. The questionnaire is comprised of 40 questions. Questions between 1-7 aimed at learning demographical properties of the participants, 8-11 aimed at measuring social media use factors of the consumer and 12-40 were comprised of expressions regarding the effect of viral marketing in health services on purchase decisions of consumers, prepared using five point likert scale. Data entry on questionnaire results were made using IBM SPSS 22 (Statistical Package For Social Sciences) program. Reliability analysis was applied for the questionnaire and it was found to be reliable. Frequency analysis and chi-square test were used, expression analysis was made.

In this research, acceptable error rate was determined as %5 considering financial potential and time factors. P value, which expresses community ratio and estimation was determined as 0,5.

3. FINDINGS

In the study, the questionnaire was applied to 600 people. Of the participants, %50,5 were female and %49,5 were male. Of the participants, %12,3 were between age 18-21, %33,7 were between 22-30,

%26,7 were between 31-40, %17,7 were between 41-50, %6,3 were between 51-60 and %3,3 were 61 and older.

VARIABLES		FREQUENCY (N)	PORTION (%)
GENDER	FEMALE	303	50,5
	MALE	297	49,5
	TOTAL	600	100,0
AGE	18-21	74	12,3
	22-30	202	33,7
	31-40	160	26,7
	41-50	106	17,7
	51-60	38	6,3
	61+	20	3,3
	TOTAL	600	100
EDUCATIONAL STATUS	ILLITERATE	14	2,3
	PRIMARY SCHOOL	36	6,0
	SECONDARY SCHOOL	58	9,7
	HIGH SCHOOL	187	31,2
	BACHELOR	259	43,2
	POST GRADUATE	46	7,7
	TOTAL	600	100,0
MARITAL STATUS	SINGLE	246	41,0
	MARRIED	354	59,0
	TOTAL	600	100,0
MONTHLY INCOME	LESS THAN 1000 TRY	91	15,2
	1001-2500 TRY	241	40,2
	2501-3500 TRY	153	25,5
	3500-4500 TRY	78	13,0
	4501TRY AND MORE	37	6,2
	TOTAL	600	100,0
OCCUPATION	CIVIL SERVANT	217	36,2
	WORKER	157	26,2
	STUDENT	41	6,8
	RETIRED	27	4,5
	INDEPENDENT	40	6,7
	HOUSE WIFE	28	4,7
	UNEMPLOYED	9	1,5
	OTHER	81	13,5
	TOTAL	600	100,0
HEALTH INSURANCE	SSI	505	84,2
	PRIVATE HEALTH INSURANCE	34	5,7
	GREEN CARD	17	2,8
	NONE	10	1,7
	OTHER	34	5,7
	TOTAL	600	100,0

Table 1. Demographical Properties Distribution of the Participants

Nr.	Statements	Strongly Disagree		Disagree		Irresolute		Agree		Strongly Agree	
		N	%	N	%	N	%	N	%	N	%
1	Before I purchase health product or service, I research that product/service online	27	4,5	51	8,5	84	14	240	40	198	33

2	After I purchase health product or service, I share my positive and negative experiences with other, I pass the information to my friends via internet etc.	26	4,3	68	11	107	18	238	40	161	27
3	I purchase health product or service based on the information disseminated through internet or the experiences we obtain from internet	79	13	118	20	146	24	151	25	106	18
4	Negative remarks about health services affect my purchasing decisions more than positive remarks do	35	5,8	74	12	134	22	222	37	135	23

Table 2. Distributions of Answers given to the Expressions in the Questionnaire on the Effect of Viral Marketing in Health Services on Purchasing Decisions of the Consumers

It was detected that women do research on network before they purchase health service at a higher rate. As a result of the Chi-Square Test, there is a meaningful relation between two variables (p <0,05). When age categories are examined, it was detected that 22-30, 31-40, 41-50 age groups do research on network before purchasing health service agt a higher rate. As a result of the Chi-Square Test, there is a meaningful relation between two variables (p <0,05). When educational status category is examined, it was detected that more the education level increases, more the frequency of doing research on network before purchasing health service increases. As a result of the Chi-Square Test, there is a meaningful relation between two variables (p <0,05).

When marital status category is examined, it is detected that single people do research on network before purchasing health service more frequently than married people do. As a result of the Chi-Square Test, there is a meaningful relation between two variables (p <0,05) (Table 3.).

VARIABLES			After I purchase health product or service, I share my positive and negative experiences with other, I pass the information to my friends via internet etc.					TOTAL	p
			STRINGLY DISAGREE	DISAGREE	IRRESOLUTE	AGREE	STRINGLY AGREE		
GENDER	FEMALE	N	4	32	60	126	81	303	0,005
		%	1,3%	10,6%	19,8%	41,6%	26,7%	100,0%	
	MALE	N	22	36	47	112	80	297	
		%	7,4%	12,1%	15,8%	37,7%	26,9%	100,0%	
TOTAL		N	26	68	107	238	161	600	
		%	4,3%	11,3%	17,8%	39,7%	26,8%	100,0%	
AGE	18-21	N	4	4	19	25	22	74	0,569
		%	5,4%	5,4%	25,7%	33,8%	29,7%	100,0%	
	22-30	N	6	24	32	88	52	202	
		%	3,0%	11,9%	15,8%	43,6%	25,7%	100,0%	
	31-40	N	5	19	27	67	42	160	
		%	3,1%	11,9%	16,9%	41,9%	26,3%	100,0%	
	41-50	N	7	16	14	40	29	106	
		%	6,6%	15,1%	13,2%	37,7%	27,4%	100,0%	
	51-60	N	2	3	10	12	11	38	
		%	5,3%	7,9%	26,3%	31,6%	28,9%	100,0%	
	61 AND OVER	N	2	2	5	6	5	20	
		%	10,0%	10,0%	25,0%	30,0%	25,0%	100,0%	
TOTAL		N	26	68	107	238	161	600	
		%	4,3%	11,3%	17,8%	39,7%	26,8%	100,0%	
EDUCATIONAL STATUS	ILLITERATE	N	1	3	6	2	2	14	0,002
		%	7,1%	21,4%	42,9%	14,3%	14,3%	100,0%	
	PRIMARY SCHOOL	N	0	5	8	8	15	36	

		%	0,0%	13,9%	22,2%	22,2%	41,7%	100,0%	
	SECONDARY SCHOOL	N	5	6	13	19	15	58	
		%	8,6%	10,3%	22,4%	32,8%	25,9%	100,0%	
	HIGH SCHOOL	N	11	24	38	63	51	187	
		%	5,9%	12,8%	20,3%	33,7%	27,3%	100,0%	
	BACHELOR	N	9	25	39	116	70	259	
		%	3,5%	9,7%	15,1%	44,8%	27,0%	100,0%	
	POST GRADUATE	N	0	5	3	30	8	46	
		%	0,0%	10,9%	6,5%	65,2%	17,4%	100,0%	
TOTAL		N	26	68	107	238	161	600	
		%	4,3%	11,3%	17,8%	39,7%	26,8%	100,0%	
MARITAL STATUS	SINGLE	N	7	22	45	102	70	246	0,284
		%	2,8%	8,9%	18,3%	41,5%	28,5%	100,0%	
	MARRIED	N	19	46	62	136	91	354	
		%	5,4%	13,0%	17,5%	38,4%	25,7%	100,0%	
TOTAL		N	26	68	107	238	161	600	
		%	4,3%	11,3%	17,8%	39,7%	26,8%	100,0%	

Table 3. Examination of the Relation between Demographical Properties and the Status of After I purchase health product or service, I share my positive and negative experiences with other, I pass the information to my friends via internet etc. (Chi-Square Test)

VARIABLES			I purchase health product or service based on the information disseminated through internet or the experiences we obtain from internet					TOTAL	p
			STRONGLY DISAGREE	DISAGREE	IRRESOLUTE	AGREE	STRONGLY AGREE		
GENDER	FEMALE	N	32	47	76	83	65	303	0,005
		%	10,6%	15,5%	25,1%	27,4%	21,5%	100,0%	
	MALE	N	47	71	70	68	41	297	
		%	15,8%	23,9%	23,6%	22,9%	13,8%	100,0%	
TOTAL		N	79	118	146	151	106	600	
		%	13,2%	19,7%	24,3%	25,2%	17,7%	100,0%	
GENDER	18-21	N	10	2	20	28	14	74	0,000
		%	13,5%	2,7%	27,0%	37,8%	18,9%	100,0%	
	22-30	N	13	47	51	46	45	202	
		%	6,4%	23,3%	25,2%	22,8%	22,3%	100,0%	
	31-40	N	24	35	39	42	20	160	
		%	15,0%	21,9%	24,4%	26,3%	12,5%	100,0%	
	41-50	N	21	24	23	25	13	106	
		%	19,8%	22,6%	21,7%	23,6%	12,3%	100,0%	
	51-60	N	4	8	9	6	11	38	
		%	10,5%	21,1%	23,7%	15,8%	28,9%	100,0%	
	61 AND OVER	N	7	2	4	4	3	20	
		%	35,0%	10,0%	20,0%	20,0%	15,0%	100,0%	
TOTAL		N	79	118	146	151	106	600	
		%	13,2%	19,7%	24,3%	25,2%	17,7%	100,0%	
MARITAL STATUS	SINGLE	N	23	41	59	67	56	246	0,010
		%	9,3%	16,7%	24,0%	27,2%	22,8%	100,0%	
	MARRIED	N	56	77	87	84	50	354	
		%	15,8%	21,8%	24,6%	23,7%	14,1%	100,0%	
TOTAL		N	79	118	146	151	106	600	
		%	13,2%	19,7%	24,3%	25,2%	17,7%	100,0%	
OCCUPATION	CIVIL SERVANT	N	23	65	54	48	27	217	0,000
		%	10,6%	30,0%	24,9%	22,1%	12,4%	100,0%	
	WORKER	N	26	22	37	42	30	157	

	%	16,6%	14,0%	23,6%	26,8%	19,1%	100,0%
STUDENT	N	0	3	12	16	10	41
	%	0,0%	7,3%	29,3%	39,0%	24,4%	100,0%
RETIRED	N	7	1	5	4	10	27
	%	25,9%	3,7%	18,5%	14,8%	37,0%	100,0%
INDEPENDENT	N	6	3	4	17	10	40
	%	15,0%	7,5%	10,0%	42,5%	25,0%	100,0%
HOUSE WIFE	N	5	2	9	5	7	28
	%	17,9%	7,1%	32,1%	17,9%	25,0%	100,0%
UNEMPLOYED	N	2	2	1	2	2	9
	%	22,2%	22,2%	11,1%	22,2%	22,2%	100,0%
OTHER	N	10	20	24	17	10	81
	%	12,3%	24,7%	29,6%	21,0%	12,3%	100,0%
TOTAL	N	79	118	146	151	106	600
	%	13,2%	19,7%	24,3%	25,2%	17,7%	100,0%

Table 4. Examination of the relation between Demographical properties and Tendency to purchase health product or service based on the information disseminated through internet or the experiences obtained from internet (Chi-Square Test)

It was detected that female participants are affected at a higher rate. As a result of the Chi-Square Test, there is a meaningful relation between two variables ($p < 0,05$).

1.9. Conclusion

Health product and service providers use viral marketing actively in our country due to lower costs and rapid access to masses. Turkey is 18th out of 142 countries in internet use. As it can be understood from these statistical data, it is seen that product marketing in Turkey is made considerably over internet. Therefore, companies should give importance to viral marketing, make necessary efforts for customer satisfaction and consider even the smallest complaints of customers sensitively. Especially social media should be used adequately and followed constantly, personnel who work in this area should be employed.

REFERENCES
AKGÜN Ö. 2008. Modern alışveriş merkezlerinin tüketici davranışları üzerindeki etkisi ve Konya İlinde bir uygulama. (A thesis which is not published yet) Selçuk Üniversitesi, Konya.
BAKIR, Y. 2006. Sağlık kuruluşlarında pazarlama faaliyetleri, müşteri memnuniyeti. (A thesis which is not published yet) Mustafa Kemal Üniversitesi, Hatay.
CEVHER, M. F. 2014. Viral pazarlamanın tüketicilerin satın alma kararları üzerine etkisi. (A thesis which is not published yet) Fırat Üniversitesi, Elazığ.
http://college.cengage.com/business/modules/eWOM_secure.pdf
HÜSEYINOĞLU, B. 2009 Tüketici tarafından yaratılan medya ortamında ağızdan ağıza pazarlama ve bir uygulama. (A thesis which is not published) Yıldız Teknik Üniversitesi, İstanbul.
İLGÜN, E. 2006, Satış promosyonlarının nihai tüketici satın alma davranışları ile ilişkisi ve Türk GSM sektöründe bir araştırma. (A thesis which is not published) İstanbul Üniversitesi, İstanbul.
İSLAMOĞLU, A. H. 2013 Tüketici Davranışları (4. basım). İstanbul: Beta Basım.
KARACA, Y. 2010. Tüketici Satın Alma Karar Sürecinde Ağızdan Ağıza Pazarlama (1.basım). İstanbul: Beta.
http://www.mmaglobal.org/publications/Proceedings/2002-MMA-Fall-Educators-Conference-Proceedings.pdf
MERIÇ, B. 2010 İnternet üzerindeki paylaşım sitelerinin ve blogların tüketici davranışları üzerine etkisi. (A thesis which is not published yet) Marmara Üniversitesi, İstanbul.

The influence of advertising practice corporate social responsibility

Irina Olimpia Susanu
UNIVERSITY DUNAREA DE JOS OF GALATI
irina.susanu@ugal.ro
Nicoleta Cristache
UNIVERSITY DUNAREA DE JOS OF GALATI
cristache.nicoleta@yahoo.de
Adrian Micu
UNIVERSITY DUNAREA DE JOS OF GALATI
mkdradrianmicu@yahoo.com

Abstract

Advertising serves as a mold that shapes social and moral values of the viewer and therefore, due attention should be paid to ensure that the content is healthy, that it positively affects the viewer and the values that inspires represent an ethical improvement of society health. This paper presents a research based on a semi-structured interview and the applying of a questionnaire. The purpose of this research is to reveal the extent to which respondents acknowledge the influence of advertising in decision-making. It can be said that in order to protect society from the harmful effects of advertising, we can create a model with a series of measures that advertising is socially responsible and even beneficial for the society.

Keywords: social responsibility, advertising, commercial responsibility
JEL classification: M31.

1. Introduction

Modern and contemporary generations of the society have become skilled at advertising and make use of it to identify problems (Olien et al.,1989). It is still considered by critics that advertising because of its status wields great power over us (Pollay, 1986). This influence can be seen in every sphere of our life: thoughts, actions, decisions, beliefs, values and behaviour also.

Research is designed to cover a variety of topics and interrogations regarding the relationship between advertisers and consumers and to meet the respective issues. Advertising, besides making known functional benefits of products and services, calls the emotions that often are directed to the subconscious to produce an effective commercial action.

2. The current state of research

Through a review of relevant studies conducted over the past two decades we have tried to understand the problems that we face in advertising. Based on data that were investigated, one can deduce that researchers are mainly concerned with ethical issues of advertising directed at children, ads that use sex appeal, advertising stereotypes, negative psychological effects of advertising, advertising of alcohol / tobacco, advertising that promotes materialism and misleading advertising.

→ As early as 1991, Haefner conducted a study that approached values of those advertisers who deliberately or accidentally *aimed at children* with their messages. The study found that the effects of advertising on children were critical, involving a change in behaviour and their opinions, and led to the values described in ads (Haefner, 1991]. As a means of introducing ethical values into a corporation on advertising and children, it is recommended model proposed by Robin and Reidenbach. In a similar study conducted by Conna, strong concerns relating to advertising to children have been expressed and concluded that the content of advertisements aimed at children has an overriding need for regulation (Conna, et al.,1994).

Moreover, some researchers have dealt with specific issues related to advertising directed towards children. Childs și Maher (2003) examined the use of gender in advertising baby food and found that gender preference was significantly more present in advertisements. The boys were presented as figures of dominant models. The study also suggested that girls were consuming the wrong food, which somehow

contributed to the existence of eating disorders, affecting more young women with a higher prevalence than young men (Childs and Maher, 2003).

Tamburro studied the presentation of violence and other dangerous behaviours in advertising to children and found that children who had seen a significant amount of violent and dangerous conduct, were negatively influenced in their behaviour and value system (Tamburro et al., 2004).

In past research, concerns were also raised about *the use of sex appeal* in advertising. In a study conducted by Pollay in 1986, it was found that the effects of excessive use of sex appeal in advertising, manifested as sexual concerns and rising crime against women each of them damaging morality and society (Pollay, 1986).

Also, in a study conducted by Henthrone and Latour in 1994, it was pointed out that some unintended consequences and reactions may result from the use of a powerful advertising obvious sex appeal. It was suggested that advertisers need to recognize the complexity of moral / ethical use of using sex appeal and incorporate this understanding into their strategic thinking (Henthrone and LaTour, 1994).

→ *Stereotypes in Advertising* are another reason why ads have been heavily criticized. In a study conducted in 2000 by Coltrane and Messineo, were studied race and gender stereotypes in advertising. It was found that the characters in television commercials have enjoyed greater importance if they were white or men (Coltrane and Messineo, 2000).

Five years later, Chatterji stressed that gender stereotypes were presented in ads that perpetuated a lifestyle oppressive for women (Chatterji, 2005).

A study with a similar conclusion was made by Schaffter in 2006, which revealed that the representation of women in advertisements was not just stereotypical, but also unethical and too offensive, helping to deter women (Schaffter, 2006).

Richins pointed out that the comparison with images taken in advertising raised the standards of attractiveness for young women and decreased the satisfaction with their attractiveness (Richins, 1991).

Lavine revealed by a study that the TV ads depicting women as sex objects have increased the discontent of women to their body (Sinha, D. N., 2005). Pollay argues that for many women, such announcements led to a loss of confidence / self-esteem.

→ In addition, *alcohol and tobacco advertising* was also heavily criticized in past research. It is believed by critics that they serve to attract and alcohol and tobacco consumption and to enhance their target audience (Sinha, 2005). In a study conducted by Pechmann and Shih was stressed that smoking scenes in the public curiosity aroused young viewers, and improved their intention to smoke, and their perception has increased the social status of the smoker (Pechmann and Shih, 1999). It was suggested that these effects can be reversed by anti-smoking ads. Previous data are also indicative of circumvention ban tobacco advertising by many cigarette companies.

→ The researchers were particularly interested in *the influence of advertising on materialism and consumerism*. Richins stressed that repeated exposure of idealized images in advertising has raised consumer expectations and influenced their perception of how their lives should be, especially in terms of material goods (Richins, 1995). The result of these processes, for some consumers, has been increasing consumer dissatisfaction and desire for more. Other researchers provided also evidence of how advertising and consumerism stimulates materialism in society. In a recent study by Drumwright and Murphy, the current state of the advertising value system was studied and it was found that, in fact, misleading advertising was allowed publicly (Drumwright and Murphy, 2009).

3. Problem identification, research objectives and hypotheses

Study of opinions among students of the Faculty of Economics and Business Administration will highlight whether advertising is an information tool for commercial or subconscious manipulation.

Based on the identified problem, the present study sets itself the following objectives:

√ providing theoretical concepts addressed by the authors and specialized people on this topic

√ demonstration of the use of manipulation techniques in advertising

√ achieve a critical analysis of manipulation in advertising

√ construction of ethical considerations in advertising practice

Assumptions departing from research based on other studies on the subject, and the observations of authors.

H1. Women renounce easier at a preferred product, than men.

H2. Students from specializations more familiar with the concept of advertising and what it entails, are less influenced than those concerned with the financial and banking system, respectively statistics.

H3. An advertisement does not require paying attention to have the desired effect.

H4. After viewing an advertisement, students who come from a family with a better financial situation are turning more on improving their image.

H5. Fast-food restaurants such as Mc. Donald's, create the need of belonging to different social groups.

In terms of information, we have created a chart that contains four variables, each of them giving him a note which signifies the degree to which agrees with the respective statement.
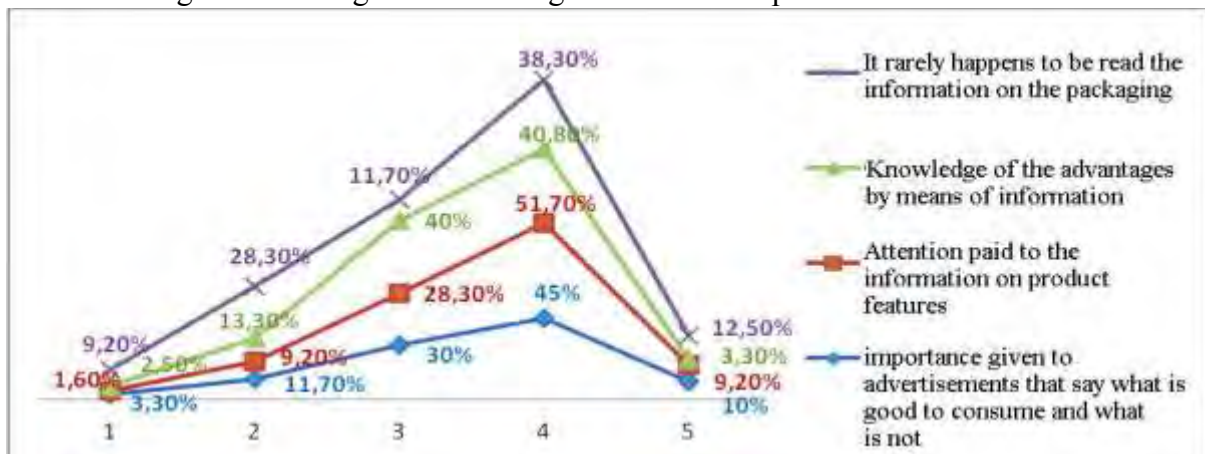
Fig. 1 The importance given to information

The first statement refers to the importance given to ads about what is good to eat and what you should avoid. It can be seen that 45% say they are aware of these messages, while only 10% fully agree with this statement.

Correlating the following two statements, it appears that respondents attach greater importance to information on product features, benefits than the advertised product. 51.7% agreed that gives importance to the characteristics of products viewed in an advertisement, while less than 10 percent say it is important Understand the benefits of the product. These percentages are based on the positive position of the respondents.

With the last statement, it raises a question concerning the contradiction between the first three statements, from which respondents seem to give importance to information in advertising, but they are placed in a specific situation - to read the nutritional information on the back of a tablet of chocolate - at the rate of 38.3% agree that it is rare.

This finding is the first step in developing the following assumptions about manipulation by advertising.

H1. Women give up easier to a wishlist item than men.

In order to verify this hypothesis we used the SPSS software, applying a parametric test to compare the differences between two population groups. In this case, in order to test the difference between the means of the variables for the two groups – women and men – it was necessary to use metric scales. There is a difference between the means of the two groups, namely women obtained a score of 2.814 while men 2.5152. The fact that women register a higher average denotes that they have agreed to a greater extent with this statement than men. In order to determine whether there are significant differences between the two groups, we start from the following hypotheses: the null hypothesis implies the absence of a difference between the means of the two groups, while the alternative hypothesis states that there is a difference between the two means.

I gave up a product that I used to buy in favour of a product promoted in a commercial.	Levene's Test for Equality of Variances		t-test for Equality of Means				
	F	Sig.	t	df	Sig. (2-tailed)	95% Confidence Interval of the Difference	
						Lower	Upper
Equal variances assumed	.724	.396	2.78	117	.000	-.72835	-.13075
Equal variances not assumed			2.29	54.152	.000	-.74958	-.15198

Table 1 Independent Samples Test
Source: SPSS 20 Output

For the situation reviewed **calculated t = 2.78** is greater than the theoretical value **t 0.05;117 = 1.98**, so we can guarantee with a probability of 95% that the means corresponding to the ones giving up a product for another, in the two groups are different in the total population.

We can take the same decision also based on the minimum significance level for that one can accept H1, which is in the **column Sig. (2-tailed)**. This level has the value 0, so less than 0.05 there is accepted hypothesis H1, meaning that the two means are different in the total population, too, and this possibility can be accepted even with a greater probability than 99%. Therefore, we can say that the hypothesis is correct.

H2. Students in majors more familiar with the concept of advertising and all that it entails, are less influenced than those concerned with the financial and banking system, or statistics.

In the table below one can see a difference between the averages of the two groups – students in management, marketing, Economics of commerce, tourism and services and students in finance and statistics – the latter having a greater tendency to be influenced by commercials with children, which might even lead to product purchase.

	Major:	N	Mean
Commercials with/for children give me a positive mood, really making me buy that specific product.	Mg+Mk+ECTS	62	2.5806
	Finance+Statistics	58	2.9655

Table 2 Group Statistics
Source: SPSS 20 Output

Proceeding similarly, as in the previous hypothesis, we concluded that the resulting difference between the two groups is significant. We can observe this by comparing the calculated significance level 0.029 to the theoretical level 0.05. It is noticed that the calculated level is lower, so the hypothesis is accepted.

	Levene's Test for Equality of Variances	t-test for Equality of Means

	F	Sig.	t	df	Sig. (2-tailed)	95% Confidence Interval of the Difference	
						Lower	Upper
Equal variances assumed	1.880	.173	-2.212	118	.029	-.72939	-.04035
Equal variances not assumed			-2.215	117	.029	-.72901	-.04073

Table 3 Independent Samples Test
Source: SPSS 20 Output

H3. An advertisement does not require paying special attention to have the targeted effect.

Based on the fairly high percentage of those who stated they watched commercials, but with a certain detachment (28%), further on, we will show you why we originally said that they are subject to manipulation techniques at the subconscious level.

Although they said they watched commercials with a certain detachment, they obtained the highest score of all categories, that is 4.0435. Indeed we can say that they were not satisfied with the product they had purchased, but in order to show their dissatisfaction, they bought the product they had initially visualized in an advertisement.

	N	Mean
I avoid them by changing the TV channel	70	3.5857
I watch them but with a certain detachment	25	4.0435
I always watch them with interest	2	2.5000
I temporarily leave the TV for another activity	23	3.8800
Total	120	3.7167

Table 4 Descriptives
Source: SPSS 20 Output

The significance level **(Sig. = 0.006)** shows us that the originally established hypothesis is accepted.

Levene Statistic	df1	df2	Sig.
4.395	3	116	.006

Table 5 Test of Homogeneity of Variances
Source: SPSS 20 Output

H4. After watching an advertisement, female students who come from a family with a better financial situation focus more on improving their own image.

As a result of the ANOVA test, conducted using the SPSS software, the variance component expressing the deviation from the linear form is not significant, since for the F test the null hypothesis is accepted, the minimum significance level for that the alternative hypothesis can be accept, in terms of significant differences **(Sig.=0.207)**, being higher than 0.05.

Following this observation, it appears that female students, regardless of their financial situation, have a greater interest in raising attractiveness standards, the same thing being observed in the total average obtained. There are differences between the income categories, but as we have shown, they are not significant in the total population. In conclusion, the hypothesis is not accepted.

H5. Fast-food restaurants, such as McDonald's, creates the need of belonging to different social groups.

We want to demonstrate that lower family incomes, coupled with McDonald's image – family, warmth and friendship – subject people to an increased need to meet the need for socialization, friendship

and membership of a particular group.

For this, we applied the ANOVA test, with the Post Hoc option, which helped us in ranking groups based on the means resulting from giving grades. It is noticed that those who have a higher income level don't feel the desire to integrate into this kind of group. At the opposite end are those with low income who show a greater willingness to accede to groups they deem at a higher level than their own.

Frame your family monthly income in one of the following ranges:	N	Subset for alpha = 0.05
		1
over 3000 lei	19	2.1579
2000 - 3000 lei	29	2.2979
0 - 1000 lei	23	2.4783
1000 - 2000 lei	47	2.8621

Table 6 Waller-Duncan
Source: SPSS 20 Output

The test's null hypothesis states that there are no significant differences among the frequencies studied. The chosen significance level of the test is 0.05. The calculated significance level **0.038 (Sig.)** indicates that the test is relevant, so that the null hypothesis is rejected. Therefore, we will accept the alternative hypothesis, namely that there are significant differences between respondents with high income and the rest of the groups, which means that the determined hypothesis is verified.

Correlating the statement "Beer commercials induce me the idea of a night out with friends/fun." with the time intervals when men spend their time watching TV, we emphasized that within the time frame 17.00-22.00 – an interval with a larger advertisement frequency and number – the score obtained 3.7059 is rather close to the position of agreement with the statement.

In order to get the most relevant results we correlated this variable with another one regarding the underlying principle when decisions are made – reason or emotion.
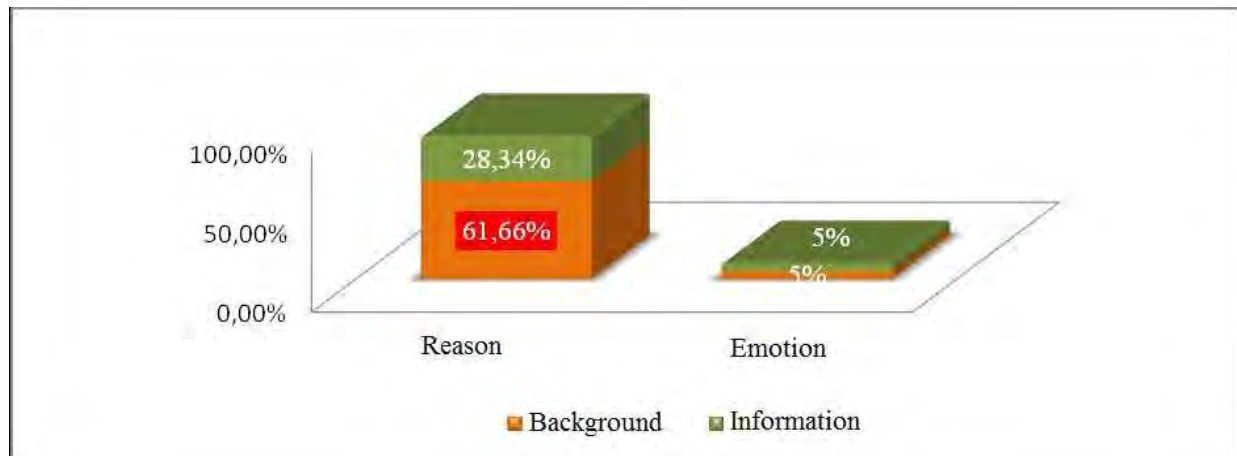
Fig. 2 Influencing the public through pictures

90% of the respondents say they are rational people, what demonstrates us that they don't realize they are influenced is when they had to choose between the information image – underlying reason – and landscape – which creates excitement – they chose the background in a proportion of 61.66%.

4. Model of proposed measures for ethical advertising practices

To perform the analysis, it was used SPSS 20. Based on the variables that were loaded for each factor, the factors have been given names.

Factor's no.	Factor's name
F1	Maintaining a values system and eliminating social problems.
F2	Empowering advertising control bodies and restricting unhealthy products.
F3	Editing advertisement content by the authorities.
F4	Improving self-control.
F5	Repressing social irresponsibility.

Table 7 Factors

In this time of decreasing community values, the public expects advertising to be designed keeping in mind the culture and tradition of the country where it is broadcast and expect it to support fundamental moral and religious values. Respondents support advertising as an effective medium for the protection of basic values and fighting against problems prevalent in society.

In Romania, the main regulatory body in advertising is the National Audiovisual Council (CNA). Other institutions that may exercise control over compliance with the rules on advertising are: the National Authority for Consumer Protection, Ministry of Health. Advertising regulatory bodies play an essential role in the economy sterilization against the negative effects of advertising, and therefore they must become strong.

This factor also claims that advertising for products that are harmful such as cigarettes, alcohol, tobacco, and products that have been declared unfit for human consumption, such as Coca Cola, Pepsi, should be prohibited. Advertising of such products encourages the masses to use them and improves their consumption, thereby harming the individual in particular and the society in general.

Finally, respondents are also in favour of highlighting the negative effects of the promoted products so that viewers are not fooled and knowingly make decisions.

Advertising agencies have a strong belief in the phrase "sex sells" and therefore this topic is extremely exploited in order to sell anything. Moreover, respondents have also expressed their concern regarding the violation of ethics in television advertising. As it can be seen, both problems can be approached if the advertising regulatory bodies are effective or not. This draws thus our attention on the essential doubts that respondents have in terms of advertising regulatory bodies' effectiveness in Romania.

First, respondents suggest that if an advertisement is unfit for the public, a warning must be presented at the beginning of the commercial. Second, respondents are also willing to start campaigns to reverse the harmful effects of some of them. For example, the negative effects of advertising that promotes tobacco and cigarettes can be cancelled by effective campaigns fighting against smoking. Eventually, it was proposed that in terms of advertising for children, parents should be part of the auditing committee. Nobody knows the impulses of their children and how they think and contemplate problems better than their parents and therefore they are the best judges of meanings that children can draw from the advertising directed to them.

Previous research indicated that early exposure of children to such matters unnecessarily increases their curiosity and encourages their experimenting. Children are more vulnerable to advertising and are assumed to be less able to assess commercial persuasion and therefore advertising among children has profound consequences. As already discussed, most of the people encourage children to defy their parents and create conflicts for purchasing the advertised products. Advertising for children also promotes among them unsafe behaviour and the use of unsafe products. Therefore, respondents are not in favour of advertising intended for children under the age of 12.

5. Conclusions

Advertising is often seen as the embodiment of consumers' freedom and choice. Despite this important role, when the choice is placed "between a candy or another, the last tasty snack, cereal breakfast or fast food restaurant" is anything but a healthy alternative.

When not complying with the values system, advertising harms society and this is certainly a moral dilemma. When making tough moral choices, there are many places where you can return for guidance, including: personal conscience, company policy, industry standards, government regulation or law. Most of these approaches have been studied in the current research and have been offered as solutions to the

current problem.

It is not true that if we save advertising, we save all, but it seems reasonable to assume that if we don't save advertising, we might lose everything.

References

CHATTERJI, S. A. 2005. *How advertisements exploit women.*

CHILDS, N. M. & MAHER, J. K. 2003. Gender in food advertising to children: boys eat first. *British Food Journal*, 408-419.

COLTRANE, S. & MESSINEO, M. 2000. The perpetuation of subtle prejudice: race and gender imagery in 1990s television advertising. *Sex Roles*, 363-389.

CONNA, J., GARRISON, H., TREISE, D. & WEIGOLD, M. F. 1994. Ethics in advertising: ideological correlates of consumer perceptions. *Journal of Advertising*, 59-69.

DRUMWRIGHT, M. E. & MURPHY, P. E. 2009. The current state of advertising ethics. Journal of Advertising, 83-107.

HAEFNER, M. J. 1991. Ethical problems of advertising to children. *Journal of Mass Media Ethics*, 83-92.

HENTHRONE, T. L. & LATOUR, M. S. 1994. Ethical judgments of sexual appeals in print advertising. *Journal of Advertising*, 81-90.

LAVINE, H., SWEENY, D. & WAGNER, S. H. 1999. Depicting women as sex objects in television advertising: effects on body dissatisfaction. *Personality and Social Psychology Bulletin*, 1049-1058.

OLIEN, C., TICHENOR, P. & DONOHUE, G. 1989. *Media coverage and social movements. In Salmon, C. T. (Eds.), Information campaigns: balancing social values and social change. Sage Annual Reviews of Communications Research*, 139-163. Sage Publications, Newbury Park, CA.

PECHMANN, C. & SHIH, C. 1999. Smoking scenes in movies and antismoking advertisements before movies: effects on youth. *Journal of Marketing*, 1-13.

POLLAY, R. W. 1986. The distorted mirror: reflections on the unintended consequences of advertising. *Journal of Marketing*, 18-36.

RICHINS, M. L. 1991. Social comparison and the idealized images of advertising. *Journal of Consumer Research*, 71-83.

RICHINS, M. L. 1995. Social comparison, advertising and consumer discontent. *American Behavioral Scientist*, 593-607.

SCHAFFTE, S. J. 2006. *Privileging the privileged: gender in Indian advertising*. Promilla & Co., Publishers in association with Bibliophile South Asia, New Delhi and Chicago.

SINHA, D. N. 2005. *Gutka advertisement and smokeless tobacco use by adolescents in Sikkim, India.* Indian Journal of Community Medicine, 18-20.

TAMBURRO, R. F., GORDON, P. L., APOLITO, J. P. D. & HOWARD, S. C. 2004. *Unsafe and violent behavior in commercials aired during televised major sporting events.* Journal of Communication Inquiry, 55-71.

Goals, Strategies and Expected Return on Investment of Customer Education: An Exploratory Case Study

Kamel Ben Youssef
Université Paris Ouest Nanterre La Défense
kby.branddesign@gmail.com
Milena Viassone
University of Turin,
milena.viassone@unito.it
Erick Leroux
University of Paris XIII
leroux_erick@hotmail.com

"The Purpose of Business is to Create and Keep a Customer" Peter F. Drucker

Abstract

The aim of this research is to provide insight and deeper understanding of the goals, strategies and expected return on investment of customer education by organizations of coffee companies in Italy. For this study, the following research questions were posed: How the goals and strategies of customer education initiatives by the organization can be described? And how the expected return on investment of the customer education initiatives by organizations are described? Based on the above discussions, the main objectives, strategies and expected benefits of educational initiatives for customers by the School coffee.

Through this research, it was found that the customer education process to create value, must obey to the five following qualities: be easy, be relevant, be fresh, manageable and measurable.

At the end of this study, the results indicate that the main goals, strategies and the expected return on investment of customer education initiatives by those organizations were higher profitability, cost reduction, customer performance, customer satisfaction, customer retention and loyalty and the positive impact on the overall performance of the organization in the long term.

Based on this, implications for managing customer education from the distributor perspective and future research direction are subsequently discussed.

Keywords: Customer education, Consumer loyalty, Customer satisfaction, Customer Value.

JEL classification: M 31.

1. Introduction

For many companies, customer education is a built-in problem that needs to be addressed before, during, and after a challenging product is brought to market. Nowhere is this more apparent than in the world of food sector. The amount of information, misinformation, and conflicting reports can be difficult to sift through, even (and perhaps especially) when credible science enters the mix. The good news is that customers are better informed than ever when it comes to making purchases. The bad news is that there's often little difference between marketing materials and educational materials […]. So, based albeit on limited data, we can introduce this study by this slogan "*Don't Market To Your Customers; Educate Them Instead*" provided by Craig William (2015) cited in Forbes (2015).

Customer education refers to the role of a company providing consumers with the information, skills and abilities needed to become a more informed buyer. While it can take many different forms (Monnot, 2010), customer education is most effective when used to engage customers and online shoppers in stores. However, while the desired message is always the same, these two clients forming areas can vary considerably (Larry Alton, cited in "http://customerthink.com", 2015).

Based on the problem discussions the overall purpose of this paper is to provide a better understanding on the use of Customer Education in Business to Distributors (B2D) firms. An exploratory qualitative study has been carried out in order to address the following research questions juxtaposed to the general question of how Customer Education create value with regard to SME in a B2D market:

- *How can the goals and strategies of Customer Education initiatives by SME be described?*
- *How can the expected return on investment of Customer Education initiatives by SME and Customer value are described?*

2. Literature Review
2.1. The concept of Customer Education

Customer education is a process which teaches customers and prospects how to get more value out of your product or service. Honebein and Cammarano (2005) define customer education as 'the companies' investments in instructional activities aimed at improving customer expertise in relation to the goods and services they market'.

Customer education is a process aimed at informing and training customers in order to increase their knowledge levels (basic, general, and deep). It is assuming an increasing importance because of its ability to affect customer perceived value in terms of benefits and outlays (Bonfanti and Brunetti, 2014). After customer education session, the customer should be aware of the performance of the similar product available so that he could make his analysis (Sharma and Peterson, 1999).

2.2. The Objectives of Customer Education

According to Aubert (2006, pp. 31) customer education support customer in the use of a product. Best (2005) states that the inability to use a product can prevent a market from expanding to its full potential. Vargo and Lusch (2004a, 2004b) suggest that customers appreciate the value of products mainly by using them. Fornell and Wernerfelt (1988, pp. 289) also reminded us that most buyer complaints are related to customer experience problems while using the product. Rust et al. (2006) illustrate this aspect. They reported that 9% of consumers returned a home networking product they bought. 85% of these returns "were simply because people couldn't get the equipment to work" (Rust et al., 2006: 104, cited in Aubert, 2006, pp. 32). The international literature on customer education, show us of the importance of product usage and consumption (Aubert, 2006) both as an important research topic and as a key business issue for companies (Intrepid Learning Solutions (2010).

2.3. The Strategies of Customer Education

Customer Education is a program that instructs buyers of your products or services how to get the most benefit from their purchases. It may be a simple instructional guide or video and may also include online tutorials or documentation, advertising, personal selling, instruction manuals, package labels, press reports, cookbooks, consumer information services and toll-free hot-lines. The most effective customer education programs include a combination of those resources (Hoch and Deighton (1989); Aubert and Gotteland (2010) and Monnot (2010, cited in Volle 2012, pp. 31-32).

Using traditional media like 'professional advice, seminars, advertising, frequently asked questions, and booklets', new media like online videos and simulations, and information sharing with and among customers through blogs and forums and formal orientation programs or written literature to implement customer education (Dellande et al. (2004); Hibbert et al. (2012) and Suh et al., (2015).

2.4. Return on Investment expected through Customer Education Implementation

According to Eisingerich and Bell, (2006) customer education can improve client participation and loyalty. Wilson et al. (2012) argue that educated customers are aware of the subsequent actions they have to take, are more aware of firm expectations and customers can be educated to avoid peak demand periods and seek slow demand periods. Bell and Eisingerich (2007) add also that customer education can help customers achieve the full potential of their purchased products, it can solve various problems for customers, and it can lead to 'new or more sophisticated versions of the product over time'. According to Aubert (2006) and Challagalla et al. (2009), customer education increase customer satisfaction through proactive education is expected to enhance product. When customer education can be controlled internally and repeated, Firms themselves can improve their competitive advantages (Hoch and Deighton, 1989).

McNeal (1978) argue that customer education can satisfy and retain customers, create a favorable image of a product, brand or firm, and reduce confrontations with customers.

Last but not least, most organizations use customer education solutions to drive top-line growth (see table 1) and some organizations, while seeking growth, are also looking to reduce costs (see table 2) (Intrepid Learning Solutions, 2010).

Grow Revenue	
Increase product sales	**Generate training revenue**
• Increase brand awareness • Increase demand • Accelerate product adoption • Increase client loyalty • Gather client intelligence	• Drive standalone training sales • Bundle training with product

Table 1: Customer Education Grow Revenue
Source: Our own elaboration based on Intrepid Learning Solutions (2010)

Reduce Costs	
Reduce supports costs	**Reduce training costs**
• Reduce customer support calls by education customer • Enable communities to support each other • Enable partners to operate more consistently	• Decrease administration costs • Distribute informal content from the field • Reduce partners time to productivity

Table 2: Customer Education Reduce Costs
Source: Our own elaboration based on Intrepid Learning Solutions (2010)

2.5. Introduction to The "5 Ms" of Customer Education Model

But what and how to build an effective awareness/education program, and how can it be rolled out online and in person to the customers who need it most?

Through their client experience and independent research on the Customer Education topic, the Intrepid Learning Solutions Consultancy Group has defined five critical success factors to help organizations achieve success with their on line or a face to face educational marketing activity. These are shown below and modelled via the 5'M' (Make it easy, Make it relevant, Make it fresh, Manage it and Measure it) Customer Education in figure 1.
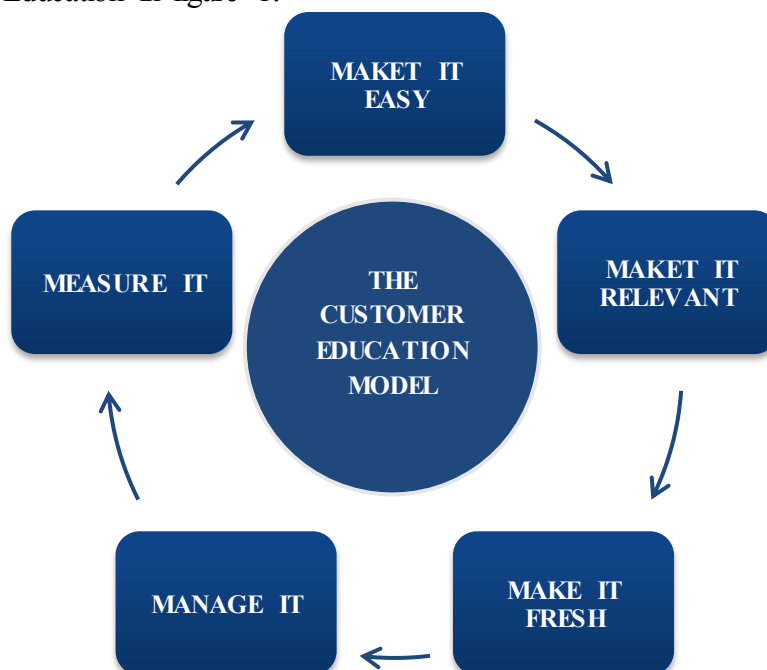
Figure 1: The 5 M's Customer Education Model
Source: Our own elaboration based on Intrepid Learning Solutions (2010)

Make It Easy (1): The centerpiece of any successful program is an interactive on face to face or website designed specifically for the targeted audience the company is seeking to reach. The Classroom environment (Young, 2005) or website's sophistication mirrors the organization's training and communications needs and budget (Intrepid Learning Solutions, 2010); Honebein and Cammarano (2011).

But regardless of those factors, the site, print and in-person components must have the appearance and usability of polished consumer websites (or classroom environment) that users are accustomed to visiting. It must cater to the needs of time-starved professionals to find and process information quickly.

Make It Relevant (2): A successful educational marketing solution also must include topics and formats that are customer-driven, covering not just how to use specific products, but also related topics that help customers achieve their fundamental goals and objectives that are driving them to consider your products and services. Savvy customers expect more to win their trust, (Bell and Eisingerich, 2007; Intrepid Learning Solutions, 2010).

Make It Fresh (3): Develop an education and awareness strategy that is regularly updated and improved by customer feedback because it's the right way to motivate people who tend to lose interest in Classroom environment (Young, 2005) or in web sites that don't provide a compelling reason for them to return. Companies need to post fresh educational content on a regular basis just as they do with other types of content, and be bold about retiring content that users rate lower or don't access frequently (Intrepid Learning Solutions, 2010) and (Ben Youssef et al., 2016).

Manage It (4): Behind the scenes, an effective educational marketing website or Classroom environment (Young, 2005) needs to capture critical customer information, such as what content your customers are viewing, how content preferences differ by type of learner, where and why customers might "bail" from your site. After capturing this type of usage data, you can then strategize new content and site improvements. More importantly, you can provide critical data regarding customer and prospect preferences to your colleagues in product development, sales and marketing functions. Users see a marketing-quality site, but the powerful database driving it feeds invaluable data customer information systems. It can also automate the way content is managed, providing alerts for content that needs to be updated or retired state Intrepid Learning Solutions (2010).

Measure It (5): Scorecards and dashboards make it easy for decision makers to see the impact of educational marketing (Intrepid Learning Solutions, 2010; Honebein and Cammarano 2011). As noted above, an educational marketing website can provide rich data that can provide keen insights to your customers' and prospects' interests and behaviors. Website analytics and content consumption data enable marketers to see the impact of customer education on product sales and gain macro-level information to focus marketing campaigns, (Intrepid Learning Solutions, 2010). In face to face, Classrooms featuring real-world active learning, providing clear learning goals, and emphasizing individual performance will enhance publics' perception of their perceived autonomy and competence and, thus, increase intrinsic motivation and use of self-regulation learning strategies argue (Young, 2005, pp.36).

The 5 M's Customer Education permit to a company's to ensure the success of their Customer Education programs with established goals, tied a strategy and a return on investment encrypted.

3. Methodology and Analysis

Qualitative research method with a case study approach was used to answer the research questions of this study. According to Flick (2009, pp. 21), qualitative research is an important research method and 'is oriented towards analyzing concrete cases in their temporal and local particularity and starting from people's expressions and activities in their local contexts'. Case study can be described as empirical research, where the phenomenon is examined in real life situation, in its own environment' state Yin (2003).

In this research, case study is used to describe or to explain the research object. According to Yin (2003), it can be differentiated between exploratory, explanatory, and descriptive case study approaches.

Exploratory case studies are often conducted to define research questions and hypotheses. Explanatory case studies seek to link an event with its effects and are suitable for investigating causality relations. Descriptive case studies are often used to illustrate events and their specific context. This study represents an exploratory attempt to analyzing Customer Education at SME in a B2D context.

3.1. Research design

This research refers to the case study of Oro Caffè, an Italian SME that provides coffee seminal. The research design is based on an in-depth interview with the marketing manager of Oro Caffè, and questionnaires with distributors of Oro Caffè's products. The questionnaires for the distributors aimed at providing insights into how important Oro Caffè's Customer Education implementation is for them, especially in light of their own business strategy. A total of seven questions have been addressed (see table 3)

1. For how long have you been a business partner of Oro Caffè?
2. Why do you buy products from Oro Caffè?
3. How important is Oro Caffè's investment in Customer Education School for you as one of his business partners?
4. How important is Customer Education School for your own business concept and commercial strategy?
5. What are the main reasons for your customers to buy your products?
6. Gender: ☐Male, ☐Female
7. Age of respondent …

Table 3: Questionnaire for the distributors of Oro Caffè
Source: Own elaboration

The in-depth interview with Oro Caffè's marketing manager aimed at analyzing the compagnie's marketing strategy through the customer education implementation. A total of 14 questions dealing with the topics the objectives and strategy of Customer Education projects and the expected benefits of Customer Education initiatives by organisations have been addressed (see table 4)

Topic	Questions
The goals and strategies of Customer Education	1. Could you describe in detail the concept of The Oro Caffè School? 2. Could you describe in detail how you would achieve the objectives and the benefits of your Customer Education program? 3. How do you describe specifically the strategies you will undertake to achieve the intended benefits? 4. We would like to get a description of customer differentiation as part of your Customer Education initiatives. 5. We would like to understand in detail how you go about personalization in your Customer Education program. 6. Could you please describe in detail how you interact with your customers according to the objectives and strategies of your Customer Education program?
The expected benefits of Customer Education initiatives by organizations	1. We would like to learn about the objectives and benefits of your Customer Education initiatives or programs. 2. Could you please describe specifically the main reasons why you decided to embark on your Customer Education program? 3. We would like to know in detail about the intended benefits that your organization was expected to derive from it when you first decided to embark on your Customer Education program. 4. Could you please tell us in your perspective some of the benefits you have seen so far? 5. With regards to the benefits of the Customer Education program, how do you describe increase in profitability? 6. How do you describe customer loyalty and retention when it comes to the expected benefits? 7. How would you describe revenue enhancement as one of the benefits of your Customer Education initiatives? 8. Can you please talk about cost savings and reduction as a benefit of your Customer Education initiatives?

Table 4: Questionnaire for the marketing manager of Oro Caffè
Source: Own elaboration

3.2. The case study Oro Caffè
3.2.1. Company history

The Oro Caffè trademark was created in 1972 as a place where coffee was served, consumed and enjoyed. Fifteen years later, Chiara and Stefano Toppano took over a small coffee roasting centre (no more than 60 m²) and decided to run it on their own: Stefano roasted with a small, 30-kg-capacity machine, and handled also the commercial side of the business. The new activity bore fruit at once and, from a mainly private clientele, they passed to serving, one after the other, a large number of bars. By continually improving their original recipe – the precious heirloom of the earlier coffee roasting centre - highly smart, sophisticated blends were perfected over time. What made Oro Caffè successful was a series of factors from the owners' direct involvement in carefully selecting raw coffee, to the use of high-tech, fully automated coffee roasting equipment: a mix guaranteeing high and consistent quality levels.

As time went by, their offer matched the demand, fully satisfying the consumers' changing requirements for a less aggressive, sweeter, velvety, palate-pleasing flavour. Starting in the 90s, distribution extended beyond national borders. The quality of Oro Caffè blends was at once appreciated, and exports to foreign countries became an increasingly important item in company turnover (http://www.orocaffe.com/en/About-us).

3.2.2. The Oro Caffè School

The Oro Caffè School was established in 2009 to offer professionals a thorough and adequate training regarding the culture and secrets of coffee. Nowadays, the Oro Caffè School is accessible to anybody wishing to attend our courses with intent being to spread knowledge of the world of coffee and to train an increasingly aware and careful consumer. To professionals in the catering industry the Oro Caffè School offer top training and updating opportunities on coffee, and on how to promote their own ventures; to those who are simply keen on the subject matter, instead, the chance to learn to appreciate and recognise quality coffee flavour and aromas.

In the classrooms, courses – intended for a limited number of people – are held by a team led by Giovanni Roitero, an expert coffee trainer and sector specialist, a professional barista who has been awarded the title "Maestro dell'Espresso" (= Espresso Master") and given the prestigious 'Patente di Assaggiatore di Caffè' (='Licensed Coffee Taster').

The syllabus goes from a historical outline on the origin of coffee to the study of its organoleptic features distinguishing Arabicas from Robustas. It also includes stints reserved to basics regarding the plant and the fruit, studying more about the various picking, processing, cleaning, selection and tasting procedures. After examining roasting processes, the practical stage begins, with the golden rules for getting the best from the blends: correct use of the machines, appropriate extraction times and full advice, and the secrets for being able to offer all the flavour and aroma of Italian quality espresso. A visit to the production plant – illustrating the processing cycles, from reception to roasting, from packaging right up to dispatch of the finished product – completes attendees' training path. The refreshments/coffee bar course, instead, provides tips to professionals about how to integrate their offer with original, coffee-based ideas: new drinks, cocktails and recipes.

The final objective is superior training, to get the most out of the Oro Caffè blends and, at the same time, improve offer types, while diversifying them in a creative way. Acknowledged and mentioned with distinction by the IIAC - the Istituto Internazionale Assaggiatori di Caffè (=International Coffee Tasters' Association) – the Oro Caffè School is today among the territory's most important schools offering complete and adequate training in the culture of coffee. (Source: http://www.orocaffe.com/en/ORO-Caffè-School).

4. Analysis of results

The first research question of this papers aims at understanding and describing objectives and strategies pursued by SMEs in the coffee sector.

Throughout the Oro Caffè study we get interesting suggestions.

According to Toppano (2016), the Oro Caffè School aims at educating barman (B2D), so they can provide customers with qualitative products and culture and knowledge about coffee.

In this way it is possible to spread the coffee culture and the ability to taste the product, that is not so simple and a lot of times customers are not able to distinguish between acidic or without sugar taste; in this way customers will be able to appreciate quality of their coffee.

In order to reach this objective the first educational course is delivered for free; this allows to communicate to barman both the program and know-how they can get by attending the following two fee-paying courses.

These courses differentiate barman only on the base of experience because they are not addressed to final customers.

The second research question consists in providing a description of the expected return on investment of Customer Education initiatives by these types of firms.

In the case of Oro Caffè main benefits were to increase the knowledge on qualitative coffee and associate to it the good reputation of Oro Caffè and both these benefits result effectively achieved.

With regard to the impact in terms of increase of profitability generated by the program of customer education, this is difficult to measure. Of course it has generated (Toppano, 2016):

- a strong impact on reputation of the organization and this results in an annual increase of sells by 10%;
- important benefits in terms of customer loyalty: 90% of customers who attends all their courses are very loyal towards the firm;
- decrease of costs: after these courses Oro Caffè registers a reduction of assistance call by 15%. This is due thanks to a higher knowledge of equipment by barman.

These courses are considered very important by distributors that are commercial partners of Oro Caffè since few years (from few months to two years).

They purchase Oro Caffè products for five main reasons:

- because their products are high-quality and very good products;
- because the quality/price ration is optime;
- because owners and employees of Oro Caffè are very kind and available;
- for the seriousness of the firm;
- for the quality of services offered.

At the same time they perceive the commitment of Oro Caffè towards educational program as very important and able to provide a very good level of education for people attending courses. They appreciate particularly the professionalism of the coffee trainer who is able to transmit his great passion for the coffee world. These programs allows participants to know better the product and valorizes the quality of products offered.

Also the frequency of the Oro Caffè School is considered very important because it allows barman:

- to propose Oro Caffè products in a more suitable way;
- to offer customers well-prepared coffees;
- to devote much importance to quality and details.

In particular people attending courses identify these motivations at the base of the purchases of their customers:

- preparation of coffee by competent and well-educated barman;
- high quality of coffee;
- passion in the preparation of coffee;
- professional and organized barman;
- innovative products.

This shows how distributors recognize Oro Caffè as a firm able to provide high quality/innovative products and a good education.

Starting from this consideration we can deduce that a 5 Ms Customer Education Model has been well developed by Oro Caffè. In fact, throughout an approach both theoretical and practical, its School

makes the learning easy for participants. This is possible also throughout visit to production plant with the illustration of the processing cycles (*make it easy*). Furthermore this School doesn't provide only a description of characteristics and origin of coffee but teach to barman also correct use of the machines, appropriate extraction times and secrets to prepare a very high-quality Italian coffee. These are all abilities very useful for participants (*make it relevant*); it communicates with its participants also by social media (facebook, twitter) and this make communication easy, informal and fast: in this way Oro Caffè can be always informed about new needs by participants (*make it fresh*). In addition, distributors perceive the importance of this school for several reasons and this means that the customer educational process is well-managed (*manage it*); finally, we can deduce starting from the replies of the Marketing Director that specific tools to measure return on investment exist given that he was able to cite specific information in term of increase of reputation, customer loyalty and decrease of costs (*measure it*).

5. Conclusions

The aim of this paper is to describe main objectives and strategies pursued by SMEs in the coffee sector and expected return on investment of their Customer Education initiatives.

First our results demonstrate that the main scope consists in increasing the culture of coffee and in educating barman in order to provide well-prepared product.

This emphasizes how the importance of product usage and consumption is well present in the strategies of Oro Caffè because the inability to use a product can prevent the exploitation of its potential (Best, 2005). Oro Caffè adopts also a strategy that allows to possible participants to try its courses by offering the first educational course for free.

The second research question aims at describing the expected return on investment of Customer Education initiatives. Results show how the main effects of this initiatives affect the loyalty that shows a relevant increase. This confirms what supported by Eisingerich and Bell, 2006. Furthermore, important effects are registered also in terms of reduction of costs: in fact, they develop a higher knowledge of products (Challagalla et al., 2009) and need less assistance; this result, as supported by Intrepid Learning Solutions (2010) in a reduction of costs.

Finally it is important to emphasize also an increase of reputation. This is get also thanks to the understanding by customers of the full potential of products (Bell and Eisingerich, 2007, p. 470), given that customer want to know what to expect (Bitner et al., 1994).

These attention of Oro Caffè to educational topics is perceived well by distributors that consider it very important for the delivering of a best product to their customers. In this way distributors seem to have clear the benefits that this kind of Schools can create and develop a better image of the firm.

Finally, the case of Oro Caffè seems to adapt well to the 5 Ms Model, achieving success with its on line or a face to face educational marketing activity.

6.   Managerial implications

Results of this study suggest important managerial implications.

First, users/customers don't always understand the full value of your product or service. In this case, educate them becomes an essential remedy to address this deficiency / Gap.

Second, through The School of Coffee, The Management refocused the entire company on helping Clients/Distributors get the extensive value product offered that they hadn't realized to date; and it revolutionized the customer experience and value.

Third, the School of Coffee is now perceived and valued as a marketing tool that provides ongoing value via customer insights. By educating its customers, Oro Caffè managed to achieve more frequent engagement for longer periods of time.

Finally, the attention shown by this firm toward educational programs is able to increase the reputation of the firm, so these kind of initiatives can be considered in programs of reinforcement of the brand.

7. Limitations and future research recommendations

Despite the important contribution of this paper to the literature on customer education, it should be considered at the light of important limits.

It considers the analysis of a single case study, not allowing a comparison among different experiences of customer education initiative; second, it collects only the opinion of few distributors that have a partnership since few years.

Furthermore this paper doesn't link objectives and strategies pursued throughout customer education program to the return on investment achieved.

Starting from these limits future research could compare cases of success and unsuccess in order to learn something from the two types of cases.

In addition it should be interesting to measure effects created by these initiatives in terms of increasing of number of customers registered by distributors and relative returns.

Finally, the measure of correlation between the quality of these kind of courses and return generated could provide important suggestions also in the definition of strategies for firms delivering customer education initiatives.

So we can conclude with a slogan provided by the Intrepid Learning Solutions *"Educate your customers to make well-informed decisions. Impactful learning experiences across various stages of a customer's buying cycle lead not just to a sale, but to loyalty. Connect with your prospective customers by offering an innovative learning experience that helps guide them through the buying journey. Or build evangelists for your brand by offering product training at scale while also providing customers the opportunity to collaborate with internal subject matter experts. Because educated customers are loyal customers"*. (IntrepidLearning, 2016)

References

AUBERT, B. 2006. Customer Education: Definition, Measures and Effects on Customer Satisfaction. Newcastle University, UK.

AUBERT, B. 2008. Toward a Better Understanding of the Effects of Customer Education on Usage Behavior and Satisfaction. *Advances in Consumer Research*, Vol. 35, pp. 920-921.

AUBERT, B. & GOTTELLAND, D. 2010. Former les consommateurs à l'usage des produits: Intérêt et principes de mise en œuvre. *Décisions Marketing*, Vol. 59, pp. 7-16.

BELL, S. J. & EISINGERICH, A. B. 2007. Perceived Service Quality and Customer Trust: Does Enhancing Customers' Service Knowledge Matter?, *Journal of Service Research*, Vol. 10 No. 3, pp. 256-268.

BEN YOUSSEF, K., VIASSONE, M. & KITCHEN, P. 2016. How can Customer Education in The Coffee Sector increase Customer Satisfaction?. *The 9th EuroMed Academy of Business annual conference*, University of Warsaw, Poland, September 14-16, 2016.

BEST, R. J. 2005. *Market-Based Management: Strategies for Growing Customer Value and Profitability (4th Edition)*. New Jersey: Prentice Hall.

BITNER, M., BOOMS, B. & MOHR, L. 1994. Critical service encounters: The employee's viewpoint. *Journal of Marketing*, Vol. 58 No. 4, pp. 95-106.

BONFANTI, A. & BRUNETTI, F. 2014. Customer Education, Evaluation Skills And Perceived Value: A Theoretical Framework. 17th Toulon-Verona International Conference.

CHALLAGALLA. G., VENKATESH, R. & KOHLI, A. K. 2009. Proactive Postsales Service: When and Why Does It Pay Off?. *Journal of Marketing*, 73 (March), 70-87.

DELLANDE, S., GILLY, M. & GRAHAM, J. 2004. Gaining compliance and losing weight: the role of the service provider in health care services. *Journal of Marketing*, 68:78-91.

EISINGERICH, A. & BELL, S. 2006. Relationship Marketing in the Financial Service Industry: The Importance of Customer Education, Participation and Problem Management for Customer Loyalty. *Journal of Financial Services Marketing*, Vol. 10 No. 4, pp. 86-97.

EISINGERICH, A. & BELL, S. 2007. Maintaining Customer Relationships in High Credence Services. *Journal of Service Marketing*, Vol. 21 No. 4, pp. 253-262.

FLICK, U. 2009. *An introduction to Qualitative Research (4th Edition).* London: Sage.

FORBES. 2015. Don't Market To Your Customers; Educate Them Instead, http://www.forbes.com/sites/williamcraig/2015/04/10/dont-market-to-your-customers-educate-them-instead/2/#622b9ef94778, (Accessed on April 2nd 2016).

FORNELL, C. & WERNERFELT, B. 1988. A model for consumer complaint management. *Journal of Marketing Science*, 7(3), 287-298.

HIBBERT, S., WINKLHOFER, H, & TEMERAK, M.S. 2012. Customers as Resource Integrators: Toward a Model of Customer Learning. *Journal of Service Research*, 15 (3), 247-261.

HOCH, S. J., & DEIGHTON, J. 1989. Managing What Consumers Learn from Experience. *Journal of Marketing*, 53 (April), 1-20.

HONEBEIN, P. C. & CAMMARANO, R. F. 2011. The Five Qualities of Effective Smart Grid Customer Education. *Metering International*, Vol. 1, pp. 24-29.

HONEBEIN, P. C. & CAMMARANO, R. F. 2005. *Creating Do-It-Yourself Customers: How great customer experiences build great companies*. Thomson Higher Education.

INTREPIDLEARNING, http://www.intrepidlearning.com/business-priorities/customer-education, (Accessed on April 2nd 2016).

MCNEAL, J. 1978. Consumer education as a competitive strategy. *Business horizons*, Vol. 21 No. 1, pp. 50-56.

MONNOT, E. 2010. *L'Expérience d'apprentissage du client : la première utilisation d'un produit-service. Thèse de Doctorat en Sciences de Gestion,* Université Paris-Dauphine, Paris, France.

RUST, R.T., THOMPSON, D.V. & HAMILTON, R.W. 2006. Defeating Feature Fatigue. *Harvard Business Review*, 84 (February), 98-107.

SHARMA, N. & PATTERSON, P. G. 1999. The Impact of Communication Effectiveness and Service Quality on Relationship Commitment in Consumer, Professional Service. *Journal of Service Marketing*, Vol. 13 No. 2, pp. 151-170.

SUH, M., GREENE, H., ISRAILOVA, B. & RHOA, T. 2015. The impact of customer education on customer loyalty through service quality. *Services Marketing Quarterly*, Vol. 36 No. 3, pp. 261-280.

TOPPANO, E. 2016. Interview with Oro Caffè's marketing director Elisa Toppano. Interview held in April 2016. Tavagnacco(UD), Italy, http://www.orocaffe.com/en/ORO-Caffè-School/, (Accessed on April 2nd 2016).

https://cdns3.trainingindustry.com/media/3188458/intrepid%20educationalmarketing.pdf

VARGO, S. L. & LUSCH, R. F. 2004a. Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, 68(1): January, pp. 1-17.

VARGO, S. L. & LUSCH, R. F. 2004b. The Four Services Marketing Myths: Remnants from a Manufacturing Model. *Journal of Service Research* 6(4): 324-335.

VOLLE, P. 2012. *Stratégie clients,* Pearson, France.

WILSON, A., ZEITHAML, V. A., BITNER, M. J. & GREMLER, D. D. 2012. *Services Marketing: Integrating Customer Focus Across the Firm,* McGraw Hill, UK.

YIN, R. K. 2003. Case Study Research. *Design and Methods (3rd edition),* London: SAGE Publications.

YOUNG, M. R. 2005. The Motivational Effects of the Classroom Environment in Facilitating Self-Regulated Learning. *Journal of Marketing Education*, pp. 25-40.

Webgraphy

Customer education: which types to use and when? An overview, (Accessed on March 20th 2016).

http://customerthink.com/the-what-why-and-how-behind-customer-education, (Accessed on Mars 19th 2016).

Facebook pages

https://www.facebook.com/espressoorocaffè (Accessed on April 2nd 2016).

Customer Orientation and Organizational Performance in Iraqi Private Banks

Basim Abbas Kraidy Jassmy
Bucharest University of Economic Studies
basimabbas55@yahoo.com
Zaki Muhammad Abbas Bhaya
Bucharest University of Economic Studies
zakimohammad2008@yahoo.com
Zaid Yaseen Saud Al-Dulaimi
Bucharest University of Economic Studies
zaidyaseen610@yahoo.com

Abstract:
This current research indicate the relationship between customer orientation and organizational performance in the Iraqi private banks, Customer orientation is represented to be an essential factor for the Iraqi private banks success in spite of a few empirical evidence to enhancing performance , this research trying to clarify customer orientation - performance .in the final of this research achieved for the role of customer as basically influence in the Iraqi private banks and this gaining in the theoretical side.

Key words: Customer orientation,organizational performance

JEL classification: M31.

1. Introduction

Iraqi private banks will have to overcome some important challenges if they are to continue their growth at the last years. There are some reasons that facing to banks working like:

1-Accessibility – Access to bank branches or ATM machines remains highly limited to the general Iraqi population. There are approximately 900 bank branches covering a population of 33 million Iraqis equating to just one branch serving 36 thousand individuals.

2-ATM machines are also highly limited with World Bank data indicating that there is only one ATM machine for every 100,000 inhabitants.

3-Irregular playing field – State-owned banks maintain approximately 91% of the deposit and asset market share in addition to enjoying several perceived or actual benefits.

4-Trust – Another important factor that has resulted in the low usage of banks has been a general mistrust of the banking system. This problem is further exasperated by the lack of any deposit insurance institutions that would guarantee customers their deposits back in the event of a bank failure. This problem was brought to the forefront recently with the widely publicized bankruptcy of Warkaa Bank. (Sansar capital management, 2013).

Demand for banking services in Iraq is outstripping existing capacity. Potential for banking services is huge, with penetration at less than 5% of the population and most transactions still cash-based. As security has improved, the country has opened up to external trade and investment, raising the need for banking services, including finance. Banks in Iraq offer a traditional range of deposit accounts and lending products including debit and credit cards (relatively new), exchange and transfer facilities, and trade finance products, such as letters of credit. (National investment of Iraq, 2015).

2. Customer orientation

The difference between market orientation and customer orientation

1- Market orientation refers to the focus of an organization's activities on all make participants and interesting groups while customer orientation is a characterized by a bilateral relation between the customer and organization.

2- Thus market orientation focuses on creating a general competitive edge, while the primary objective of customer orientation is to fulfill individual customer expectations and needs ,Customer

orientation: is the comprehensive, continuous customer and analysis of customer expectations well as their internal and external implementation in an organization's service and interactions with the objectives for establish stable and economically advantageous customer relationship on the long term (Korunka et al, 2007).

For several decades, customer focus has been described as customer of marketing Organization's service and interactions with the objectives for establish stable and economically advantageous customer relationship on the long (Korunka et al, 2007). Customer have preferences both in the immediate and long term .Tragically short -term preference (or wants) are felt and clearly articulated where as long term preferences (or needs) tend to be latent (Rapp et al, 2010; Thakor and Joshi, 2005).

Customer orientation is the organization -wide gathering, sharing and use of intelligence about customer coordinated actions based on that intelligence (Rapp et al, 2010).

As a dimension of market orientation, customer orientation emphasizes the importance of determining and addressing the preference of buyers.

Narver and Slater (1990) conceptualization of customer orientation with its emphasis on organizational culture and capabilities.

Customer orientation: is sufficient understanding of on's target buyers to be able to create superior value for them continuously (Ndubisi, 2012).

A customer oriented organization so one that seeks to understand the needs, both expressed and latent , of its customers in order or more effectively respond to these needs.

Day (1994) suggests that there are three characteristics of a customer -oriented organization.
- placing a high priority on customer interest.
- Generating and using information about customers.

Creating systems to act on such information. In various context and is through to be a source of competitive advantage.

Customer orientation in sales context can be defined and the quality of the customer -salesperson relationship While technology has enhance the salesperson's ability to interact with customers in a virtual environment in order to achieve an optimal level of customer orientation via adoptive selling salespeople should be able to interact with customers and observe their responses allowing them to quickly make adjustments to their message (Rapp et al., 2010).

Customer orientation may improve organization performance by providing greater value to customers through improved service delivery (Narver and Slater, 1999; Arndt and Karande, 2012). Customer orientation: is the degree to which salespeople try to help customers make purchase

For individual salespeople , customer orientation has been shown to enhance job satisfaction , customer satisfaction, customer trust and relationship development for firm's the degree to which salespeople satisfy long term customer needs and build effective Relationship has a direct impact on firm image, brand image, customer satisfaction, loyalty to the selling firm and repeat sales (Arndt and Karande, 2012; Jones et al., 2003) refers customer orientation is defined as selling behavior in. Customer oriented selling by trying to help their customers make purchase decision that will satisfy customer needs (Saxe and weitz, 1982).

Customer orientation refers to the organization -wide gathering, sharing and use of intelligence regarding customer as well as coordinated based on that intelligence (Tang, 2014). Customer orientation has been seen as fundamental concepts to the theory and practice of marketing management (Jaworski and Kohli, 1993). It has been well established that customer oriented firm's outperform competitor and that customer satisfying (Narver and Slater, 1999). Customer orientation helps a firm's to have an overriding focus towards both its targeted and would be customers . Confirm will primarily be interested in providing value to its customers through its products and services so as to satisfy customers.

These aspects of CO would help a firm's to garner market share and profitability (Bhattacharyya and Jha, 2014). The origin of customer orientation can be traced to the development of the marketing concept, which is basically a business philosophy or policy statement which holds that the ultimate goal of an organization is to fulfill customer needs for the purpose of maximizing business profits (Appiah – Adu and Singh, 1998).

Likewise customer orientation concepts were presented early in the literature as the application of the marketing concepts at the level individual salesperson. Customer orientation determines the degree to which the salesperson is willing to help customers satisfy those needs and make better purchase decisions by offering products the satisfy their needs, adopting the sales presentation tactics and high pressure selling. In the research literature, customer orientation is defined as "an employee tenancy or predisposition to meet customer needs in an on- the job context its seems that creating a customer- oriented business culture is important for successful operations in an increasingly competitive service -oriented market (Lee et al, 2013).

Identifying buyers needs and adoption to the customer are constructs in such work that mirror the nations in the market orientation , market - oriented companies need to learn about their customer and continue to update the learning (Da silva et al., 2002).

(Saxe and Weitz, 1982) suggest that customer orientation at individual employee level is closely rated to a "concern for others" (Singh and Koshy, 2011). Customer orientation is also part of the broader construct "service quality" which could be directly influenced by human factors dimensions. In both research and practice, the concepts of customer orientation is often used a synonym of market orientation, or is a central part of a broader defining of market orientation (Korunka et al, 2007).

3. Performance

Business performance is wide concept including both financial performance and operational performance indicators. Performance measure depend on mere financial are not enough so non - economic indicators including market share, product development, or production efficiency are used for business performance (Zaman et al, 2012).

Likewise performance is ongoing and flexible process that including managers and those whom they managers and those whom they manage acting as partners within organization work that is sets out how they can be best work together to achieve the required results, and the performance is the end result of activities, it includes the actual outcomes of strategic management process (Agha, 2012).

The practice of strategic management is justified in terms of its ability to enhancing the organization's performance (Wheelen and Hunger, 2010).

Literature review on organizational performance clearly shows a general findings researchers that there is no single universal measure that can be utilized to asses overall organizational performance. also classical financial measures are unacceptable as the indicators for organizational performance. many performance measures and models have been developed and support by various authors, such as: profitability, productivity, efficiency, effectiveness, adoptability, growth, innovation (Harrim, 2010).

Thus organization performance, affected from many factors outputs on different studies. These outputs can be either economical findings such as profit margin, raise of new investments or some types of different types of characteristics which cannot be measured as certainly (Küçükoglu and Pinar, 2015).

Likewise, a broad average of performance measures have been cited in the strategic orientation almost are related to financial performance, including profit, market share, sales growth, and return on investment (ROI) and there is a great structure of research that confirm a positive relationship between strategic orientation and organizational performance there has also been a major interest in strategic orientation as an intangible variables that has an effect on organizational performance (Oudan 2012).

Although organization performance is not characterize in details by academics it is sometimes identified with profit and sometimes with market power its most common proxies are ROS, ROI and ROA (Durand and CoeurDeroy, 2001; Piirala, 2012).

In the same case business performance is measurable result , organizational decision actions that including the success and accomplishment, costs are the basic parts of the performance, while the performance almost including any competitive purpose and spiritual prevalence such as reliability, flexibility, and besides quality and rapidity (Amirkhani and Reza, 2015).

So Performance could be estimated in both subjective and objective methods, for this there are three types of indicators have been mostly adopted in organizational performance studies such as Growth, profitability and market share expressed by financial or non- financial indicator, since financial indicators

and performance indicators are even weakened, particularly in the changing competitive environment, non - financial performance should be representing in order to fill the gap of incomplete information (Liu and Fu, 2011).

Although, primary data are directly collected from organizations and secondary data are collected from publicly available sources, another classification in the performance measure includes objective and subjective measures, objective performance measure refer to quantified indicators. They are generally financial indicators and obtained from organization on the other hand, subjective measure depends on the judgmental assessments of respondents and these indicators cover financial and non - financial indicators

Some scholars the use of subjective measure because subjective measure easier facilitates the measurement of sophisticated dimensions of performance ,growth and financial performance is a common performance measurement (Arshad et al, 2014). Performance achieving better results in the organization it is procedures of creating a shared vision of what should be achieved (Striteska, 2012).

Existing literature frequently divides business performance measures into financial performance , which includes variables, such as revenues, profits, or stock prices; non - financial performance measures such as reputation, loyalty, or customer satisfaction (Grissemann et al, 2013).

Therefore authors have different approach towards measuring business performance, firstly in authors there were used various financial and non - financial indicators are standard for estimated business performance. Also Authors differ in the investigation of these indicators, there are applied basically two basic methods of business performance measurement: by subjective (self -report) and objective measure where the distinction between them is indefinite by the human elements. Although most objective measure are depend on financial data, the reporting of financial information may be subjectively constructed. the hardness in getting objective data participate to the broad used of subjective measures.

Researchers widely correspond that business performance should be taken to include multiple areas rather merely financial considerations; some researchers debate that the conceptualization of business performance should be extended to include non - financial performance).

Also, performance can be defined by three dimensions, financial, strategic and satisfaction, the financial dimension focus on bottom line of the organization functions such as amount of sales, profits and speed of growth, the main thrust of strategic performance dimensions is that organizations often have a set of strategic goals such enhanced competitiveness, raised market share and strengthened its strategic position, the satisfaction dimension clarify the scope to which the performance of the organization has been very satisfactory, every successfully and fully met its expectations.

Therefore performance measurement has been defined as the process of quantifying where measurement is the procedures of quantification and activities leads to performance, from the perspective of strategic, organizations achieve their goals they perform by satisfying their customers with best efficiency and effectiveness than their rivals (Maurya et al, 2015).

Organizational performance can be seen as a multi - dimensional structure including of more than simply financial performance, it's described as the scope to which the organization is capable to matching of its stakeholders and its own needs for survival (Al- alak and Tarabieh, 2011).

Therefore superior performance is core to the survival and growth of organizations, organization performance appear like a self - evident and self - explanatory term but actually needs to be carefully dismantling, if we are to understand its tangible (Nasir, 2012; Dahan and Shoham, 2014) organizational performance can be broadly divided into financial and operational aspects , addition to satisfaction of stakeholders.

Although financial and operational results are inter- related, they never the less reflect different faces of organization performance and their causal direction are sophisticated (Valencia et al, 2016) refers few reasons for uses a subjective performance measure, first, given that many organizations in the sample are privately held, respondents may be resistant to detect secret objective financial data second as profits levels differ across industries, subjective, performance measures are more suitable in some studies. Third objective performance measure may not adequately indicate the financial condition of high - technology organizations.

4. Discussion

Private Iraqi banks are most active in currency exchanges and wire transfer to diversification in their jobs and that's happen when understanding the role of customers and getting wants and needs ,beside that there is necessity to complete a grand plan to merger with foreign banks to coordinating and participation the profit especially Iraqi economic has a multi resources that could bring a best revenue in the short and long term .

Another thing that must the banks to get interesting is focusing on the reform the infrastructure after war against ISIS and this could be a more benefit to provide money for the international or local firms with high interest.

The other thing that must taking from central bank of Iraq is to get their banks a more freedom to inter new services like investment in renewable energy and reform the environment banking system to stand up with modern process in the world.

References

AGHA, S. 2012. Effect Of Core Competence On Competitive Advantage And Organizational Performance, *International Journal Of Business And Management*, Vol.7, No.1, January .Pp 192-205.

AL-ALAK, B. & TARABIEH, S. 2011. Gaining Competitive Advantage And Organizational Performance Through Customer Orientation, Innovation Differentiation And Market Differentiation, *International Journal Of Economics And Management Science*, 1(5), 80-91.

AMIRKHANI, A. & REZA, A. 2015. Investigating The Relationship Between Strategic Orientation And Firm Performance Considering The Intermediary Role Of Business Strategy, *Journal Of Management Science* , 118, 152 -157.

APPIAH- ADU, K. & SINGH, S. 1998. Customer Orientation And Performance: A Study Of Smes, *Journal Management Decision,* 385-394.

ARNDT, A. & KARANDE, K. 2012, Is It Better For Salespeople To Have The Highest Customer Orientation Or A Strong Fit Their Group's Customer Orientation ? Findings From Automobile Dealerships , *Journal Of Retailing Consumer Services*, 19, 353-359.

ARSHAD,A. RASIL,A. ARSHAD, A AND ZAIN, Z. 2014. The Impact of Entrepreneurial Orientation on Business Performance: A Study of Technology-based SMEs in Malaysia, Procedia - Social and Behavioral Sciences, 130, 46–53, 4th International Conference on Marketing and Retailing 2013.

BHATTACHARYYA, S. & JHA, S., 2014. Development of model relating internal organizational variables with customer orientation in the context of the emerging economy of India, Asia – *Pacific Journal Of Business Administration*,Vol.6 .No.1, 4-17.

CHUNG, H. 2011. Market Orientation, Guanxi And Business Performance, *Industrial Marketing Management* ,40 ,pp 522-533.

DAHAN, G. & SHOHAM, A. 2014. Strategic Orientations: Developing, Entrepreneurial, And Stakeholders Orientations, *Social And Behavioral Sciences*, 109, 758-762.

DA SILVA, R.V, DAVIES, G., & NAUDÉ, P., 2002. Assessing Customer Orientation In The Context Of Buyer/ Supplier Relationship Using Judgmental Modeling, *Applied Economics*, 38, 307-315.

DAY, G. 1994. The capabilities of market-driven organizations. Journal of Marketing 58:37–52.

DURAND, R. & COEURDEROY, C. 2001. Age, Order Of Entry Strategic Orientation And Organizational Performance, *Journal Of Business Venturing*, 16, 471- 499.

GRISSEMANN, U., PLANK, A., & BRUNNER-SPERDIN, A. 2013. Enhancing Business Performance Of Hotels : The Role Of Innovative And Customer Orientation, *International Journal Of Hospitality Management*, 33, 347-356.

HARRIM, H. 2010. Relationship Between Learning Organization And Organizational Performance: Empirical Study Of Pharmaceutical Firms In Jordan, *Jordan Journal Of Business Administration*, 6 (3), 405-425.

JAWORSKI, B. & KOHLI, A. 1993. Market: Antecedents And Consequences, *Journal Of Marketing* ,52, pp 53-70.

JONES, E. BUSCH, P. & DACIN P., 2003. Firm Market Orientation And Sales Person Customer Orientation: Interpersonal And Intrapersonal Influences On Customer Services And Retention In Business –To- Business Buyer –Seller Relationships, *Journal Of Business Research*, 56 , 323-340.

KORUNKA, C., SCHARITZER, D., CARAYON, P., HOONAKKER, P., SONNEK, A., & SAINFORT, F. 2007. Customer Orientation Among Employees In Public Administration: A Transnational Longitudinal Study, *Applied Economic*, 38, 307- 315.

KÜÇÜKOĞLU, M. & PINAR, R. 2015 Positive Influences Of Green Innovation On Company Performance, Social And Behavioral Sciences, 195 (3) , 1232–1237.

LEE, C.K., SONG, H.J., LEE, H.M., LEE, S. & BERNHARD B.J. 2013. The Impact Of CSR On Casino Employees Organization Trust, Job Satisfaction: An Empirical Examination Of Responsible Gambling Strategies, *International Journal Of Hospitality Management*, 33, 406-415.

LIU, B. & FU, Z. 2011. Relationship Between Strategic Orientation And Organizational Performance In Born Global: A Critical Review. *International Journal And Management*, 6(3), 109 -115.

MAURYA, K. U., MISHRAB, P., ANANDC, S., & KUMARD, N., 2015. Corporate Identity, Customer Orientation And Performance Of Smes: Exploring The Linkages, *IIMB Management review*, 1-16.

NASIR, W. 2012. The Relationship Between Strategic Orientation And Firm Performance , Doctor Of Philosophy, Victoria University.

NDUBISI, N. 2012. Mindfulness, Reliability, Pre-Emptive Conflict Handling, Customer Orientation And Outcomes In Malaysia's Health Care Sector, *Journal Of Business Research*, 65, 537-546.

OUDAN, R. 2012. Market Orientation –Transforming Trade And Firm Performance, *International Journal Of Marketing Studies*, 4 (2), 3-8.

PAARLBERG, L. 2007 . The Impact Of Customer Orientation On Government Employee Performance , *International Public Management Journal*,10 (2), 201- 231.

PIIRALA, P 2012, The Impact Of Entrepreneurial Orientation On Firm Performance: A Comparative Study Of Finnish And German Smes, Master Thesis, Aalto University.

RAPP, A., TRAINOR K. & AGNIHOTRI, R. 2010. Performance Implications Of Customer – Linking Capabilities: Examining The Complementary Role Of Customer Orientation And CRM Technology, *Journal Of Business Research*, 63, 1229-1236.

SANSAR CAPITAL MANAGEMENT LLC, 2013, a closer look at the Iraqi banking sector ,May- June.

National investment of Iraq,2015, requirements for investment.

SAXE, R & WEITZ, B 1982. The SOCO Scale: A Measure Of The Customer Orientation Of Salespeople*, Journal Marketing,* Res 9,343-351.

SLATER, S. F., & Narver, J. C. 1999. Research notes and communications: Market-oriented is more than being customer-led. *Strategic management journal*, (20 12), 1165-1168.

SINGH, R. & KOSHY, A. 2011. Does Salesperson's Customer Orientation Create Value In B2B Relationship ? *Empirical Evidence From India ,Industrial Marketing Management* , 40, 78-85.

STRITESKA, M. 2012. Key Features Of Strategic Performance Management Systems In Manufacturing Companies, *Social And Behavioral Sciences*, 58, 1103-1110.

NARVER, J. C. & Slater, S. F. 1990. The effect of a market orientation on business profitability. The *Journal of marketing*, 20-35.

TANG, T. 2014. Becoming An Ambidextrous Hotel: The Role Of Customer Orientation, *International Journal Of Hospitality Management*, 39, 1-10.

TOMAR, S. & BINO, A . 2012. Corporate Governance and Bank Performance: Evidence from Jordanian Banking Industry , Jordan Journal of Business Administration, 8 (2).

THAKOR, M. & JOSHI, A. 2005. Motivating Salesperson Customer Orientation: Insights From The Job Characteristics Mode, *Journal Of Business Research* , 58, 584- 592.

VALENCIA, J., JIMÉNEZ-JIMÉNEZB, D., SANZ-VALLEB, R. 2016. Studying The Links Between Organizational Culture, Innovation, And Performance In Spanish Companies. Revist Latinoamericana De Psicologia, 48, 30-41.

ZAMAN, K., JAVAID, N., ARSHAD, A. & BIBI, S. 2012. Impact Of Internal Marketing On Market Orientation And Business Performance, *International Journal Of Business And Social Science*, 3

(12), 76-87.

WHEELEN, T. L., & HUNGER, J. D. 2010. Strategic Management and Business Policy. Prentice Hall, New Jersey, USA, 65.

Transformational leadership and its impact on the effectiveness of the team

Latif Atiyah
The Bucharest University of Economic Studies
Latiflatif987@yahoo.com

Abstract
The entrance of the transformative leadership is a considered a new gateway for administrative leadership facing the reciprocity leadership in reciprocity leadership the commander applies representing the administration the practice of exchanging between him and his subordinates, the subordinates present fishing jobs while the commandeer presents punishments and rewards.

But in the transformative leadership the leader seeks making positive impact in the work is done , while making exceptions in the process of leadership which means not getting involved in the work as long proceed with no errors and without any exceptional occurrence that gets him to involve this way he monitors his subordinates' performance and cored any errors.

The subject of transformative leadership attracted the attention of researchers and academe anis in the sector of a demonstrative thinking and the management behavior through the last two decades while having the importance of supporting the ability of leaders and admen's in dealing with problems that Occam in the workplace through the space given by the administration in marking and correction work pressures by the leaders of organization and their subordinates equally.

The leadership is considered one of the subject that attracted the world's attention for a long time, although many researchers and strategies agree an the strategies of sufficient and effective leadership what worked of these strategies in the past many not be perfectly applicable in the present or past (Michael, 2008).

From here we witness the appearance of modern leadership orientation (Burns, 1980) put the foundation in the ways and methods of leadership while pointing pat ferns of trans for motional leadership this type of leadership aims at constructing individual and overall quality inside the establishment for the purpose of changing the practices the leader adjust the establishment by helping the work group in setting up permanent changes in thinking and doing. According to (Bennis end Nonus, 1985) the leadership got only proactive changes but it also contributes in developing the goals and aims for those who m it applies to. Sine this type of leaders shoes level of controlling intervention and knows how to protect himself.

From here emerges the space in taking advantage from the applications of transformational leadership, this field is in need of special leadership which owns a clear futuristic vision with transformative, inspirational personality. Suffice to say that a transformative leader is the perfect solution for potential organization the transformative is the overall leader which have main and core port in the organization able to create a vision placing suggested strategies while thinking of methods for applying those strategies as a finished prototype.

The current study aims in exposing transformative leadership in researcher organization while clearing validity level of the dimensions contained in this leadership. Also showing the type of role played the transformative leadership in achieving success for organizations, clearing the most important method, in which by the researched organizations improve the transformative leadership leading if to achieve success.

Basing on what was presented the goal of this current study can be achieved through three main chapters 1 deals with methodology of study and the past studies connected to the subject of study, as for chapter two it containers the main visual from for study and is separated to two lamina topics.The first are is from formative leadership and gts importance and gts dimensions as for the second topic gt deals with validity of the team from the point of concept, importune and dimensions.

As for chapter 3 gt specializes in showing conclusions that the study has etched to and the futures researchers and suggestions which may contribute and support the transformative leadership and gts limped on team effetenes s for the purpose of achieving success in the organization

Keywords: effectiveness, leadership, team.

JEL classification: **M31**.

Introduction

Organizations today live under the circumstantial environmental changes and events in a way that forces it seek behavioral changes and the extent to which it affects the activities practiced by the organization, next to it stands out the organizational values determining the direction of organizational behavior. As members have values the organizations have values too, and because of globalization and rapid changes in environment, organizations face bigger challenges requiring exceptional leaders especially in didactic environments.

Transformative leadership has a great impact on team effectiveness, leading to the increase of directed behavior towards goal and enforcing pioneer success of the organization.

The great deal off attention given to the concept of transformative leadership form the early 80's of the 20th century to keep up with evolvement of philosophic topics of administrative thinking to face the rapid changes in the global competitive environment representing a dangerous threat facing the organizations and their fight for survival. New philosophic visions raised in leading patterns resembled in transformative leadership concerned in creating solutions for facing those challenges. Leadership has become an important source for organizations and a key for competitiveness within it.

1-The Concept Of transformative Leadership

The following schedule clarifies the researcher's and academies' most important opinions on the concept of transformative leadership.

Authors	Year	Knowledge concept
Tichy&Devanna	1990, 32	Transformative leadership participate in operations that include fierce steps -The need for making changes- Finding new visions - making change an organizational part.
Robin&Peter	1990, 93	It's the leadership that owns the ability to motivate the subordinates To work for achieving specified goals representing the values, ambitions and expectations for each leader and subordinate.
Conger	2002, 47	The leadership that skips offering ovations in exchange to good performance must develop to support, encourage its subordinates mentally and creatively and convert their personal interests to be main part of the organization's message.
Robbins & Coulter	2012, 235	They are the leaders that inspire their subordinates to leave their personal interests or the sake of organization interest also having the ability to make a supreme impact on their followers.
Lusser & Achua	2003	It is a leading pattern used by the leader to change the current state through exposing problems to the members of the organization by persuasion and contribution for the purpose of reaching a high level of vision to realize mutual goals.
Feenan	2004	Transformative leadership does not mean centralization around authority but to give permission and to allow workers to achieve measurable results through motivating and encouraging them.
Murphy	2005	The leader's ability to convey message of the organization and its futuristic vision clearly for the subordinates, motivating them thorough showing moral behavior, building trust and respect between the two parts for the sake of achieving goals.
Xirasagar	2008, 602	It is the inspirational impulse for motivating followers towards working, achieving and fulfilling their needs since it focuses on mental motivation.
Michaelis, et. al	2010, 41	Transformative leadership thrives the fuse members with the organization and the containment of that member done by the organization, through Focusing on the cultivation of commitment, carving changes and enforcing innovative.
Erikson-Zetterquist et. al	2011, 14	A dual effort between the manager and colleagues to overstep sef-interest, for a mutual cause, this can be done by exchanging the needs and desires of colleagues or followers.

Figure (1) The Concept Of transformative Leadership

Through the advance researcher believes that the transform motional Leadership, the aplenty of on effective Leader whom has high skill to deliver the message positive and motivate subordinates to work for by work and achieving goals.

1-The Importance of Transformative leadership

(Leithwood, 1992) sees that the importance of transformational leadership lies in:

- Elevating subordinates performance for the sake of self-achievement and development while working on improving groups (Trofino, 2000).

- Placing standards to measure performance and widening cultural profession.

- Helping worker to present innovative solutions for organizational problems and encourage them to participate in new activities to achieve goals.

- Form a solid team out of members by sharing responsibilities, permissions and plant a positive environment that encourages cooperation.

- Transformational leadership seeks the advancement of its followers through taking care of ideas and morals like freedom, justice, equality, peace and humanity (Bass, 1985).

2-Dimensions of transformational leadership

Transformational leadership consist of number of dimensions according to the visions of (Bass, 2000, 26; Colquitt et al, 2010).

a-Ideal effect

This dimension stresses on trust and taking stands when it comes to making difficult decisions while ensuring the importance of purpose and commitment.

-Moral consequences of decisions and admiration, loyalty, trust and compatibility on mutual goals, the effect can take place by the leader's statements to his subordinates, placing it as an essential part in the effect of transformational leadership, through the leader's speeches and the usage of influential words while projecting a behavior that would attract the admiration, understanding and the respect of his subordinates, planting the sense of pride, dedication, persistence in them towards chasing the goals of the organization, and showing a great deal of morality.

b- Inspirational Motivation

In this dimension the leader clarify an attractive futuristic vision, arousing challenge spirit in his subordinates to face the world standards while speaking enthusiastically and optimistically, encouraging on what must be done, since the leader creates a clear and optimistic vision about the future capable of being realized in a way that impose excitement and commitment needed to fulfill the specified goal, as well as stressing on negative sides of the current state and the possible positive sides in the future, the leader can motivate others by using clear expressions to project his future vision while reforming the members' ideas in the current work plan.

c- Mental Excitability

Here the leader tries to avoid old and traditional assumptions, encouraging others to get new methods and assumptions, to excite how things work around and encourage on expressing ideas in a way that arouses rivalry between his subordinates to present new and creative ideas through reforming old assumptions and ideas with new ones without the need to criticize the mistakes of others.

New ideas and innovative solution are required from subordinates involved in solving problems (Bass and Riggio, 2006).

d- Personal Considerations

The leaders deals with others members as individuals and he looks into their needs, support their abilities and aspiration, listening to them and always improve them, giving them advice, instructions and constant practice, this dimension focuses on the human and psychological level for the subordinates and the degree to which the leader cares about his members and his directed support meant for each of the members while focusing on their needs through offering help, fair treatment based on equality, as well as practice, guidance and accepting notes (Saenz, 2011).

3- The Characteristics of transformative leader (Saenz, 2011).

- Owns an insightful vision enabling him to face problems and place their solutions accurately

- Plant trust among others by practicing adaptation widely

- Arises his subordinates' mental efforts making a good use of them.

- Know to be active, alerted and willing to specify the risks of problems and how fast they can be solved.

- Takes good care of his subordinates as individuals and as groups.

- Places challenges and tasks in the workplace since they create organization goals effectively

- Innovative ideas are disposed and their resources will be grown (Robbins, 1998) pointed out that transformative leader have the following traits:

- Inspiration: The transformative leader clarifies the goals as simple as possible, giving high hopes and expectations.
- Intelligence, reasonability and carefully solving the problems faced by the organization.

Hetland and Sandal (2003) believe that a transformative leader should have these traits:
- The ability to focus and pay attention
- Taking responsibility for risks
- Having trust in himself and others
- Self respect
- The ability to communicate
- Paying attention to others

4- Leadership Theories

The subject of leadership attracted the attention of many researchers and scientists with the passage of time, leading to the appearance and development of many theories concerning leadership until this time, that tried to review the requirements of successful leadership involving:
- Traditional school theory
- Behavioral theory
- Attitudinal Theory
- Reciprocal leadership theory
- Servant leader theory
- Charismatic theory
- Transformative theory (Holland et al. 2000)

Transformative leadership converts and according with how specific leaders are able to inspire followers to do great tasks, this theory ensures that leaders need to understand and to adapt to followers needs and their motivations, transformative leaders are know by the role they play as change advocates (Holland et al. 2000)

Theories based on transformational leadership include:

(A) Palsin's theory on transformational leadership

This theory stands on the assumption of the importance of doing tasks through motivated members. Transformative leadership is how the leader affects his subordinates whom they respect and admire, transformative leader stands on the ground built on four components;
- Ideal impact
- Motivations
- Interests
- Mental excitability (Bass, 2000)

(B) Burns theory on transformational leadership

Burns (1978) defines transformative leadership as the process in which leaders and members rush to reciprocal tasks in a high level of motivity and enthusiasm. Transformative leader focuses on leading followers though using and dispensing ideal ideas for them, and for that to work the leader can make a prototype of fundamentals, and the usage of charismatic behavior to attract members to these fundamentals.

5- The Negatives of Transformational leadership

(Meakkel, 2015) see the theory of transformative leadership does not steer off negative points like lacking clarity, since it implies the harsh personality of the leader, also the leader being charismatic allow others to follow him voluntarily but it is insufficient to replace personal and profession related moralities owned by the leader since most moral aspects can not be measured, a lot of researcher link success with leader and not with failure.

Applying it faces a lot of obstacles in advanced countries like:
- Aging beyond what is desired
- Obscene centrality
- The fear of losing authority and not showing desire to change
- Lack of motivation
- Lack of development and practice, and to absence of management trust

Anyway this theory remains a work state that needs refinement and development.

1- The concept of teamwork

Teamwork is considered one of the most essential, important subjects in the literatures and the modern management practices. For this it was given a great deal of interest and research by specialists and the concepts of teamwork was given a lot of definitions. The researcher projects a number of opinions about the concepts of teamwork as shown below in the current schedule.

Authors	Year	Knowledge concept
Horrington- Mackin	1994	Team work is a way for a purpose for achieving some kind of a goal, this goal aiming at enhancing quality, increase productivity and elevate morality or to have better relation with clients.
Harris and Harris	1996	Has a common goal or purpose where team members can develop effective, mutual relationship to achieve team goals.
Gcotsch and Davis	1997	a group of workers is made to improve the process of conversion according to the main goals of the organizations, the team is muti-specialized in which it's made of different departments and specialization.
Krajewski & Ritz Mar Larry	1999	a small group of supervisors and workers unite To determine and analyze the problems of Productivity and quality, their philosophy lies in Being more able to understand ways of solving Problems
Certo	2000	a group of people and manily from the higher posts in the organizations having the ability in making an impact in its activities and goals.
Scarnati	2001 p.5	a cooperative process allowing ordinary people to have better productive results.
Schermerhorn	2002 p.416	a small group people with essential abilities working together to achieve mutual goals at same time sharing mutual responsibility.
Daft	2003 p.614	a unit between to people or more working together For making a purpose.
Tetlak	2010 p.290	a group of people practicing certain authorities within the frame of their abilities , coming together as a group in a certain time and place presenting them selves to others as a part of one component apart of being coherent or not.

Figure (2) The concept of teamwork

Through the advance researcher believes that the work tem, it is total of the federation of people for the purpose of completing a particular job within the organization.

2- The concept of teamwork effectiveness

Authors	Year	Knowledge concept
Keen	1990	Teamwork emphasizes coordination, sharing, responsibilities and participative, decision making.
Horrington- Mackin	1994	An entrance to achive a certain goal, this goal differs form a team to another ,this goal might represent in increasing productivity and enhance quality, elevate morality and improve relation with clients
Papper and Medsker	1996	Four teams to function and innovate, team members most have the knowledge, skills, attitude that are necessary for working in

		a team companion (......).
Smith	1998 p.119	Made of executive levels in the organizations that can be described as a group of specialist working as a team to achieve a mutual goal in the highest possible quality for making the organization's goals
Macmillan & Tompoen	2000 p.254	a group of people owning different abilities among them sharing the same goals and one purpose and having the ability of knowing information, building upon it and improve it.
Chatman and Flyyn	2001 p.965	working in the scope where teammates do their task with the least effort and time.
Luca and Tarricone	2001	team members most be flexible enough to adapt to cooperative working environments where goals are achieved through collaboration and social interdependence rather than individualized goals, competitive goals
Whiteoak Et al.	2004 p.158	the team's ability in performing tasks in making full effective use of it resources to achieve goals.
Connon	2009	Team building begins with the effective selection and grouping of team members includes the encouragement of good working relationship and practices which enable the team to steer and develop the work and reach their goals
Cannon	2009	Abilities to direct and coordinate the activities of Other team members assess team performance, assign tasks, develop team knowledge, abilities and skills, motivate team members, plan and organize and establish a positive atmosphere.

Figure (3) The concept of teamwork effectiveness

Through the advance researcher believes that the effeteness of the team it is the total of the federation of people in order to raise the lever of performance within the organization and improve the competitive position of the organization.

3- Working within a team and team leadership (Nurmi, 1992)

- Working within a team a way of collaboration

Working within a team might have two goals; Coordination and innovation, they seem correspondent form the first sight, and in reality they might share the same road. Working in a team is scarcely the ability of joining two contradicted ways, the concepts of far thinking and past thinking is two main conditions for innovation.

Working within a team is a pillar in the flexibility of the company in the horizontal communication and all its components.

- Working within an innovative team

Practitioners and researches found in this department that working within a team is a wonderful innovation tool, especially when it enables to practice innovation in different team working departments.

The existence of teamwork increases the attention of team workers and invents new innovation tools. Mainly the innovated ideas as formula between two or more of old ideas, enabling people of different backgrounds in extracting new ideas that was impossible to reach without teamwork.

- Working in an organized way

Working in a team is organized since every team owns a leader and other different roles apart from fulfilling goals, a punishment system and a working schedule. Teams are organized into Functional teams and a team that focuses on activities. A team responsible for quality, productivity and so on.

4- Ways of achieving effective team work

There are various ways of achieving effective teamwork (Dermand, 2016)

-Establish team policies guidelines and goals this will provide employees with a well rounded visions of team goals.

Including achieved, measured setting, clear direct goals and guidelines allows for the proper evaluation of team performance of their individual roles and responsibilities;

- Prepare employees for success;

Evaluate employee strength and weaknesses and provide them with ability to address any concerns through training and programs;

- Give regular feedback, continues assessment and regular feedback for the team and individuals will help everyone stay on track;

- Assign clear roles aside from establishing team goals and performance standards

Effective teamwork depends on each employee reaching an understanding of their individual roles and responsibilities.

5-The importance of teamwork

Contey and Cleaner (1997) pointed out several views that reflect the importance of teamwork

-Coordination: is the main corner stone the employees want teamwork together supporting one another since they unite as a team and spire to have be successful.

-Giving trust and support for one another through exchanging wanted information and working in a more effective way

-The most effective usage of resources, talents and working hands.

-Making decagons and solutions at the same time

-Quality: a great deal of attention is given to achieve quality and accuracy since workers feel as a part of team activity.

6- The goals of building teamwork

Lussier and Achua (2003) pointed out to various goals of building a teamwork and that is: 1- creating trust and coordination between workers; 2-Improving individual abilities and conscious; 3- improving leaders abilities in improving relation between workers and superiors; 4- Improving the ability to solve feuds and arguments between group and individuals; 5-Proving open communication between the organizations sections supplying transparency and ease in solving cases and problems; 6- Giving more time to leaders to focus on the organization's effectiveness in planning and drawing goals; 7- The best use of resources and given abilities; 8- Providing the best environment to enhance products and services offered by the organization.

Mejia et al (2005) pointed out several goals as followed:

- Teamwork leads to: 1- Open communication, team members spire to open communication, trust, sharing ideas, and feeling; 2- Sharing appreciation with other members 3- Exchanging help with other team members which help in giving the feeling that their mutual helping earned appreciation; 4- Avoid acting in a selfish individual way, thus finding methods which contribute in fulfilling personal needs and other members within the team.

7-The importance of team

(Pettinger, 2000) sees the importance of team fountains from the fact that most activities practiced by business companies usually take place inside working teams, Thus its essential for the manager to always remember that by team's activities and behavior goals can be achieved the he is considered personally responsible for, while being a part of the organization's goal as a whole. The best example of the importance of teams and it's impact on elevating performance, that heated augmented going on now about the method of Japanese management named (Z) the main focus on creating goals by team members and what links with that form the management principles as a whole, for example the circle of quality and other team working techniques compared to western management generally and American management specifically, the main jest of this argument that continuous progress in Japanese economy in the last 30 years, that the USA can't keep up with specially the production rate and having control on the world exporting market is related mainly to Japanese management method focusing on making decision through working groups, and what comes with that form elevating human relations as a result from sharing opinions in making decisions in working teams, the importance of team work un being technical helping to understand and accept others in working environment (Trait of sharing) and knowing the behavioral dimensions of every member and the motivations, abilities to think and innovate, this helps us to understand the ways of treatment reflecting on

behaving efforts and the completion link between members, easing solving problems, contradictions or misunderstanding as well as enforcing support, trust, agreement, positive impact and achieving goals (Pettinger, 2000).

This source (Daft & Noe, 2001) points out the teamwork fountains from personal efforts and personal satisfaction, completion and diversity in abilities and skills and their linking together as well as increasing the organization's flexibility, converting into team style a corner stone facto in the organization, the organizations break limits and support their employees, encourage them to use their own ideas and their creative energies. Slocun and Woodman (2001) pointed out that one of the most essential points relating to the importance of team working in the organization lies in the productive programs, for continuous improvement, conservative maintenance, a lot of producers push in the direction of creating working teams. Working team are of value to products when there is a rivalry and a dynamic production system in need of flexibility, adaptation and various skills, Slocun and Woodman (2001) sees that team work plays an essential role in steering and managing quality (TQM) and the main part of letting the management to commit to the process (Goetsch and Davis, 1997) clarified that working team became a new way in dealing with requirements of products designing and to convert it form the consecutive processes resembled in the traditional manufacturing to the current processing resembling the modern way of production.

Contey and Cleaner (1997) pointed out that the importance of creating circumstances made for effective work within a team and to support it inside organizations is very clear today, allowing working teams more sharing and rivalry and the feeling of making big achievements, organizations that include working teams will attract and conserve the best members , which in it's turn create a organization with a supreme performance as well as being effective and flexible and most importantly brings profit, profit is main factor that attracts attention and allowing organization to successfully compete in the harsh, competitive world of businesses (Parker, 2003) sees that working in the style of team woks leads to achieving collaboration between team members and finding motivating environment for working since everyone hungers to work and support one another and to convert individual rivalry in exchange with other working team groups, this style allows the chance to exchange wanted information freely in a flexible and effective way between team members allowing information to flow from bottom to top (Employees to management) and vice versa.

Samuel (2000) sees that working as a team in the organization is of importance from the side of better usage of resources, talents and making a decision at one time, this create the attention to achieve quality, accuracy since workers feel as a part of team activity, wanting their team to appear in a good image as far as possible, (Burke et al, 2004) and his companions see that team workers help to get to the following perks:

-Particpating in monitoring performance
When the organization's management determine the general goals allowing them a great deal of flexibility and adapting to doing their tasks without further intervrniton in directing. Thus it evaluates and correct itself.

-Moving towards creating a team
Every team member feels happy of being involved to the team and organization and he makes sure to always keep working with them.

-Supporting behavior
Team members help each other and collaborate freely in a joined way apart from threatening, it stands on mutual trust between team members built on sharing and support while giving importance to creative ideas and innovative solutions and encouraging every team member on doing so.

-Adapting
Team charracterized by a strong link between members, this relation takes a casual turn since they become friends more than colleagues. The essentials of this relation are trust, respect and support, information are exchanged freely and clearly between team members.

-Leadership
Is a very organized team, roles and tasks are distributed accurately every members know his role
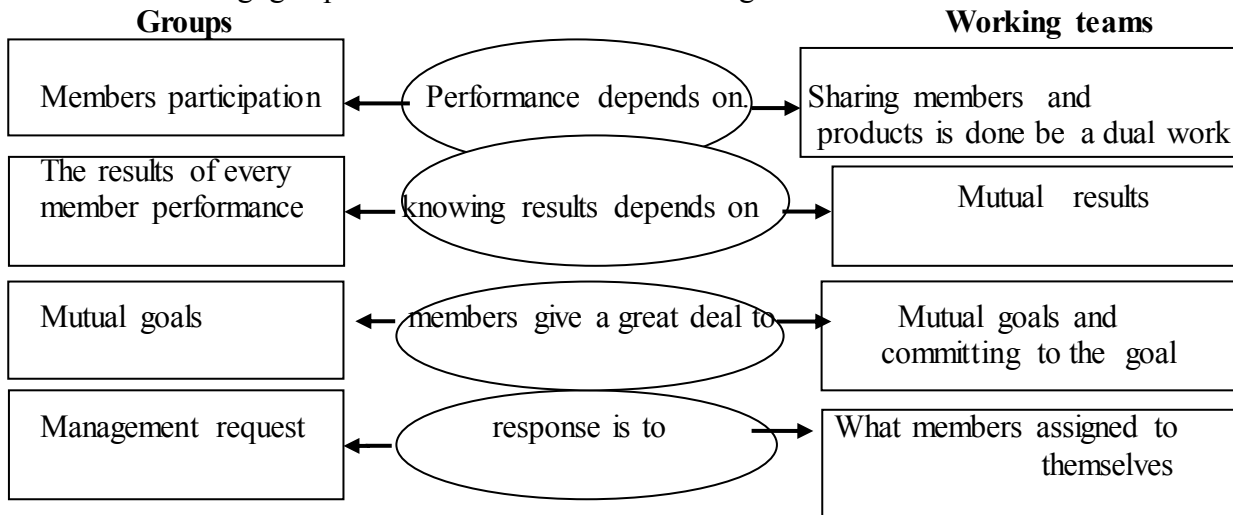
very well and his main goal. It doesn't stop on only knowing the goal but it extend to know ways of achieving this goal and how to reach what is expected from him.

Heathfield (2002) sees that the importance of team lies in creating a motivational environment, letting the workers feel proud of their teamwork, the mutual feeling of responsibly, encouraging on giving ideas , fast response to weather changes and to improve effectiveness between members.

8- The difference between working team and working group

There are a lot of opinions and ideas that takes on the difference between teams and groups , in this research working groups and it's different form working team

Groups		**Working teams**
Members participation	Performance depends on	Sharing members and products is done be a dual work
The results of every member performance	knowing results depends on	Mutual results
Mutual goals	members give a great deal to	Mutual goals and committing to the goal
Management request	response is to	What members assigned to themselves

Figure (4) Comparing Groups And Working Teams
Source (Greenberg & Baron, 2000)

Greenberg and Baron (2000) working groups are usually made form a number of members where their words are directed by the supervisor, their level is concluded by every member individual performance, the following figure shows the difference between working teams and working groups.

Ordinary Working groups	**Working teams**
The leader is the one who controls the group	The leader is the worker who Ease the team work
Goals are set be the organizations	Goals are set by team members
The leader sets the meetings	meetings are full with free discussions and interactions
The leader does the supervising	Team sets the work framework
Focusing on individual performance	Focusing on team's performance
There is competitiveness between workers	Sharing unit
Communication is done through the leader to the Group	Communication is done through the
Decisions are made according to the leaders opinion	leader to the team and vice versa

Figure (5) Difference between working groups and working teams
Source (Brounstien, 2011)

(Brounstien, 2011) Pointed out that the difference between teams and groups lies in the following figure:

Work Groups	**Teams**
Individual accountability	Individual and mutual Accountability
Come together to share information And	Frequently come together for discussion,

perspective	deciom making, problem solving and planning
Focus on individual goals	Focus on team goals
Produce individuals work products	Produce collective work products
Define individual roles, responsibilities And tasks	Defines individual roles, response members work, often share and rotate them
Concerns with ones own outcome and challenge	concerns with outcomes of everyone and challenge what the team faces
Purpose, goals, approach to work by the Manager	Purpose, goals, approach to work members shaped by team leader with team

Figure (6) Difference between work groups and Teams
Source (Brounstien, 2011)

(Robbins and Judge, 2009) Pointed out the differences between Groups and teams in the following figure:

Groups	**Teams**
by manager or leader	Everyone is accountable for their work to The other group and the other work
The focus is to share information and pinions	The focus is to making decisions, solve problems and strategize
Emphasizes on individual goals	Emphasizes on team goals
Outcome is on each individual	Outcome is on the entire groups contribution
Identify every person roles and tasks	Identify every person role in regard to help Can allocate and assign his tasks to others The collective effort, each person
The focus is each person outcome and struggles	The focus is on the team outcome and struggles
The objective and goals of the group are placed Every person is accountable	The objectives and goals of the group are placed by team leader with team members

Figure (7) Difference Between Teams and groups
Source (Robbins and Judge, 2009**)**

Robbins and Judge (2009) Believes that there are four differences between a team and a group and they'reas following:

Team		**Group**
Team overall Performance	← Goal →	Sharing Information
Positive	← Synergy →	Neutral, sometimes negative
Individual, taking turns	← Accountability →	Individual
Supplemental	← Skills →	Random and different

Figure (8) Difference between teams and groups
Source (Robbins and Judge, 2009)
Organization behavior . person prentice hall U.S.A

9-The Foundations of building a team

Building a working team that functions efficiently is not an easy job, thus it is important to care of the working team an continue to nurture it accurately until it finishes the requested job, consequently there are several foundations to build an efficient team as pointed by (Greenberg and Baron 2000);

1- Team working teams does their job perfectly when skills and experiences carried by the team members are varied for their requested task;

2-The number of team members must be small, most successful team are small ones usually ranges between 12-15 members;

3- Picking the suitable elements to work In a team, some workers prefer to work with others while

some prefer to work individually, this problem can be get rid of by not forcing those who want to work individually to join a team;

4-Training, in order for a team to be successful it's members most own sufficient skills needed for their requested job, this might include training on the essential subjects in other specialties, its also important to train on how to improve interaction skills among members;

5- Clarifying team goals when the team job and goals are clear it is expected for this team to move in one direction and to achieve same goals;

6- Linking the workers with team performance, it is expected for the worker to be more committed to team's success belonging with the increase of financial authorization linkage with teams success in doing their duty;

7-using suitable Performance measurement, working teams work more efficiently when they have the freedom to improve the standards used to measure performance.

8- Increase trust among team members, so they can fulfill the organization's goal

9-Encourage members on sharing, the more sharing done by members in making decisions the more they grow committed to these decisions

10- The value of team spirit and socially supporting it: A team works successfully if the team members believe that they can succeed;

11- Encouraging communication and collaboration: it is essential to achieve good communication and collaboration between team members so they can coordinate their efforts to fulfill team goals.
Goetsch and Davis (1997) pointed out that the process of building a team is continuous consisting of four steps:

1-Enhacing the teams development requirements, like strengths, weaknesses and to clearly specify goals.

2- Planning the activities of building a team in accordance to the task, while considering priorities and specifying tasks based on the needs selected earlier.

3- The execution of team building activities already planned.

4- The correction of restless
(Lussier, 2005) sees that the activities of building a team currently represent a way of constructing organizations, and that teams work effectively through the following:

-Clarifying the team's goals and the roles of it's members

-Diagnose problems that stand in the way of reaching goals

-Improving the skills of problem solving, skills of decision making, skills of innovating goals

-Specifying the best method for teamwork

-Making the best use of team members' resources

-Developing interactive skills

10 – Types Of working teams

There are various types of working teams along with various points of view concerning these types, some researchers believe that teams in organizations can shape up in numerous ways as shown in the schedule below:

Team Type	Source
Personal projects teams – personal production teams Continuous project teams – continuous production teams	(Sashkin, 1994)
Working teams with specified tasks, or cross-job teams Including members of one team or more within The organization, this team is found for the purpose Of solving issues	(Harrington,1994)
Development team takes on the task of Discovering new horizons and teams, Concerning with developing, improving and Revival, it's success is dependant on the Existence of innovative and traditional Thinking, members desire to improve, spire	(Lawrence & Holleb, 1999)

Committee known as an official team type Designs for a specific task to be done On specified timeline, the committee follows One specific goal but it's members change once in a while, appearing only in difficult tasks knows as an official working team created for the purpose of reaching a goal, and it expected for this team to be dissolved when the goal is fulfilled	(Schermerhorn and Chapell, 2000)
A small group of working members who work Voluntarily at the rate of on hour peer week to Consult about the issues related to work , Like monitoring, decreasing cost, planning Production line and even designing the Product.	(Quick & Nelson, 2009)
They categorized working team according to some Foundations:-Nature of task (management task, supervising task -Jobs-interrelation (whether jobs are Interrelated or not)- Formality (Formal, informal)-Management nature (Directed management Or self management)	(Torrington et al, 2002)
Working team can be categorized according To size, structure, organization level (temporary team, permanent team), purposes and their internal contribution In the organization performance	(Ivancevich & Matteson, 2002)
For the best, thinking the is always room To be better, and the tendency to be competitive And enthusiastic	(Heng, 2006)
Working team, issue solving team, Development team	(Evans, 2008)
Cross-Job teams: These teams include embers Of different working units, this type of team has A critical and huge impact on new organization's Success since it is cross-profitable, which is the Most sensitive part in an organization	(Holland & Gomes, 2000)
Driven Team Dysfunctional Team Resilient team Complacent team	(West, 2012)

Figure (9) Types Of working teams

Self-directed teams

Self managed teams

Pointed out as teams with authorized access , these teams work together

On a daily basis sharing some perks of creative teams and

The ones responsible of issue solving since they creating their

Own targets and specify issues to be dealt with

What's special about these teams is that they take responsibility

On a wider range , since they use members and fire them, specify

It's budget and its working schedule.

11-Working teams' dimensions

Many researches gave attention to the dimensions impacting team effectiveness as follows:

Durra (2015) indicated three main factors;

1- Team leadership pattern

It's the type of behavior practiced by the team leader with his subordinates to effect them into making requested goals.

The leadership pattern here is similar to what the manager does especially (Cook, 2009) who pointed out that the role of the leader falls in supporting in various ways;

-Supplying all the members with feedback

- Expressing the team's mutual vision

-Offering support to all team members

- Listening to members and offer compassion and encouragement as well as giving advice and offering help and guidance when needed.

Griffin and Moorhead (2014) indicate that it is the style which allows the leader to support others and sympathize with them , giving them the sense that they are treated in a special way. See that the leader

is responsible for major activities like placing vision, organizing and achieving.

Papin (1995) believes that the leader shares authority with the group taking their opinions in consideration in most his decisions, Sharing helps elevating enthusiasm for members and increases their loyalty and commitment.

2- Team Consistency

One of the top priorities of any organization that bases on the work within a team is to help teams to be effective and productive as far as possible, enforcing good team work inside a team is not an easy task, requiring consistent work, adapted skills and innate skills, thus learning essential skills and understanding the important perks of consistency has the ability of creating a positive experience of teamwork (Pete Conin & Bryan, 1997)

Troth et.al (2012) sees that the factors of creating a consistent team work:

- Team goals most be clear and acceptable for all members

- concentrated effective interaction enabling members to adapt and deal with one another, creating the feeling of involvement and consistency

- Consistency, meaning the relation between members, their unity and their willingness to help others for the sake of achieving goals, it also means the range of adequacy and adaptation among team members.

Troth (2012) looks at consistency as the feeling of solidarity and involvement with the team.

3- Trusting the team

Due to the fact that effective team performance tops the priorities of organisations. In business organizations, it is important for the organization to develop the characteristics of effective team resembled in trusting the team (Goetsch & Davis, 2010).

Trust is one of the most essential factors that most be existent in teams, it a result … of work and communication between members, it is a process based on ability realization, integration, loyalty, commitment, and believing in good intentions between team members (Adobor, 2006).

Costa (2003) sees that team members satisfaction can be realized when there is trust among them ,there is a strong link between team satisfaction and completing the task.

Shelton (2002) pointed out that trust is the one important factor that impacts the effectiveness of the organization and creativity, since it improves productivity, flexibility and the response level towards requirements and, environmental changes and customer service. This also involves giving team members some space to do the work and to offer enough trust for decision making.

(Mejia, et al, 2005) Pointed out several procedures that can enforce trust between team members like; open communication, sharing feedback with others, avoid behaving in a self-beneficial way.

Conclusion

1- an effective leader plays various roles since he's the source of power to his subordinates, coordinates their works, solve their problems, encourage third development and growing and motivate them to do a good performance.

2- an effective transformational leadership, lead others towards researches and to be convince with profits that come from controlling self performance and hard work and dedication to the goal as well as a united feeling of that goal.

3- Effects of training g in transformation skills on organizational outcomes.

4- The impact of leaders effectiveness in managing their teams, in the extent on having the ability of transformational leadership and the impact of this ability through the enforcement of the ability of these leader to understand others and impact them.

5- Though there is disparity in subordinate's opinions on characteristics that show off the transformative leader, and how to understand it, there is Consensus on the importance of role played by the transformation leadership in success of organizations and their distinction for traditional organization.

6- Although there are various dimension under the concept of transformative leadership, it can be concluded that researchers and specialist in management leaders ship agree on that dimension of transformational leadership are:
- Ideal Impact
- Inspirational motivation
- Mental excitability
- Personal Consideration

7- Transformational leader ship represent an important scale in the success of organizations, their survival and continuity, thus organizations must enforce the existence of transformational leaders considering them a tool by focusing efforts on team's performance, this focus in it's role gives a direction to the employees, creating trust and mutual respect.

8- Leaders who own transformative behavior have the ability to gave power, inspiration to their subordinates allowing them to behave by giving them a future vision without relying on the style of punishment and reward.

9- Transformative leader have the ability to enforce self- effectiveness of the employees, encouraging them to initiate group efforts to achieve goals.

Future researches:

1) Future researches can explore the effects of transformational leadership and team effeteness and in attempt to expose which one of them has more impact on products and the process of innovation.

2) Making similar research on the effects of transformational leaders on team effectiveness in organizations other then high studies organizations or regions other than Iraq.

3) Applying the current study tool on the leaders of general studies in Iraq.

4) Students of high studies in Iraqi universities to make more researches and studies on transformation leadership in universities.

Suggestions or guidelines:

1- The concept of transformative leadership and it's role in team effectiveness is worthy of studies and researches but the challenge that faces the transformative leaders is how to put this concept in an applicable position, studies have shown that transformative leadership effectiveness is dependant on the availability of several factors like behavioral and organizational skills required for transformational leadership; Organizing time, organizing failures, organizing work pressure, organizing rivalry, organizing changes.

2- Although there are many methods of leading to be chosen by universities, it revolves around choosing the type that turns out to be the most effective, this choice of transformative leadership will have an effect of the educational route, it also effects the innovation of products and method of education

3- Taking care of the components of transformational leadership inside organizations since it is considered important In leading change in the organization and achieving team effectiveness.

4- Adopting team effectiveness in business organizations allows it to track what's new in domestic and global environment in order to draw the suitable change to support organization confidence.

5- The researcher implies the importance of doing more studies on this subject and to stress on the linkage between transformative leadership and other variables on team effectiveness like the variable of innovation , or the variables that can determine the coordinative state of the organization.

6- The importance in ditching the old traditional prototype of leadership that focuses on redirecting to a leadership that believes in sharing and consolation and that requires drastic change in working roles then the relationship between the manager and his subordinates, the role of the manager requires changing form controlling and directing to trust and giving permissions, as for the role of the subordinates it requires changing form merely following orders to participating in decision making.

7- Doing more studies and researches to analyze the relation between the transformative leadership behavior and the modern concepts of managing and organizing like organizational education and managing knowledge.

8 – doing more futuristic studies concerning team effectiveness and its relation to the organizational

variables that contributes in its creation, development and fixation in the minds of the workers.

9- Working on the evolvement of skills, abilities and knowledge of the workers through practice and education, since this has the role in enforcing and elevating the levels of loyalty and organization, as well as widening their perceptions to pursuit the transformative leader behavior.

Reference

ADOBOR, H. 2006. Optimal Trust? Uncertainity As A Determinant And Limit To Trust In Inter-Firm Alliances Leadership And Organization, *Development Journal*, 27(7), 537-553;

BASS, B.M. 2000. The future of leadership in learning organizations, *Journal of Leadership Studies*, 7 (7), 19

BASS, B.M. 1985. *Leadership And Performance Beyond Expectations*, New York: Free Press.

BASS B.M & RIGGIO, R.E. 2006. *Transformational Leadership* 2nd ed., Marwah: Nj Lawrence.

BENNIS, W. & BURT N., 1985. *Leaders: The Strategies for Taking Charge*. New York: Row Publishers

BROUNSTIEN, M. 2011. Bussiness economics motivity, business meaning telling the difference between work groups and teams. Medical team a guidance from the aviation and military communities. *Qual Sof Health Care,* 196.

BURKE, C., SALAS, E., WILSON-DONNELLY, K. AND PRIEST, H. 2004. How to turn a team of experts into an expert medical team: guidance from the aviation and military communities. *Qual Saf Health Care*. doi: 10.1136/qshc.2004.009829

BURNS, J.M. 1978. *Leadership.* New York: Harper Snow.

CERTO, S. 2000. *Modern Management: Diversity, Quality, Ethics & the Global Environment*, New Jersey: Prentice Hall.

CANNON, F. 2009. Ten stages to building a winning team. *Training Journal*, 35-39.

CHATMAN. A.S. & FLYYN, F.J. 2001. The influence of demographic heterogeneity on the emergence and conseqences of cooperative norms in work teams. *The Academy Of Management Journal*, 44 (5), 56-224

COLQUITT, J.A, LEPINE & WESSON, M.J. 2010. *Organizational behavior essentials for improving performance and commitment*. New York: Mc-Graw Hill.

CONGER, J.A. 2002. Leadership learning to share the vision organizational dynamics. *Winter*, 9(3), 22

CONTEY, B., CLEANER, B. 1997. How to enforce work within a team in organizations, training for quality, 5th ed, vol 1,– 29,26, Management Department, Management and economy college, California state university, USA.

COOK, S. 2009. *Building a high performance team, proven techniques fore effective team working, Soft Skills For IT Professionals*. United Kingdom: The IT Governance

COSTA, A.C. 2003. Work team trust and effectiveness. *Personnel Review*, 32 (5), 605 – 622, http://dx.doi.org/10.1108/00483480310488360

DAFT, R.L. & NOE, R.A, 2001. *Organizational Behaviour*. New York: Harcourt college publishers.

DERMAND, N. 2016. How do I achieve effective teamwork. New York.

DURRA, O. M. 2015. The role of emotional intelligence in improving team effectivenes, Field study on Jordanian bank. *Jordanian Magazine in business management*. 11(4)

ERIKSON – ZETTERQUIST, L., MULLERN, T. & STYTHRE, A. 2011. *Organizational theory a practice based approach*. New York: Oxford University Press

EVANS, C.R. 2008. Group cohesion and performance: A meta-analysis. *Journal of Small Group Research*, 22, 175-186.

FEENAN, K. 2004. Personal transformational leadership planning, *Khowaze Business Review* (10), 1-8

GOETSCH, D.L. & DAVIS, S.B. 2010. *Quality management for organizational excellence; introduction to total quality,* 6th ed. New Jersey: Pearson Education INC.

GOETSCH, DAVID L. & DAVIS STANLEY B.,1997. *Introduction to total quality*. New Jersey: Prentice Hall

GOETSCH, D. L. & DAVIS STANELY B. 1997. *Introduction To Total Quality Management Production Processing And Services* 2nd Ed. USA: Prentice – Hall Inc.

GREENBERG, J., & BARON, R. A. 2000. *Behavior in organizations: understanding and managing the human side of work*. Upper Saddle River, NJ: Prentice Hall.

GRIFFIN R., MOORHEAD G. 2014. *Organizational Behavior: Managing People and Organizations*. Canada: South –Western Centage Learning.

HARRIS, P.R, & HARRIS, K.G. 1996. Managing effectively through teams, tram performance management , *An International Journal*, 2(3), 32-36

HEATHFIELD, S.M. 2002. How to build a teamwork culture in doing the hard stuff [Online]. http://humanresources.about.com/od/involvementteams/a/team_culture.htm

HENG, S.A. 2006. The relationship between team characteristics with team performance in Malaysian teams, Thesis for Master University of Technology, Sydney.

HETLAND, H. & SANDAL, G. 2003. Transformational leadership In Norway; outcomes and personality correlates, *European Kornal of Work Organizational Psychology*, 12, 147

HOLLAND, S. GOSTON, K. & GOMES, J. 2000. Critical success factors for cross-functional teamwork in product development, *International Journal of Management Reviews*, 2(3), 231–259. DOI: 10.1111/1468-2370.00040.

IVANCEVICH, I.M. AND MATTESON M.T. 2002. Organizational Behavior and Management. Boston: Mc.Grow –Hill, Irwin.

KEEN, P.W. 1990. *Shaping the future: business design through information technology*. Cambridge. M.A: Harvard Business School

KRAJEWSKI, & RITZ MAR LARRY P. 1999. *Operation management strategy and analysis* 4th ed, New York, USA: Wesley Publishing.

LAWRENCE & HOLLEB 1999. *Managing working team*. The House Of International Ideas. Riyadh

LEITHWOOD, K. 1992. Transformational leadership, where does it -23 stand? *Education Digest*, 58(3), 17.

LUCA, J. & TARRICONE, P. 2001. Does emotional intelligence effect successful team work? *Proceedings Of The 18th Annual Conference Of The Australian Socitiy For Computers In Learning In Tertiary Education At The Ascilite*, 376. Melbourn: University of Melbourn.

LUSSIER. R.N.X. AND ACHUA, C.F. 2003. *Leadership Theories, Application Skills Development,* Edgan Minnesota: Thompson West.

LUSSIER. R.N, 2005. Human relations in organizational application & skill building. 6th ed., New York: Mc.Grow –Hill, Irwin.

MACKIN D. & HARRINGTON-MACKIN D. 1994. *The Team-Building Tool Kit*. New York: AMACOM – American Management Association.

MACMILLAN, H. & TOMPOEN, M. 2000. *Strategic management: process, content and implementation*. Oxford: Oxford University Press.

MEJIA, L.R.G, BALKIN, D.B. & CARDY, R.I. 2005. Management: people, performance, change, NewYork: Mcgraw, Hill companies, INC,

MEAKKEL, B. 2015. *Transformation Leadership*. The Best Option For Management.

WEST, M. 2012. *Effective teamwork*. *Practical Lessons organizational research* 3rd Ed. Oxford: BPS Blackwell.

MICHAEL, A.P. 2008, Emotional Intelligence and Critical Thinking, Relationships To Transformational Leadership, Unpublished Doctoral Dissertation University Of Phoenix, North America

MICHAELIS, B., STEGMAIER, R. & SONNTAG, K. 2010. Shedding light on followers' innovation implementation behavior: the role of transformational leadership, commitment to change, and climate for initiative, *Journal of Managerial Psychology*, 25 (4), 408–429.

MURPHY, L. 2005. Transformational Leadership: a cascading chain of social psychology, [Online], [Retrieved at 27 of March 2016], http://onlinelibrary.wiley.com/doi/10.1111/j.1365-2934.2005.00458.x/full,

NURMI, R., KONTKANEN, L., LETHIMARKI, J. & VITANEN, 1992. Knowledge Organizations, A Typological And Structural Note, *The Finnish Journal Of Business Economics*, 1, 13-20

PAPPER, E.M. & MEDSKER, G.J. 1996. Relations Between Work Team Characteristics And Effectiveness a Replication and Extension. *Personnel Psychology*, 49, 428- 689.

PARKER C., 2003. *Cross- functional teams* ,2nd edition. San Francisco Jossey: Bass publisher.

PETTINGER, R. 2000. Mastering Organizational Behavior. Great Britain: Wales.

QUICK, J.C. & NELSON, D.L. 2009. Principles of organizational behavior – realities and challenges, South-Western: Cengage Learning.

QUICK, T.L. 1992. *Succesful team building*. New-York: American Management Association.

ROBBINS, S.P. 1998. Organizational Behavior- concepts, controversies, and applications (8th ed), Upper Saddle River, NJ: Prentice Hall

ROBBINS S.P AND JUDGE, T.A 2009. Organizational behavior pearson. *Prentice Hall*, USA.

ROBBINS S.P AND COULTER, M.K. 2012. Management. *Prentice Hall,* USA.

PAPIN, R. 1995. *Art de diriser*. Paris: Dunod.

SAMUEL, Z. 2000. *Modern management prentice*. New Jersey: Hall International.

SAENZ, H. 2011. Transformation Leadership. In The Sage Hand Book Of Leadership, Edited.

SASHKIN, M. 1994. The New teamwork. *American Management Association*. New York

SCARNATI, J. T. 2001. On becoming a team player. Team Performance Management. *An International Journal*, 7(1/2): 5-10.

SCHEMMERHORN, J.R. & CHAPPEL, D.S. 2000. Introducing management, New York: John Wiley and sons Inc.,

SCHERMERHORN, J. R . 2002. Management. New York: John Wiley And Sons Inc..

SHELTON, SAMUEL, T. 2002. Employees supervision and employment in public sector, the role of employee trsut ,a dissertation submitted to the graduate faculty of north Carolina state university in partial fulfillments of the requirements of doctor of philosophy public administration.

SLOCUN, J. and WOODMAN , R.W. 2001. *Organization behavior*. New York: Mc.Grow, Hill Inc.

SMITH, J. 1998. Ongoing Learning Dialogue an Experiential Model in Progress in Power and on *Organization Journal*, 6(4) Pilo.

TETLAK, 2010. Treatment of team performance under art. 7 of the OECD model convention, *World Tax Journal*, 662-290.

TICHY, N.M. AND DEVANNA, M.A. 1990. The trasnforamtional leadership. NewYork: JohanWiley.

TORRINGTON, D., HALL, L. AND STEPHEN, T. 2002. Resources Management. London: Prentice Hall

TROFINO, A.J. 2000, Transformational Leadership Moving Total Quality Management To World Class Organization, *International Nussing Review,* 47, 232 – 242

TROTH, A. C., JORDAN, P. J., & LAWRENCE, S. A. 2012. Emotional intelligence, communication competence, and student perceptions of team social cohesion. *Journal of Psychoeducational Assessment,* 30(4), 414-424. http://dx.doi.org/10.1177/0734282912449447

WHITEOAK, W. ZHALIP, L. & HORT, L.K. 2004. Assessing group efficiency, comparing three methods of measurement. *Small Group Research*. 15, 188-193.

XIRASAGAR, S. 2008. Transformational, transactional and laissez-faire leadership among physician executives, *Journal of Health Organization and Management*, 22 (6), 599 – 613, [Online], [Retrieved at 26 of March 2016], http://dx.doi.org/10.1108/14777260810916579

Crowdsourcing: Which is the Development Stage of the Crowdsourcing Practice in Romania?

Carmen Balan
The Bucharest University of Economic Studies
carmen.balan@mk.ase.ro

Abstract
During the last decade, crowdsourcing gained ground at global scale. Numerous companies provide individuals various opportunities to participate in specific projects. Worldwide, both small and large companies provide examples of successful crowdsourcing. At the same time, a new category of service providers emerged under the form of crowdsourcing platforms. They act as "bridges" between the organizations that seek support for different projects and the communities of individuals able and willing to participate in the projects. The goal of the research presented in this article was to identify the present stage of development of the crowdsourcing practice in Romania. The research objectives were to discover the major dimensions that may be used for the assessment of the development stage and to study the present status of the crowdsourcing practice based on each of the identified dimensions. The study had an exploratory nature and the research method was based on the analysis of secondary sources of information available in the online environment. This approach brings added value compared to previous reflections on this topic in Romania. The need for such research was triggered by two factors. The former was the absence of published findings of other studies relative to the present state of the crowdsourcing practice in Romania. The latter was the extremely limited number of scientific articles on this topic. Conclusions relative to the development stage are drawn based on the eight major dimensions. Recommendations suggest precise further steps for practitioners and researchers.

Keywords: crowdsourcing, platforms, tasks, contests, exploratory research.

JEL classification: M30, M31, O33.

1. Introduction

The practice of crowdsourcing is not new. In 1714, an Act of the British Parliament established the Longitude Prize of 20,000 pounds for the person who would identify a way to determine the longitude at sea (Boudreau & Lakhani, 2013). After many trials, John Harrison – artisan carpenter and clockmaker – designed the marine timekeeping device that solved the problem (Royal Museums Greenwich, 2016). That was a crowdsourcing contest.

The term "crowdsourcing" is relatively new. It was mentioned for the first time by Jeff Howe in an article published in 2006. In that article, he referred to examples of practice based on the input of a large number of persons, like iStockphoto, Wikipedia, Web Junk 20, InnoCentive platform of the pharmaceutical company Elli Lilly and Amazon Mechanical Turk (Howe, 2006). In 2008, the same author developed the concept in a distinct book (Howe, 2008).

For the organizations that initiate crowdsourcing projects, the benefits are faster design and prototyping, higher quality, increased agility, appetite for tedious tasks, access to new pools of external talent, better retention and engagement of the internal talent and sometimes lower costs (Deloitte, 2016).

Worldwide, crowdsourcing witnesses an ascending trend. In Romania, the practice exists, but there is no clear image of how crowdsourcing evolves and of the extent to which opportunities were turned into value. This article presents the findings of an exploratory research aiming to identify the present stage of development of the crowdsourcing practice in Romania. The need for the study was generated by the deficit of published research on this topic, even if crowdsourcing has both practical and scientific value.

2. Crowdsourcing practice

According to the eYeka report (2015), the year 2005 is the first when prominent global brands started to use crowdsourcing. Almost 85% of the 2014 Best Global Brands have applied crowdsourcing at least once.

In 2005 and 2006, only the technology and automotive best global brands used crowdsourcing. In 2007, fast moving consumer goods (FMCG) brands started to use crowdsourcing and their number increased progressively. In 2015, among the best global brands, 60 from the FMCG sector and almost 50

from the consumer electronics sector used crowdsourcing (eYeka, 2016a). The number of brands engaged in this practice was smaller for the other sectors: automotive, media/entertainment, finance/insurance, industry/energy, restaurants/hotels, retail etc.

During the period 2004-2015, Coca-Cola was the best global brand that used crowdsourcing the highest number of times, respectively more than 40 times. The Top 20 ranking according to the number of crowdsourcing projects since 2004 continues (in decreasing order) with Danone, Nestle, Pepsi, Samsung, Hewlett-Packard, Ford, Nokia, Toyota, General Electric, Microsoft, Google, Johnson & Johnson, Budweiser, Chevrolet, Shell, Intel, Philips, Santander and Nescafe (eYeka, 2016a).

Multinationals express their interest in crowdsourcing and create communities of various individuals and start-ups engaged in innovation processes. A recent example is provided by Unilever Foundry (Unilever, 2015). In 2015, Unilever officially launched the platform Foundry Ideas^{TM} for the generation of solutions to sustainability problems. The platform facilitates peer-to-peer communication between members of a large community consisting of consumers, key opinion formers and innovators.

The number of crowdsourcing platforms reached the number of 2,000 worldwide. In the United States, the estimated value of the market of crowdsourcing service providers is estimated at USD 6.5 billion for 2016 (The Fung Group, 2016).

Crowdfunding developed substantially compared to other forms of crowdsourcing. In 2015, the total fundraising volume of the global crowdfunding industry was USD 34 billion, out of which USD 17.2 billion in North America, USD 10.54 billion in Asia and USD 6.48 billion in Europe (Massolution, 2016).

The future of crowdsourcing will be marked by specific trends related to the information technology, to online communities. In addition, more dynamic evolutions may be expected in the generation of ideas and solutions and less in the performance of micro-tasks at convenient costs for the project initiators.

3. Crowdsourcing definition and taxonomy

One of the first definitions of crowdsourcing is that formulated by Howe (2006). Essentially, he considered that crowdsourcing is the act of outsourcing a job to a large group of people (external to the organization), based on an open call. The definition relied on three pillars: outsourcing, crowd (large number of persons) and open call.

As the practice evolved, researchers refined the definition of crowdsourcing. Several researchers underlined that crowdsourcing is a type of participative online activity (Estellés-Arolas & González-Ladrón-de-Guevara, 2012). The crowd became a "virtual crowd" and the call was predominantly based on advanced Internet technologies (Saxton, Oh & Kishore, 2013). Thus, the key elements in the definition of crowdsourcing became outsourcing, crowd and social web.

The evolution of crowdsourcing materialized into the emergence of several approaches and models. The potential approaches were classified as follows: knowledge discovery and management (for creating collective resources); distributed human intelligence tasking (for processing large data sets); broadcast search (for scientific problem solving); peer-vetted creative production (for design, aesthetic and policy problems) (Brabham, 2013). As regards crowdsourcing models, on of the most detailed taxonomy suggests the following: intermediary model; citizen media production model; collaborative software development model; digital good sales model; product design model; per-to-peer social financing model; consumer report model; knowledge-base building model; collaborative science project model (Saxton, Oh & Kishore, 2013).

One of the forms of crowdsourcing is crowdfunding. Researchers underlined the role of crowdfunding in the commercialization and financing of innovation (Mollick & Robb, 2016).

Lately, from the various types of crowdsourcing, idea generation attracted the attention of researchers. Findings revealed that in the idea generation stage of the new product development, crowdsourcing may complement the ideas of firm's professionals (Poetz & Schreier, 2012).

Initially, crowdsourcing was fundamentally related to the idea of outsourcing from a crowd of individuals external to the organization. Nevertheless, research shows that internal crowdsourcing may ensure a companywide dialogue (Stieger, Matzler, Chatterjee & Ladstaetter-Fussenegger, 2012).

The scientific articles/papers that were published by Romanians on this topic are recent, but few. They study crowdsourcing from a very specialized perspective focused on small tasks (State, Popescu & Toancă, 2015), crowdfunding (Ilie & Iie, 2015) or on the implementation in a sector such as tourism (Popescu, State, 2015). In addition, crowdsourcing was a tool applied for data collection (Toancă, Popescu, State & Petruş, 2015).

Crowdsourcing is a fairly recent field of research. The dynamics of practice will very likely impact research in order to identify better models and improved effectiveness.

4. Research

The present article is based on an exploratory research relative to the crowdsourcing practice in Romania.

4.1. Methodology

The research was based on the hypothesis that even if crowdsourcing emerged in Romania, the present stage of evolution is far from its full potential.

The goal of the research was to identify the present stage of development of the crowdsourcing practice in Romania. In order to achieve this goal, the main research objectives were the following:

a) to discover the major dimensions that may be used for the assessment of the development stage of the crowdsourcing practice in Romania;

b) to study the present status of the crowdsourcing practice based on each major dimension identified.

The study had an exploratory nature. The research method was based on the analysis of secondary sources of information available in the online environment.

The need for such a research on crowdsourcing was triggered by the extremely limited number of scientific articles published in this field, relative to Romania. Moreover, a major reason was the absence of published findings of other studies relative to the present state of development of the crowdsourcing practice in Romania.

This research contribution has a double value. Firstly, it is the first to explore the development stage of the crowdsourcing practice in Romania. Secondly, the findings of the study led to several recommendations for practitioners and researchers in this field.

4.2. Research findings

The findings of the exploratory research are detailed hereinafter.

4.2.1. Major dimensions

The first objective of the research consisted in the identification of the major dimensions of the evolution of the crowdsourcing practice in Romania. The term "dimensions" expresses the various facets of the crowdsourcing activities deployed in Romania, as well as by Romanians which allow the assessment of the present stage of evolution. The dimensions identified based on the exploratory research are presented in the figure 1.
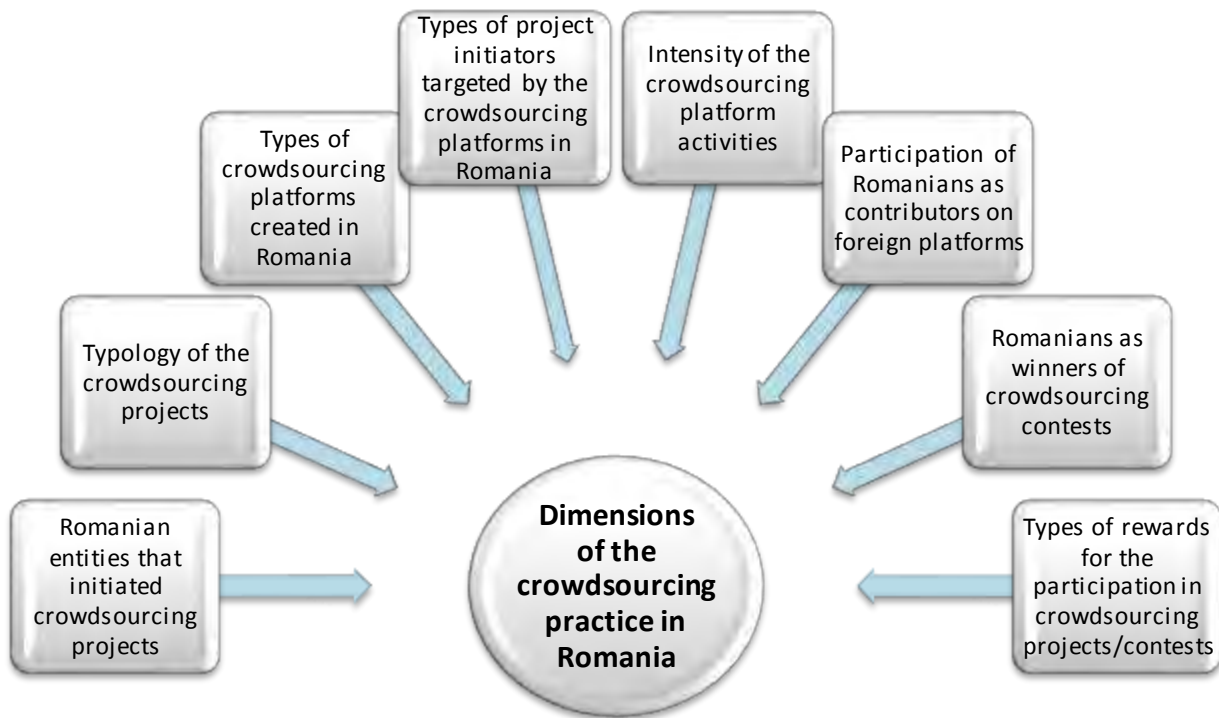
Figure 1. Major dimensions of the crowdsourcing practice in Romania
Source: Own exploratory research

The major dimensions refer to stakeholders and highlight both the "supply" and "demand" on the crowdsourcing market. On one side, they refer to the companies that initiate crowdsourcing projects and to the companies that act as intermediaries between the "resource-seekers" and the "resource-providers". On the other side, some dimensions refer to the participants that are "resource-providers", which offer their input to potential or actual initiators of crowdsourcing projects. Besides these dimensions, several others may be added, such as legal, taxation and information technology dimensions.

4.2.2. Present status of the crowdsourcing practice

In order to evaluate the present status of the crowdsourcing practice in Romania, the exploratory research focused on each of the eight major dimensions presented in the figure 1.

The *first dimension* referred to the Romanian entities that initiated crowdsourcing projects. The findings relative to the first dimensions are the following:

a) data availability. Online data about such projects are rather scarce. Few companies mention them in newsletters, press releases, interviews of management representatives or articles on Web sites specialized in business, marketing etc. This situation may reveal either a low interest in crowdsourcing or a reticent attitude about disclosing these projects. In addition, the companies (platforms, licensed distributors) which act as intermediaries between project initiators and contributors refrain from disclosing information relative to such partners, for confidentiality reasons, especially in the case of projects requiring the support of the crowd for micro-tasks and collection of market insights.

b) identity of entities. In Romania, there are at least three categories of entities that initiated crowdsourcing projects. First category consists in large players like Carrefour Romania, PepsiCo Romania and Samsung Romania. The second category consists in small entrepreneurs that rely on crowdsourcing to get ideas and solutions related to their business dilemmas. The third category comprises non-profit organizations such as the "Civic Alert" Association and the social movement project "Let's Do It Romania!".

c) number of entities. To estimate the number of entities that initiated crowdsourcing projects is a difficult and prone to error endeavor. This is due to data scarcity caused by both confidentiality protection and weak communication of the extant projects.

d) local vs. international approach. The entities that initiate crowdsourcing projects do not necessarily address their briefs to Romanian potential contributors. For example, Carrefour Romania used fairly recently an international platform for a project relative to its activities on the Romanian market (Carrefour Romania, 2015). This approach could lead to the hypothesis that crowdsourcing in Romania is less developed than in other countries or regions of the world. Preference for international platforms may be explained by the objective of achieving higher project effectiveness.

The *second dimension* refers to the typology of the crowdsourcing projects in Romania. The exploration of the available Web information led to the identification of the following types of crowdsourcing projects:

a) crowd-labor projects based on micro-tasks. These projects require the participation of a large number of contributors that accomplish very well defined and relatively simple tasks based on general skills. Platforms like *viespar.ro* intermediate such projects.

b) crowd-labor projects based on macro-tasks. This type of projects refers to strategy development or other consultancy tasks which are accomplished generally by freelancers. The platform *microjoburi.ro* may facilitate projects initiated by small entrepreneurs. There are also Romanian creators – rather few – who accomplish online branding and communication projects for international customers, being registered members of global communities such as eYeka.

c) knowledge building and sharing projects. An example is the crowdsourcing project implemented by Samsung Romania in 2014 (MSL Group The Practice, 2015). The aim was to collect pieces of advice from users of smart accessories for smart living (time and money economies, convenience etc.). Following the crowdsourcing project, the mobile application Live SMART 365 was developed based on 2,000 pieces of advice collected during a two-week period from 1,500 users (Vasiliu, 2014). The lifestyle application could be downloaded on free basis from the Google Play store. Another example is related to the site *www.civicalert.ro* and the mobile application "Civic Alert" of the Association Civic Alert (Civic Alert, 2016). The "crowd" consists in individuals and organizations that acknowledge authorities in real time of critical aspects or suggestions relative to urban infrastructure, parks, constructions, environment, cleaning etc.

d) information and insight projects. One of the latest trends in research is the integration between crowdsourcing and mobile applications installed on the smartphones of consumers. The aim is to collect real-time market data and to get insights during the interaction of the buyers with the offering at the point of purchase. In Romania, a recent example of company that accomplishes information and insight projects is Mobinsights SRL which is licensed distributor of Field Agent Inc. from the USA (Field Agent Romania, 2015). The customers of Field Agent Inc. are large global players such as Coca Cola, Johnson & Johnson, Procter & Gamble, General Electric, Unilever, as well as smaller companies.

e) competition projects based on contests. An illustrative example is the contest organized within the global campaign „Pepsi Challenge", in April 2015 on the site *www.acceptaprovocarea.ro* (IAA Romania, 2015). The aim of the crowdsourcing contest was to create a new design for the Pepsi can. Three proposals won the contest and a limited edition of one million cans was manufactured and distributed in Romania (Golin Romania, 2015). The selection criteria were originality, creativity and identification with the personality of the Pepsi brand. Another example is the contest organized by Carrefour Romania through the crowdsourcing platform eYeka between 11 December 2015 and 10 January 2016 (Carrefour Romania, 2015a). The brief was presented under the title „Bring to life the great shopping experience that people love, offered by Carrefour!". The creative challenge consisted in the design of a slogan and a poster. The results presented on the platform show that three proposals were selected from those submitted by the 104 contributors (Carrefour Romania, 2015b). Competition projects of crowdsourcing based on contests aim to discover innovative ideas and engage consumers in the process.

f) crowdfunding projects. Startups and NGOs developed projects to attract donors and

achieved various success rates. An example is the software FaceRig created by the Romanian startup Holotech Studios that raised USD 307,015, in 2014, on *indiegogo.com* – the largest crowdsourcing platform globally. The objective of USD 120,000 was accomplished 256% (Holotech Studios, 2014). The funds were necessary for the development of software able to allow humans to embody a video character of choice that expresses their body language and emotions, in real time, by means of a webcam. Another example of crowdfunding is related to the mobile application and two software platforms of the NGO **"Let's Do It Romania!"** – a large social movement for the ecology cause in Romania, related to the foundation "Let's Do It World!". The two online platforms were "The Waste Map" and "Register of Notifications of the Authorities". The donors were invited to contribute to the collection of a total amount of USD 36,170, through the platform *indiegogo.com,* during a 40-day period. In addition, the software company Qualitance agreed to donate one dollar for each dollar received from the civil society (Let's Do It Romania, 2015a). The total amount generated by crowdfunding and sponsorships received from several companies reached USD 20,000 (Let's Do It Romania, 2015b). **"Let's Do It Romania!"** applied the "crowdsourcing" concept on two levels. On one side, the funds required for the development and launch of the "Let's Do It!" mobile application and platforms were raised by means of crowdfunding. On the other side, Romanian citizens participate in the process of detecting and reporting of waste pollution cases and in the periodic waste collection campaigns.

Most of these projects are accomplished by means of crowdsourcing platforms.

The ***third dimension*** refers to the types of crowdsourcing platforms created in Romania. The extant platforms may be integrated in the following major types:

a) crowd-labor focused on micro-tasks, including information and insight projects. The company Digital Workforce SRL launched the platform *viespar.ro* in 2012 (Digital Workforce, 2016a). The types of solutions provided to customers are data collection, cleaning and categorization, sentiment analysis, audio-video transcription and market studies (Digital Workforce, 2016b).

b) crowd-labor focused mainly on macro-tasks. Several such platforms exist in Romania. An example is *microjoburi.ro*. The platform services are provided by the company Matash Media SRL (2013). On this platform, the term "microjob" defines an activity or a service that a provider wishes to perform for a buyer in exchange for a specified amount of money (more than RON 50). Examples of microjobs intermediated by the platform are: graphics and design, marketing online, editing and translation, video and animation, music and audio, programming and technology, business etc. Other examples of sites for microjobs are *18lei.ro* and *zerodesk.ro,* that present activities and services provided by freelancers, but not actual job offers.

c) crowd-mentoring and peer-learning. An example is *babele.co* established by the company Babele create together SRL, in 2014. The aim is to provide solutions to social enterprises from different countries, not only from Romania. The platform serves various communities. Each of them can initiate own projects of crowd-mentoring and peer-learning. In addition, the platform facilitates the collaboration between communities for common projects. The vision of the founders relative to the future of "Babele" is to transform the platform into a cooperative, the beneficiaries becoming its stakeholders (Babele create together, 2015). This platform is a singular example in Romania, in terms of orientation towards various communities and social entrepreneurship.

d) crowdfunding platforms. Recently, several platforms were developed in Romania to crowdfund projects. Examples are the following: *www.crestemidei.ro* (Crestem Idei Association, 2016a), *www.wearehere.ro* (Asociația We Are Here Crowdfunding, 2016a), *www.multifinantare.ro* (Registrul Miorita, 2016a), *www.PotSiEU.ro* (Asociatia Pentru Proiecte Sociale Sustenabile, 2016). There are several other platform/sites for crowdfunding business or non-business projects.

The ***fourth dimension*** refers to the types of project initiators targeted by the crowdsourcing platforms created in Romania. The table 2 presents the crowdsourcing services provided to each main type of project initiator.

Type of project initiators	Types of crowdsourcing services provided	Examples of platforms targeting the project initiators
E-commerce stores	product descriptions; product categorization; product tagging; internal search engine optimization, development of databases for newsletters, social media buzz	www.viespar.ro
Companies interested in data collection and analysis	data collection; data cleaning; data categorization; A/B testing; usability testing	www.viespar.ro
Digital agencies	validation of the participation in social media contests; sentiment analysis; A/B testing; research based on questionnaire	www.viespar.ro
Service providers*	promotion of own services over the Internet	www.microjoburi.ro
Social entrepreneurs and innovators	crowd-mentoring and peer-learning	babele.co
Start-ups, NGOs, individuals looking for financial support	crowdfunding	crestemidei.ro www.wearehere.ro www.multifinantare.ro www.PotSiEU.ro

Table 1. Main types of project initiators targeted by the crowdsourcing platforms in Romania
Note: * Services: legal, accounting, plumbing, translation, baby-sitting, online marketing, web-design etc.
Source: exploratory research.

The *fifth dimension* refers to the intensity of the crowdsourcing platform activities. The data provided by the existing crowdsourcing platforms relative to their activities show some disparities. Some platforms succeeded to achieve good results, while others did not reach their full growth potential. For example, the crowdsourcing platform *www.viespar.ro* has more than 200,000 participants and finalized more than 4,000 campaigns, consisting in more than 4 million micro-tasks accomplished (Digital Workforce, 2016b). The platform *www.microjoburi.ro* has 14,214 registered users and 1,237 finalized collaborations (Matash Media, 2016). In contrast, sites like *zerodesk.ro* and *18lei.ro* do not specify the number of job offers that have actually been completed. The platform *babele.co* declares on its home page 8,306 members and 777 projects (Babele create together, 2016). The crowdfunding platforms report fewer projects. For instance, *crestemidei.ro* reached a total of 80 projects, out of which 42 were funded, respectively 52.5% (Crestem Idei Association, 2016b). The platform *www.wearehere.ro* had a total of 78 projects, out of which 33 were funded, respectively 42.3% (Asociația We Are Here Crowdfunding, 2016b). The site *www.multifinantare.ro* reported a total of 60 projects, out of which only eight were funded, respectively 13.3%. (Registrul Miorita, 2016b). Other crowdfunding platforms/sites have a smaller total number of projects submitted for support.

The *sixth dimension* refers to the participation of Romanians as contributors on foreign platforms. The crowdsourcing platforms provide almost no demographic information about their "crowd" of registered contributors. However, there is information about the activity of some contributors. For instance, the crowdsourcing platform eYeka provides a ranking of the creators with the best creative scores. Within the context of this exploratory research, a search for top creators of Romanian origin was made on the eYeka leaderboard of top 500 creators during the period July-September 2016 (eYeka, 2016b). Only creators stating they are from Romania were considered. Out of the 500 entries on the leaderboard, three were from Romania (see table 2).

Indicator	Leaderboard position (period July-September 2016)		
	118	143	202
Name	donjuan_star	Abstraaact	alicecoralie
Age (years)	37	33	45
Gender (M/F)	M	M	F
Member of eYeka since	2014	2016	2016
Creative score	82,280	17,380	28,970
Number of points during the period	19,810	15,370	9,150
Number of entries accepted	36	2	11

Number of contests joined	208	5	17
Number of prizes won	-	1	-

Table 2. Top Romanian Creators on the eYeka platform during the period July-September 2016
Source: eYeka, 2016b.

The *seventh dimension* refers to Romanians as winners of crowdsourcing contests. The exploratory research led to the identification of several examples of Romanians that succeeded to range among the winners of crowdsourcing contests. Two such examples are related to the following contests:

a) BMW: "Urban Driving Experience Challenge". In 2012, the BMW Group and Local Motors started this first collaborative design and development project (BMW Group, 2012a). The project had two phases and aimed to identify innovative and premium features and functions for the BMW and Mini automotive brands for the horizon 2025 (Local Motors, 2012). The objective of the second phase was "to transform the car into a value-adding, socially responsible machine that contributes to our global well-being" (BMW Group, 2012b). The second phase lasted three weeks (15 November – 6 December 2012). The first prize was awarded to Cosmin Mandita from Romania, who received a USD 7,500 cash prize and a trip to Munich (Germany) to meet with the Managing Director of BMW Group Research and Technology (BMW Group, 2012b). The first place winning idea was presented under the title "BMW Light My Way". In essence, the proximity sensors of BMW cars may recognize walkers by night and activate a light. This idea could save energy consumed by street lights.

b) Pepsico Mexico Foods: "Munching partner". In 2014, on the crowdsourcing platform eYeka, Pepsico Mexico launched the challenge "Invent a new snack that will help working men and women get through long working hours!" (Pepsico, 2014). The challenge consisted in the development of an original product idea, respectively: product concept, name, ingredients and packaging. The contest period was 10 November – 1 December 2014. The winners came from Mexico, Russia and Romania (Innovation Excellence, 2015).

c) Procter & Gamble**: "Ariel Extreme Challenge".** In 2016, Procter & Gamble launched a challenge on the crowdsourcing platform eYeka. The contest focused on the Ariel detergent brand. The creators were required to produce an original and authentic video to illustrate the superior performance of Ariel without any comparison to other brands (Procter & Gamble, 2016a). The video content was used as inspiration for the development of digital content for platforms such as YouTube. The Romanian creator Abstraaact won the third prize of EUR 2,000 for the project "There's no mess Ariel can't handle" (Procter & Gamble, 2016b).

The cases of Romanian winners are rather few. Based on these findings, one may formulate a number of hypotheses according to which the main causes of the low number of Romanian winners on the foreign crowdsourcing platforms could be the following: lack of knowledge about the foreign platforms; low number of contributors registered and active on the foreign crowdsourcing platforms; lack of information about the running contests; motivation to participate related only to larger prizes; lack of appropriate creative skills; no interest in crowdsourcing projects.

The *eighth dimension* refers to the types of rewards for the participation in crowdsourcing projects/contests. The rewards are very different depending on the type of project and the skills required. The research findings relative to this dimension were the following:

a) moderate level of the financial reward for crowdsourcing contests. In the case of contests that require creative skills, the financial rewards are more attractive, especially in the case of challenges launched by multinational companies. According to the results of the contest organized on the crowdsourcing platform eYeka, Carrefour Romania awarded three prizes of USD 3,000, USD 1,500 and respectively USD 500 (Carrefour Romania, 2015a).

b) low level of the financial reward per micro-task. Most crowd-labor projects based on micro-tasks reward contributors with a low fee for each task. Consequently, only the accomplishment of an extremely large number of tasks can bring a significant amount to the person that performs the tasks.

c) symbolic reward. The financial equivalent of these rewards is small. An example is provided by the crowdfunding platform *www.crestemidei.ro*. According to the "Terms and Conditions"

of this platform, a project which does not specify the reward for the supporters is not eligible for the submission on the site. The reward must have symbolic value and small financial value (Crestem Idei Association, 2016). The value consists in the official recognition of the participation of each supporter.

d) non-financial rewards with high value and utility for the contributors/supporters. Crowdfunding practice provides such examples. For instance, the supporters of the software FaceRig by Holotech Studios on the platform *www.indiegogo.com* have received "perks" according to the amount they contributed. There were twelve tiers of potential support amounts. The first tier corresponded to a contribution of USD 1 and the associate perk was "Thumbs Up", the supporter's name being mentioned in the hall of fame. In the highest tier were included support amounts of USD 5,000. The perk associated with this top support amount was "FaceRig Trailblazer", according to which the supporter got all the perks of FaceRig forever and the company promised to every such supporter that "upon the conclusion of the Beta we shall schedule time to work with you to build an ultimate quality custom digital actor, designed by you and named in your honor" (Holotech Studios, 2014). The perks were designed to suit the various levels of expertise and expectations of the supporters.

The exploratory research revealed the major dimensions of the present stage of development of the crowdsourcing practice in Romania.

5. Conclusions and recommendations

The initial hypothesis that triggered this research specified that even if crowdsourcing emerged in Romania, the present stage of evolution is far from its full potential. The research findings confirm the hypothesis. The present stage of development of the crowdsourcing practice in Romania may be labelled "between inception and early growth". This conclusion is supported by the findings relative to the major dimensions of the crowdsourcing practice:

a) Romanian entities that initiated crowdsourcing projects. For the moment, crowdsourcing is not a "mass" phenomenon; the practice is not widely spread. The number of entities that initiate such projects seems to be rather small. Several multinationals and associations are more visible as initiators of crowdsourcing projects. Nevertheless, there is no evidence that crowdsourcing is a periodic practice among those that experimented its benefits as project initiators. Thus, the crowdsourcing practice resembles an occasional activity.

b) typology of the crowdsourcing projects in Romania. The types of projects are relatively similar to those existing worldwide. They include: crowd-labor projects based on micro-tasks or on macro-tasks; knowledge building and sharing projects; information and insight projects; competition projects based on contests; crowdfunding projects. However, the exploratory research identified few projects that aim to stimulate skilled people to generate innovative and creative solutions for brand marketing.

c) types of crowdsourcing platforms created in Romania. Platforms are the interface between the project initiator and the potential task performer / supporter. Several platforms were set-up in Romania during the present decade. Their number is still small, both overall and by special types of crowdsourcing.

d) types of project initiators targeted by the crowdsourcing platforms created in Romania. The platforms target the project initiators that express a more stringent need to accomplish specific micro- or macro- tasks or to obtain funding. The main types of project initiators that are targeted by the platforms are: e-commerce stores, companies interested in data collection and analysis, digital agencies, service providers, social entrepreneurs and innovators, start-ups, NGOs, individuals looking for financial support.

e) intensity of the crowdsourcing platform activities. Not only the number of crowdsourcing platforms is small, but also very few report a significant level of activity. In principle, the existence of few platforms would not necessarily be an indicator of slow development. However, when the intensity of the crowdsourcing activities does not represent the strength of those few platforms, the development stage is still preliminary.

f) participation of Romanians as contributors on foreign platforms. Data about such

participation is scarce and difficult to obtain. The leaderboards of the platforms are a major source of information. The research findings revealed extremely few Romanians ranked on leaderboards. Nevertheless, there could be Romanians that are registered users either active or not-active on the foreign platforms and which are not on the leaderboards.

g) Romanians as winners of crowdsourcing contests. The crowdsourcing challenges raised by prominent global brands captured the attention of several Romanians. The winners are extremely few. The achievement of those who succeeded to get a prize is valuable because they faced international competition.

h) types of rewards for the participation in crowdsourcing projects/contests. The types of rewards resemble those corresponding to the global practice, more specifically very small fees per micro-task and moderate amounts for more complex tasks. According to the international practice, the crowdfunding projects grant supporters a symbolic reward.

The present stage of development of the crowdsourcing practice in Romania leads to several practice and research recommendations.

From a practical perspective, the present situation of crowdsourcing in Romania reveals the need to accomplish a set of major objectives: (i) to create awareness among potential project initiators of crowdsourcing projects, as well as among the potential contributors/supporters; (ii) to build a clear image of crowdsourcing in Romania, underlining the benefits for each type of stakeholder; (iii) to develop codes of conduct for the crowdsourcing platforms; (iv) to promote best practices/cases of crowdsourcing. These objectives require the converging efforts of the crowdsourcing stakeholders. In this respect, the creation of an association of crowdsourcing professionals may have a positive impact on the future evolution of this practice. In addition, another recommendation for practitioners refers to the opportunity to develop platforms focused on contests for creative solutions in the field of brand marketing. Competition crowdsourcing based on contests may attract young talents interested in branding and social media marketing.

From a research perspective, several areas of study emerge. Examples refer to aspects such as: (i) identification of the factors that stimulate and respectively diminish the interest of companies to apply to crowdsourcing projects; (ii) attitude of potential task-performers / contributors / supporters relative to various types of crowdsourcing; (iii) motivation of task-performers / contributors / supporters to participate in crowdsourcing projects; (iv) effectiveness of different types of rewards etc.

Does the crowdsourcing practice have the potential to develop in Romania? Is there a "crowd" interested in such projects? Are the benefits worthwhile? The future development of this practice will depend on the engagement of the various stakeholders and maybe on the orientation towards enhanced creativity and innovative ideas.

References

ASOCIATIA PENTRU PROIECTE SOCIALE SUSTENABILE, 2016. *Termeni legali.* [online] Avaiable at: <http://potsieu.ro/termeni-legali/> [Accessed 2 September 2016].

ASOCIAȚIA WE ARE HERE CROWDFUNDING, 2016a. *Termeni si conditii.* [online] Available at: <http://www.wearehere.ro/eng/termeni-si-conditii/> [Accessed 2 September 2016].

ASOCIAȚIA WE ARE HERE CROWDFUNDING, 2016b. *Toate proiectele.* [online] Available at: <http://www.wearehere.ro/p/all> [Accessed 6 September 2016].

BABELE CREATE TOGETHER, 2015. *What is Babele?* [online] Available at: <https://babele.co/> [Accessed 2 September 2016].

BABELE CREATE TOGETHER, 2016. *Babele* [online] Available at: <https://babele.co/#!/logon> [Accessed 2 September 2016].

BMW Group, 2012a. *BMW Group and Local Motors announce Winners of "Urban Driving Experience Challenge".* [press release] 6 November 2012. Available at: <https://www.press.bmwgroup.com/global/article/detail/T0134166EN/bmw-group-and-local-motors-announce-winners-of-%E2%80%9Curban-driving-experience-challenge% E2%80%9D-nearly-3500-submissions:-award-for-%E2%80%9Cbmw-reward-me%E2% 80%9D-the-best-

concept-for-the-future-of-class-leading-functions-for-premium-vehicles-in-an-urban-environment?language=en> [Accessed 2 September 2016].

BMW Group, 2012b. *BMW Group and Local Motors announce Winners of the second phase of the "BMW Urban Driving Experience Challenge".* [press release] 21 December 2012. Available at: <https://www.press.bmwgroup.com/global/article/detail/T0135448EN/ bmw-group-and-local-motors-announce-winners-of-the-second-phase-of-the-%E2%80% 9Cbmw-urban-driving-experience-challenge%E2%80%9D-award-for-%E2%80%9C bmw-light-my-way%E2%80%9D-the-best-concept-for-the-future-of-class-leading-functions-for-premium-automobiles-in-a-context-of-%E2%80%9Cdoing-good%E2% 80%9D-in-an-urban-environment?language=en> [Accessed 2 September 2016].

BOUDREAU, K.J. & LAKHANI, K.R., 2013. Using the crowd as an innovation partner. *Harvard Business Review,* 91(4), 61-69.

BRABHAM, D. C., 2013. Crowdsourcing. Cambridge: The MIT Press.

CARREFOUR ROMANIA, 2015a. *Carrefour – Shopping Experience. Brief.* [online] Available at: <https://en.eyeka.com/contests/9316-carrefour-shopping-experience/brief> [Accessed 2 September 2016].

CARREFOUR ROMANIA, 2015b. *Discover the results of the Carrefour - Shopping Experience contest.* [online] Available at: <https://en.eyeka.com/contests/9316-carrefour-shopping-experience/results> [Accessed 2 September 2016].

CIVIC ALERT, 2016. *Termeni si conditii de utilizare.* [online] Available at : <http://www.civicalert.ro/Termene.html> [Accessed 2 September 2016].

CRESTEM IDEI ASSOCIATION, 2016a. *Terms and Conditions.* [online] Available at: <http://crestemidei.ro/terms?locale=en> [Accessed 2 September 2016].

CRESTEM IDEI ASSOCIATION, 2016b. *Toate proiectele.* [online] Available at: <http://crestemidei.ro/explore?locale=ro#all> [Accessed 6 September 2016].

DELOITTE, 2016. *The three billion Enterprise crowdsourcing and the growing fragmentation of work.* [pdf] London: Deloitte. Available at: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/strategy/us-cons-enterprise-crowdsourcing-and-growing-fragmentation-of-work.pdf> [Accessed 2 September 2016].

DIGITAL WORKFORCE, 2016a. *Despre noi.* [online] Available at: <https://dwf.ro/despre-noi/> [Accessed 2 September 2016].

DIGITAL WORKFORCE, 2016b. *Solutii de crowdsourcing* [online] Available at: <https://dwf.ro/crowdsourcing/> [Accessed 2 September 2016].

ESTELLES-AROLAS, E. & GONZALEZ-LADRON-DE-GUEVARA, F., 2012. Towards an Integrated Crowdsourcing Definition. *Journal of Information Science*, 38 (2), 189–200.

EYEKA, 2015. *The State of Crowdsourcing in 2015.* [pdf] eYeka. Available at: <https://en.eyeka.com/resources/reports> [Accessed 2 September 2016].

EYEKA, 2016a. *The State of Crowdsourcing in 2016.* [pdf] eYeka. Available at: <https://en.eyeka.com/resources/reports> [Accessed 2 September 2016].

EYEKA, 2016b. *Top eYeka Creators. Leaderboard with the top 500 eYeka creators from July to September 2016.* [online] Available at: <https://en.eyeka.com/leaderboard> [Accessed 2 September 2016].

FIELD AGENT ROMANIA, 2015. *Field Agent - Politica de confidențialitate.* [online]. Available at: <https://www.fieldagent.ro/privacy-policy/> [Accessed 2 September 2016].

GOLIN ROMANIA, 2015. *Pepsi lanseaza un milion de doze cu design propus de consumatori.* [online] Available at: <http://www.iqads.ro/articol/33384/pepsi-lanseaza-un-milion-de-doze-cu-design-propus-de-consumatori> [Accessed 2 September 2016].

HOLOTECH STUDIOS, 2014. *FaceRig.* [online] Available at <https://www.indiegogo.com/ projects/ facerig#/> [Accessed 2 September 2016].

HOWE, J., 2006. The rise of crowdsourcing. *Wired Magazine,* [online] Available at: <http://www.wired.com/2006/06/crowds/> [Accessed 2 September 2016].

HOWE, J., 2008. *Crowdsourcing: Why the power of the crowd is driving the future of business.* New York:

Crown Business.

IAA Romania, 2015. *Pepsi dă startul campaniei Pepsi Challenge în România.* [online] Available at: <http://www.iaa.ro/Articole/Stiri/Pepsi-da-startul-campaniei-pepsi-challenge-in-romania/7649.html> [Accessed 2 September 2016].

ILIE, M. & ILIE, C., 2015. The Actuals of Crowdfunding. *"Ovidius" University Annals, Economic Sciences Series*, 15(1), 774-778.

INNOVATION EXCELLENCE, 2015. *A Look At PepsiCo's Recent Open Innovation Efforts: #CSReport2015.* [online] Available at: <http://innovationexcellence.com/blog/ 2015/04/13/a-look-at-pepsicos-recent-open-innovation-efforts-csreport2015/> [Accessed 2 September 2016].

LET'S DO IT ROMANIA, 2015a. Donează pe Indiegogo.com pentru aplicația care curăță România de deșeuri. [online] Available at: <http://letsdoitromania.ro/noutati/doneaza-pe-indiegogo-com-pentru-aplicatia-care-curata-romania-de-deseuri/> [Accessed 2 September 2016].

LET'S DO IT ROMANIA, 2015b. S-au strâns 20 000 de dolari pentru aplicația care va curăța România de deșeuri. [online] Available at: <http://letsdoitromania.ro/noutati/s-au-strans-20-000-de-dolari-pentru-aplicatia-care-va-curata-romania-de-deseur//> [Accessed 2 September 2016].

LOCAL MOTORS, 2012. BMW Urban Driving Experience Challenge. The Design Brief. [online] Available at: <https://cocreate.localmotors.com/localmotors/bmw-urban-driving-experience-challenge/brief/> [Accessed 2 September 2016].

MASSOLUTION, 2016. Massolution Crowdfunding Industry 2015 Report. [pdf] Massolution. Available at: <http://crowdexpert.com/crowdfunding-industry-statistics/> [Accessed 2 September 2016].

MATASH MEDIA, 2013. *Microjoburi.ro. Termeni si conditii de utilizare a platformei.* [online] Available at: <https://www.microjoburi.ro/termeni-si-conditii-de-utilizare/> [Accessed 2 September 2016].

MATASH MEDIA, 2016. *Microjoburi.ro.* [online] Available at: <https://www.microjoburi.ro> [Accessed 2 September 2016].

MOLLICK, E. & ROBB, A., 2016. Democratizing Innovation and Capital Access: The Role of Crowdfunding. *California Management Review,* 58(2), 72-87.

MSL GROUP THE PRACTICE, 2015. *Samsung România, creștere accelerată în Social Media, prin campanii creative și abordări inovatoare.* [press release] 5 February 2015. Available at: <http://www.smark.ro/articol/31476/samsung-romania-crestere-accelerata-in-social-media-prin-campanii-creative-si> [Accessed 2 September 2016].

PEPSICO, 2014. The Munching Partner. Help Pepsico create the killer office snack. The Brief. [online] Available at: <https://en.eyeka.com/contests/8461-pepsico-munching-partner/brief> [Accessed 2 September 2016].

POETZ, M.K. & SCHREIER, M., 2012. The Value of Crowdsourcing: Can Users Really Compete with Professionals in Generating New Product Ideas? *Journal of Product Innovation Management,* 29(2), 245-256.

POPESCU, D. & STATE, C., 2015. Crowdsourcing-ul: o alternativă pentru dezvoltarea dinamică a spiritului antreprenorial în turismul românesc. *Amfiteatru Economic*, 17(38), 165 -182.

PROCTER & GAMBLE, 2016a. Bring the "Ariel Extreme Challenge" to life through a creative video! The Brief.. [online] Available at: <https://en.eyeka.com/contests/9651-ariel-the-challenge/brief> [Accessed 2 September 2016].

PROCTER & GAMBLE, 2016b. *Discover the results of the Ariel - The Challenge contest.* [online] Available at: <https://en.eyeka.com/contests/9651-ariel-the-challenge/results> [Accessed 2 September 2016].

REGISTRUL MIORITA, 2016a. *Termeni si conditii.* [online] Available at: <http://multifinantare.ro/ Home/TermsAndConditions> [Accessed 2 September 2016].

REGISTRUL MIORITA, 2016b. *Proiecte finalizate.* [online] Available at: <http://multifinantare.ro/ closed> [Accessed 6 September 2016].

ROYAL MUSEUMS GREENWICH, 2016. *Longitude found: John Harrison.* [online] Available at: <http://www.rmg.co.uk/discover/explore/longitude-found-john-harrison> [Accessed 2 September 2016].

SAXTON, G.D., OH, O. & KISHORE, R., 2013. Rules of Crowdsourcing: Models, Issues, and Systems of Control. *Information Systems Management,* 30, 2-20.

STATE, C, POPESCU, D. & TOANCĂ, L., 2015. **Crowdsourcing** Small Tasks as a Method of Reducing Operating Expense While Protecting Intellectual Property: A Case Study for Enterprises in California and **Romania. In: Cegarra Navarro, J.G.,** *7th European Conference on Intellectual Capital*. Cartagena, Spain, 9-10 April 2015, 454-463. Reading: Academic Conferences & Publishing International.

STIEGER, D., MATZLER, K., CHATTERJEE, S. & LADSTAETTER-FUSSENEGGER, F., 2012. Democratizing Dialogue: How Crowdsourcing Can Be used for Strategy Dialogues. *California Management Review,* 54(4), 44-68.

THE FUNG GROUP, 2016. *Crowdsourcing: Seeking the wisdom of crowds.* [pdf] New York: Fung Global Retail & Technology. Available at: <https://www.fbicgroup.com/ sites/default/files/Crowdsourcing%20Report%20by%20Fung%20Global%20Retail%20Tech%20July%2012%202016_0.pdf> [Accessed 2 September 2016].

TOANCĂ, L., POPESCU, D., STATE, C. & PETRUȘ, C., 2015. Contributions for Integration of Sustainable Human Capital of the Future University Graduates on the Labour Market. **In: Cegarra Navarro, J.G.,** *7th European Conference on Intellectual Capital*. Cartagena, Spain, 9-10 April 2015, 464-473. Reading: Academic Conferences & Publishing International.

UNILEVER, 2015. *Unilever foundry launches global crowdsourcing community.* [press release] 26 June 2015. Available at: <https://foundry.unilever.com/unilever-foundry-launches-global-crowdsourcing-community-foundry-ideas> [Accessed 2 September 2016].

VASILIU, O., 2014. Samsung Romania has launched Live SMART 365 app. [online] Available at: <http://www.business-review.eu/featured/samsung-romania-has-launched-live-smart-365-app-69510> [Accessed 2 September 2016].

Student Satisfaction, an overview of educational services quality - The Case of Bucharest University of Economic Studies

Andreea Mihaela Barbu
Marketing Department, The Bucharest University of Economic Studies
andreea.barbu@mk.ase.ro
Vasile Alecsandru Strat
Statistics and Econometrics Department, The Bucharest University of Economic Studies
strat_vasile@yahoo.com
Iuliana Cetina
Marketing Department, The Bucharest University of Economic Studies
cetina.iuliana@gmail.com

Abstract
The main goal of this manuscript is to provide an assessment of the educational services quality by measuring the BUES student satisfaction.
Though the starting point is represented by the classical models of quality evaluation that have been applied in various sectors (e.g. SERVQUAL, SERVPERF) or were designed especially for the education field (e.g. HETQMEX, HEdPERF), this study offers a new perspective of the main dimensions of the higher-education service quality.
Therefore, the paper brings in the concept of quality of services measured by an aggregated index which includes three main components: the quality of basic services (teaching), the quality of auxiliary services (secretary, library, administrative operations) and the quality of supplementary services (eatery, dorms, online services).
The index aggregates the previously mentioned three components using a 50%, 30%, 20% weighting framework, constructed taking in consideration their general importance.
The proposed index is computed for a (non-probabilistic) sample of 139 students which answered an online questionnaire indicating their satisfaction regarding several aspects included in the three groups of services.
The main results of the paper indicate that the students enrolled in BUES have an average satisfaction level of 3.4 (on a scale from 1 to 5) and that the lowest 25% have a satisfaction level under 2.9 and the top 25% have a satisfaction over 4.0. Taking in consideration the three aggregated components we found that the highest satisfaction (average score of 3.6) is assigned to the auxiliary services and the lowest is assigned to the supplementary services, with an average score of 2.9.

Keywords: service quality; educational services; customer satisfaction; online survey; aggregate index.

JEL classification: M31.

1. Introduction

Service quality is a broad concept and a current challenge for the marketers within the private or the public sector, considered to be a useful criterion in company's evaluation, a competitive advantage and a component of the customer satisfaction at the same time. Therefore, it is necessary to define its features and determinants. Each element that contributes to the final outcome, even if its presence is noticed or not in the encounter stage, is of high importance.

Thus, each university should pay attention not only to the core service, which consists mainly of the amount of information transmitted through lectures and seminars, but also to auxiliary and enhancing services, such as secretarial services – e.g. enrollment of students in the academic year, management of groups and study program, release of diplomas and certificates – , respectively accommodation and catering.

Unfortunately, the emphasis on the quantitative performance indicators and the limited financial resources may be obstacles in achieving the objective of improving services' quality in educational field. At the same time, the process of designing new services and developing the existing ones is more rigid in comparison with the tangible goods domain. Moreover, the educational services' characteristics – such as: intangibility, inseparability, variability, and perishability – influence the quality level.

So, first of all, in order to keep constant the quality of their services, the universities should implement measures of reducing intangibility. Therefore, they are willing to maintain long-term relationships with their current and former customers, fact which is leading to a win-win situation. On one hand, the graduates

– if they are satisfied with the educational services – may be tempted to associate their name with an educational service provider, as long as this connection is supporting their professional image and career success. On the other hand, a high quality of teaching-learning experience provides the university both an increased awareness, and a good reputation.

Second of all, by imposing several quality standards regarding the professionalism, dedication and empathy of educational services staff (including both teachers and administrative personnel) the services inseparability can be outrun. In addition, the unfavorable effects of this characteristic can be diminished by clear and detailed explanations on each educational process's requirements and by collecting learners' feedback.

Third of all, it is known that educational services cannot be rendered identically from a class of students to another. But in this case there can be no standardization of services, since variability is seen as a positive aspect of teacher performance that adapts to the audience in the classroom or seminar, thus personalizing the offer. There are also other activities that are behind an educational service and sometimes require equipment for the execution of repetitive operations. For example there are procedures for pre-enrollment, assessment tests carried out on an electronic platform or requesting additional services (such as accommodation on campus), which currently runs using computers and internet access. Once again, quality is marking the service performance, as it brings in the employees' responsiveness and the utility of tangibles.

Fourth of all, the perishability of educational services may be reduced either by a system of registration of students in various elective courses (for higher education) or part-time staff (or collaborators) employment which is meant to address customers' needs in the best conditions.

As one can see, in all the above contexts, the students are involved in the educational service delivery process to a great extent. This emphasizes the necessity of knowing their opinions about the core service and the supplementary ones, their attitudes towards various components of the educational offer (such as personnel or physical evidences) and, most important, their satisfaction in consumption, by collecting their feedback within marketing research while basing on proper quality evaluation tools.

2. Literature Review

The concept of service quality has been intensively debated and analysed in specialty papers, due to its importance in achieving a competitive advantage and ensuring the customers' satisfaction. Moreover, the quality is considered as defining an organisation and establishing the expected performance (Dew, 1997). As a consequence, these companies are interested in delivering qualitative services, being at the same time preoccupied to find out what are the most important components of quality in consumers' perspective.

A starting point belongs to Garvin (read in Lovelock and Wirtz, 2007, p. 419), who considers that quality – even if it is associated to tangible products or to services – may be defined by multiple items, such as:

(1) performance (primary operating characteristics);

(2) features (bells and whistles);

(3) reliability (probability of malfunction or failure);

(4) conformance (ability to meet specifications);

(5) dureability (how long the product continues to provide value to the customer);

(6) serviceability (speed, courtesy, competence, and ease of having problems fixed);

(7) esthetics (how the product appeals to any or all of the user's five senses), and

(8) perceived quality (associations such as the reputation of the company or brand name).

Though these components correspond to a complex and detailed approach, Grönroos' point of view (2007, p. 90) brings in a more structured and more precise version on quality dimensions. They are presented in a slightly modified form and are clearly focusing on the service industry. Thus, the quality of the service delivery process is assessed by using five criteria, such as: (1) attitudes and behaviour, (2) accessibility and flexibility, (3) reliability and trustworthiness, (4) service recovery, and (5) servicescape. While the first four criteria focus mostly on employees and their willingness to render the best service at the right time, by acting in a friendly and spontaneous way, keeping their promises, adjusting and remedying the offer to the

consumers' demands, the last one refers to the physical surroundings where the service is supposed to take place, by creating a positive experience for the implied parties.

However, Grönroos' approach (2007) emphasizes the concept of experienced quality, as a result of the two dimensions of quality: technical and functional. The technical dimension refers to the result's quality, whilst the functional dimension focuses on the quality of the process. This two-dimensional quality concept is the major difference between the two perspectives presented above.

Thereby, all these aspects contribute to the final perceived service quality. This is why in education services, as in any other industry, the total perceived quality depends both on the expected quality and the experienced quality. (Grönroos, 2007)

At the same time, in the educational domain, several factors were added, such as: academic and non-academic aspects, learning institution's reputation, access, programme issue and students' understanding. Whilst the first factor refers to those activities or tasks that are performed by non-academic staff in order to help students fulfil their study obligations, the second takes into consideration only the responsibilities of academics. The third one highlights the importance of building and maintaining a professional image in the field of learning institutions. The last three factors focus on the students' needs and wishes in terms of service's approachability, ease of contact, availability and convenience, academic programmes or specializations' diversity and flexibility, and counselling and health services. (Abdullah, 2006)

Another perspective belongs to Woodall (2001, p. 603), who believes that the focus is on service quality, without clarifying what the service means. Thus, the service may be seen as the entire manifestation of an organisation, the core result of the provider performance, an enhancing or an auxiliary activity (product augmentation or product support), and as a mode of behaviour (an act). That being the case, the quality may define each of these particular processes, tasks or outputs, which leads to various features or components.

These approaches, besides other important points of view, which are considered anchors in the field of services or even in the education domain, are summarized in the following table.

Author	Dimensions	
Gronroos (1988)	• Professionalism and skill • Attitudes and behavior • Access and flexibility • Reliability and trustworthiness • Recovery • Reputation and credibility	
Parasuraman et. al. 1991 Service Quality Model (SERVQUAL)	• Reliability • Responsiveness • Competence • Access • Courtesy	• Communication • Credibility • Security • Understanding the customer • Tangibles
Parasuraman and Berry, 1991; Zeithaml et al, 1990 Service Quality Model (SERVQUAL)	• Tangibles • Reliability • Responsiveness • Assurance • Empathy	
Cronin and Taylor, 1992 Performance Only; Service Quality Performance Model (SERVPERF)	• Tangibles • Reliability • Responsiveness • Assurance • Empathy	
Ho and Wearn, 1996, Higher education TQM model of excellence; (HETQMEX)	• Leadership • Commitment • Total customer satisfaction • Total involvement • Training education	• Ownership of problem • Reward and recognition • Error prevention and • Teamwork
Firdaus Abdullah (2006); Higher education performance model; (HEdPERF)	• Academic aspect • Non-academic aspect • Reputation • Access	

	• Programme issue • Understanding

Table 1. Quality dimensions and models in services field
Source: Prasad and Jha, 2013, p. 25-28

However, the services quality assessment is a complex and difficult task, as the consumers usually have just a few visible items to observe and analyze that in most cases include physical settings, front-line staff and certain facilities offered by the provider. This is why in some authors' opinion the criteria underlying this on-going process cannot be fully known or understood. (Cetina et al, 2009)

Due to the lack of marketing communication, the customers are influenced by other factors in forming the expected quality, as: word of mouth, general image of the provider or their needs and values. (Grönroos, 2007)

Other authors (Cetina et al, 2009) point out the difficulty of designing a certain and objective level of quality in the field of services, as it is basing on consumers' subjective needs and wishes. Moreover, the quality is the result of comparing customers' expectations with their experience during the service performance. Hence, the quality is defined by consumers.

Once the quality dimensions or components have been defined, another issue raised in the academic world. The quality – satisfaction relationship or the differences between these two concepts have been the central theme within multiple research conducted in the domain of services.

Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality focuses specifically on dimensions of service. Based on this view, perceived service quality is a component of customer satisfaction. (Zeithaml, Bitner and Gremler, 2006, p. 106)

Figure 1. Quality – Consumer's Satisfaction Relationship
Source: Zeithaml, Bitner and Gremler, 2006, p. 107

Other research reveals surprising results, according to which "the service quality dimension of reliability/ assurance primarily drives satisfaction, whereas the other dimensions remain insignificant. … Thus managers in the service sector may be required to focus on strategic choices in providing reliable and trustworthy services in order to gain a competitive advantage." (Andronikidis and Bellou, 2010, p. 581)

The conclusions of another study show "that service quality is an antecedent of consumer satisfaction and that consumer satisfaction exerts a stronger influence on purchase intentions than does service quality. Thus, managers may need to emphasize total customer satisfaction programs over strategies centering solely on service quality. Perhaps consumers do not necessarily buy the highest quality service; convenience, price, or availability may enhance satisfaction while not actually affecting consumers' perceptions of service quality". (Cronin, Taylor, 1992, p. 65)

Moreover, multiple authors consider that there is a fundamental distinction between service quality and consumer satisfaction. Service quality is a long-term attitude, whereas consumer satisfaction is a transitory judgment made on the basis of a specific service encounter (cf. Bitner 1990; Bolton and Drew 1991; Cronin and Taylor 1992; Oliver 1993; Patterson and Johnson 1993, read in Cronin and Taylor, 1994, p.126).

3. Research goal, methodology and data issues

3.1. Research goal

The main goal of this manuscript is to provide an assessment of the educational services' quality by measuring the BUES student satisfaction. Using an online survey in pursuing the previously mentioned goal, the study should be viewed as an exploratory, descriptive research paper covering several physical evidences, auxiliary and supplementary services and also other relevant aspects of the teacher-student relationship. Therefore, the purpose of the study is to provide both: individual assessments of the most important parts of the educational services and an overall assessment of the quality of the educational services provided by BUES.

3.2. Methodology and data issues

In order to answer the main goal of the research data were collected for a sample of 140 students enrolled in BUES in undergraduate education and graduate education. The sample is a non-probabilistic online sample and therefore the statistical representativeness of the results needs to be regarded with caution. Thereby, the entire research needs to be viewed as an exploratory research and its results need to be further investigated.

Taking in consideration the characteristics of the studied population and the investigation method selected for collecting the data, the questionnaire consisted of only 12 questions. The first seven questions were complex questions investigating the opinion of the respondents regarding the quality of several aspects of the educational services they have received. The last five questions are mainly demographic questions which were included with the clear purpose of assessing potential differences in opinions between different groups. All initial seven questions are closed questions with either a five point scale (Likert scale, satisfaction scale) or a ten point scale (grades from 1 to 10) answer which were employed both for facilitating the answering process and the analysis process.

The analysis of all recorded answers was done with the help of SPPS software and also with the help of Microsoft Excel.

For the overall assessment of the educational services an aggregated index was constructed, which was computed for each respondent and also for the entire sample. The overall index (ESI) was computed using three partial indices (BSI, ASI and SSI) which were computed using the methodology displayed in Figure 2. The initial items (sub-questions) were aggregate using equal weights for each partial index.
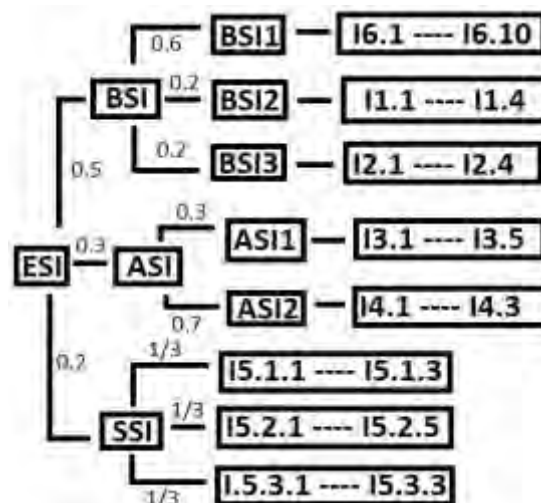

Figure 2. The methodological structure of the aggregated index
Source: Authors' work

4. Empirical results and main findings

This section will present and discuss the main results of the analysis using the same structure as the one employed for the aggregated index. Therefore the quality of the educational services will be discussed for the basic services, for the auxiliary services and finally for the supplementary services.

For the basic services, namely teaching, ten individual items were included in the analysis and the answer for each of them was measured on a five point Likert Scale. The best three results (the largest percentage for the combination strongly agree and agree) were obtained by the following items: I2 – the students are encouraged to discuss the received information, I8 – the seminar teachers have a friendly attitude towards students and I5 – the auxiliary materials used during classes are useful for the learning process. On the other hand, the lowest percentage of positive opinions were received by items I4 – the teaching methods are captivating, I9 – the professors careful with the students' needs and I3 – the theoretical and practical notions are combined during classes.

	I6.1	I6.2	I6.3	I6.4	I6.5	I6.6	I6.7	I6.8	I6.9	I6.10
Strongly disagree	6,3	4,2	5,6	10,5	4,9	4,2	4,9	2,1	7,7	3,5
Strongly agree	11,9	6,3	16,8	16,1	7,0	8,4	6,3	5,6	11,9	7,0
Neutral	17,5	9,1	19,6	24,5	15,4	21,7	16,1	16,8	25,2	20,3
Agree	39,9	46,9	33,6	30,8	38,5	38,5	38,5	43,4	30,8	49,0
Strongly agree	21,7	30,8	21,7	15,4	30,8	24,5	29,4	28,0	19,6	16,1
Missing	2,8	2,8	2,8	2,8	3,5	2,8	4,9	4,2	4,9	4,2
Positive answers	61,5	**77,6**	*55,2*	*46,2*	**69,2**	62,9	67,8	**71,3**	*50,3*	65,0

Table 2. The opinions regarding the quality of the basic educational services (% of total)
Source: Authors' work

For the auxiliary services, namely library related aspects and the administrative staff eight items were included (five for the library and three for the interaction with the administrative staff). Each item was measured on a five point scale ranging from totally satisfied to totally unsatisfied. The satisfaction level regarding these eight measured items is larger than the agreement declared for the items of the basic educational services. Therefore an important observation is the fact that when planning the overall improvement of the educational services the auxiliary services are among the strong points. Among these, the interaction with the auxiliary staff (except the library staff) brings forward the lowest levels of satisfaction. The secretary staff is the only one where satisfaction measured as percentage of positive answers is lower than 50% and is followed by the administrative staff where the satisfaction level is at 59.4%. The largest satisfaction levels are recorded for the endowment of the library with appropriate furniture (78.3% positive answers) and is followed by the satisfaction level measured for the appropriateness of the books and journals from the library (71.3%). The satisfaction level recorded for the online library is at only 63.6% being equal with the one recorded for the endowment of the library with appropriate IT&C infrastructure.

	I3.1	I3.2	I3.3	I3.4	I3.5	I4.1	I4.2	I4.3
Totally unsatisfied		2.8	1.4	1.4		12.6	2.1	4.9
Unsatisfied	.7	6.3	2.8	7.0	2.1	23.1	7.0	4.2
Nor satisfied nor unsatisfied	18.9	23.8	21.7	25.9	24.5	15.4	17.5	28.7
Satisfied	39.9	37.8	45.5	37.8	40.6	24.5	44.8	36.4
Totally satisfied	38.5	25.9	25.9	25.9	30.1	23.1	25.9	23.1
Missing System	2.1	3.5	2.8	2.1	2.8	1.4	2.8	2.8
Positive answers	**78.3**	63.6	**71.3**	63.6	70.6	47.6	**70.6**	59.4

Table 3. The satisfaction regarding the quality of the auxiliary educational services (% of total)
Source: Authors' work

For measuring the supplementary services eleven items were used. These eleven items were included in three main groups, investigating aspects related to the eatery, the dorms and other services offered by BUES. There are three aspects related to the cafeteria, five related to the dorms and three related to the Wi-Fi infrastructure, the blended-learning platform and recreation and socializing halls. The answers for all eleven items were scores ranging from 1 to 10, where 1 represents totally unsatisfied and 10 totally satisfied.

	N	Minimum	Maximum	Mean	Std. Deviation
Dorms' capacity	122	1	10	6,16	2,728
Rooms' comfort	121	1	10	6,21	2,732
Dorms' security	121	1	10	6,49	2,751
The capacity of the cafeteria	133	1	10	6,63	2,661
The food quality in the cafeteria	134	1	10	6,99	2,631
The schedule of the cafeteria	132	1	10	6,47	2,805
Food prices in the cafeteria	131	1	10	**7,95**	2,663
Hygiene of the cafeteria	132	1	10	7,36	2,566
Wi-Fi Internet in the BUES buildings	137	1	10	5,28	3,134
Recreation and socializing halls	137	1	10	5,66	2,971
Blended Learning online platform	139	1	10	**6,12**	2,932

Table 4. The satisfaction regarding the quality of the supplementary educational services (% of total)
Source: Authors' work

When discussing the dorms, the largest average grade is received by the security of the dorms, followed by the comfort of the rooms and finally by the capacity of the dorms. The fact that all average grades are under 6.5 shows clearly that this is a domain where the quality of the services can be improved. As long as the cafeteria is regarded, the food prices receive the largest average grade which is close to 8. Following with an average of 7.36 is the hygiene of the cafeteria and with an average grade of almost 7 is the quality of the food. The lowest average grade is received by the schedule of the cafeteria.

The lowest grades are received by the Wi-Fi infrastructure and by the recreation and socializing halls. The average grades under 6 show clearly that this aspects are extremely problematic and that they need immediate attention. The blended learning platform receives the best average grade when compared with the Wi-Fi infrastructure and with the recreation facilities.

	BSI	ASI	SSI	ESI
Q1	2,9	3,1	1,9	2,9
Q2	3,6	3,7	3,0	3,5
Q3	4,1	4,3	4,0	4,0
Average	**3,5**	**3,6**	**2,9**	**3,4**

Table 5. The average (and quartile) values of the three individual indices and of the aggregated index used for measuring the satisfaction regarding the quality of the educational services
Source: Authors' work

The average value of the overall index (computed for the entire database) is 3.4 showing a generally good satisfaction level. Also notable is the fact that the lowest 25% of the respondents have an overall satisfaction level under 2.9, while the top 25% of the respondents have a general satisfaction level over 4.0. As far as the three components are regarded, the highest average satisfaction level is recorded for the auxiliary services. On the other hand, the supplementary services record an average score of 3.6. Noteworthy is also the fact that the average satisfaction level recorded for the basic services is a little bit higher than the overall average satisfaction level. Therefore, we can conclude that the weakest point is represented by the supplementary services and quick action needs to be taken in this regard due to the fact that this services are perceived by students as an important differentiator between educational institutions.

5. Conclusions, implications and future directions

Identifying the real students' needs and wishes represents a major continuous challenge for the university management, whose main role is to adjust and improve the core, auxiliary and enhancing services so that educational institution could offer the best teaching - learning process in a proper manner and servicescape. The implementation of an aggregated index at the basis of quality assessment, which includes three components, such as: (1) the quality of teaching, (2) the quality of secretary, library, administrative operations and (3) the quality of canteen, dorms, and online services, offers the universities an enlarged and more precise perspective on students' satisfaction on the above core and supplementary facilities.

On this account, keeping the students' high interest in attending to certain specialized courses, involving them into the educational service delivery to a great extent, encouraging them to use additional services so that they could be fully trained for their future careers require a long-term marketing vision by running the necessary research for collecting their feedback and finding out how satisfied they are. This demarche should be a going-on one and should lead to an improvement in service quality. In addition, it is the duty of universities to discover what high quality means for each student or client segment, and then to act in order to meet their needs.

It is noteworthy that the organizations providing educational services should be aware of the consequences of an inefficient system of motivating and rewarding employees. Both unsatisfied academic and non-academic staffs, who are performing either core or supplementary tasks, may affect the quality of the output. Hence, knowing the importance of this factor in the whole sum of items underlying the quality is mandatory. This approach is important especially because in economic higher education, as in other services field, both technical and functional dimensions of quality are essential in improving the students' contentment. Whilst the first one is defined by the students' or graduates' abilities of aplying their knowledge to the real business world and to make use of information learnt during the university programms in a successful manner, the second one refers firstly to teaching – learning process and secondly to auxiliary and enahncing services (e.g. accomodation, canteen, other student facilities).

This research is a first step in the series of initiatives related to quality – consumers' satisfaction relationship in educational services. Future moves may focus on the teaching – learning system, including the students' perceptions on various items, such as: comprehension check, discussions encouragement, ability of capturing the students' attention and interest, utility of auxiliary materials, student-student interactivity, fairness in students' evaluation, or tangibles in the classroom and, in the end, their importance percentage in the whole educational process.

References

ABDULLAH, F. 2006. The development of HEdPERF: a new measuring instrument of service quality for the higher education sector, *International Journal of Consumer Studies*, 30, 6, 569-581

ANDRONIKIS, A. & BELLOU, V. 2010. Verifying alternative measures of the service-quality construct: consistencies and contradictions, *Journal of Marketing Management*, 26, 570-587

CETINA, I. et all, 2009. *Marketingul serviciilor: fundamente si domenii de specializare*, Uranus

CRONIN, J.J. Jr. & TAYLOR, S.A. 1992. Measuring Service Quality: A Reexamination and Extension, *Journal of Marketing*, 56, 55-68

CRONIN, J.J. Jr. & TAYLOR, S.A. 1994. SERVPERF Versus SERVQUAL: Reconciling Performance-Based and Perceptions-Minus-Expectations Measurement of Service Quality, *Journal of Marketing*, 58, 125 – 131

DEW, J.R. 1997, *Quality-Centered Strategic Planning: A Step by Step Guide*, Productivity Press, New York

GRONROOS, C. 2007. *Service Management and Marketing. Customer Management in Service Competition*, Third Edition, John Wiley & Sons, England

LOVELOCK, C. & WIRTZ, J. 2007. *Services Marketing. People, Technology, Strategy*, Sixth Edition, Pearson Prentice Hall

PRASAD, R.K. & JHA, M.K. 2013. Quality Measures in Higher Education: A Review and Conceptual Model, *Quest Journals Journal of Research in Business and Management*, 1, 3, 23-40

WOODALL, T. 2001. Six Sigma and Service Quality: Christian Grönroos Revisited, *Journal of Marketing Management*, 17, 595-606

ZEITHAML, V.A., BITNER, M.J & GREMLER D.D. 2006. *Services Marketing: Integrating Customer Focus across the Firm*, McGraw Hill International Edition.