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Use of Digital Technologies in Consumer Fitness Practices: Insights from Service-Dominant Logic

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Abstract

Suboptimal health and chronic disease are major health issues worldwide, accounting for 63% of the cause of deaths globally in 2012 (World Health Organization, 2012). In China, the increasing numbers of young Chinese consumers with suboptimal health are causing concern to healthcare policy-makers and providers. This paper presents research findings that show state-of-the-art digital technologies (e.g., smart devices and fitness apps) influence Chinese Gen Y consumers' fitness practices and therefore offer the potential for improving their lifestyles. Using a non-experimental quantitative methodology, we examined the construct of 'value' for 230 Chinese Gen Y consumers in relation to their fitness practices facilitated by digital technologies. Given the research focus on value and value co-creation that occur within virtual fitness communities, we adopted Service-Dominant (S-D) logic as the theoretical framework. Analysis showed that respondents reported high fitness-oriented and experience-oriented value in the use of digital technologies in their fitness practices, whereas socialising-oriented value was the least important value. The findings of this study provide a new application of S-D logic to consumers' online fitness behaviours, which substantiates S-D logic's applicability in interpreting emerging consumer behaviour phenomena in complex service contexts. Finally, by addressing the gap in marketing research on consumer fitness practices facilitated by digital technologies, this research sets a base for future studies of consumer health and wellbeing using the latest electronic tools, systems, devices and resources that generate or process consumer data.

Key words: Services marketing, digital technologies, fitness practices, value co-creation, service-dominant logic.

JEL classification: M31.

1. Introduction

Health is not merely the absence of disease but a state of complete physical, mental and social well-being (World Health Organisation, 2017). In recent years, the concept of suboptimal health has attracted increasing attention because of the established links between a continuous state of suboptimal health and the risk of chronic diseases, including cardiovascular diseases, diabetes and cancers (Li et al., 2013; Yan et al., 2012). Suboptimal health is linked directly to environmental factors, stress and unhealthy lifestyles (Chen & Pu, 2014). Such environmental conditions are commonplace in the daily lives of many people so suboptimal health and chronic disease today represent 63% of cause of deaths globally (World Health Organization, 2012). In China, this figure has reached a significantly higher rate than the international statistic. China is a developing country undergoing rapid economic development and social change. However, the improvement of people's living standards co-exists with environmental pollution and food safety issues. Correspondingly, suboptimal health is a particularly severe issue for China.

There are a number of specific contextual factors that help to explain China's high percentage of people who experience suboptimal health. These factors include the fact that the Chinese Gen Y cohort, as children of Baby Boomers or early Gen X, formed another demographic peak in Chinese history (Chinese Statistics Bureau, 2010). Severe pollution, sedentary lifestyles, highly competitive living conditions and a unique sub-culture have resulted in a large proportion of the Chinese Gen Y cohort suffering from sub-optimal health. Commentators are aware that the sub-optimal health status of Gen Y is likely to place a heavy burden on Chinese medical services in the future, unless there is an intervention to improve these trends.

In this challenging context, digital technologies offer the potential to improve lifestyles. Previous research indicates that digital technologies (including wearable smart devices and fitness apps) are helping Chinese people with sub-optimal health to exercise, eat healthier, manage sleep, and improve their social lives (Chen & Pu, 2014). Certainly, digital technologies offer low cost information flow, accessible data visualisation, intelligent data collection, powerful social networking capabilities and influence (Conroy et al., 2014; Vickey et al., 2011) to help individuals - consumers and healthcare providers alike - who are interested in fitness and health. These important developments are also attracting attention from government, research communities, and the commercial sector in China because of the substantial role that digital fitness technology might play in reducing chronic disease through supporting healthy living habits and lifestyle.

Chinese Gen Y consumers, who make up the largest cohort using digital technologies in their fitness practices, are extremely heavy users of internet and mobile devices. This cohort has lived through the development of the Chinese internet industry and exists in today's mobile internet era; therefore, virtual communities are an integral part of their internet consumption practices and deeply ingrained in their value system.

With these contextual factors in mind, the goal of this research is to investigate digital technology use in the fitness practices of Chinese Gen Y consumers. Employing a marketing perspective, the research sought to investigate the use of digital technologies and fitness practices in the day-to-day lives of Chinese Gen Y consumers, specifically to answer the research question: What value is constructed by Chinese Gen Y consumers in digital technology-facilitated fitness practices? Our aim was to provide empirical evidence that will enable service providers to better understand Chinese Gen Y consumers' value constructions and needs as the basis for designing improved fitness and health-related services.

2. Literature Review

Several research gaps were found in our review of the literature. First, in the broad category of sport and fitness marketing, more studies have been conducted in the sports and health care field than in the fitness area. Second, despite the importance of customers' participation and engagement in healthcare and fitness practices (Gummesson & Grönroos, 2012), only a few studies have provided insights into value co-creation. Third, despite the impact of digitalisation in people's daily lives (Shallcross, 2015), little empirical research has been conducted on online fitness that employs a service marketing perspective. Fourth, the majority of existing sport and fitness marketing research was conducted in Western and developed countries, whereas studies in Asian and developing countries are lacking.

This study, which aimed to fill these gaps, was designed to answer the following question:

What is Chinese Gen Y consumers' value construction in their digital technology-facilitated fitness practices? Thus, the main focus of the research was on value co-creation using smart devices and fitness apps among Chinese Gen Y consumers; therefore, we adopted Service-Dominant (S-D) logic as the conceptual framework to analyse and interpret the data. S-D logic was born in the digital era and is developed on the foundation of all previous service marketing research (Gummesson & Grönroos, 2012). These attributes make it one of the most advanced and well-rounded logic frameworks amongst theories related to service marketing (Maglio & Spohrer, 2008) that can be adapted effectively to current developing social and economic circumstances (Yan, Ye, Wang, & Hua, 2010). By contrast with previous studies on 'services', S-D logic clearly distinguishes 'service' from 'services'. S-D logic considers service as the basis or nature of economic and social exchange (Vargo & Lusch, 2004) rather than service activities or value-added services that are often offered to enhance a good (Gummesson & Grönroos, 2012; Vargo & Lusch, 2004). Furthermore, S-D logic can be applied to a wide range of fields, including fitness and health care (McColl-Kennedy, Vargo, Dagger, Sweeney, & van Kasteren, 2012), and to a wide range of all market offerings, including those that involve tangible goods in service provision.

3. Method

To investigate Chinese Gen Y consumers' value construction in their digital technology-facilitated fitness practices, we followed a non-experimental quantitative methodology and designed an exploratory descriptive study to explore basic issues within the phenomenon before identifying key variables using S-D logic as the conceptual framework. Finally, we followed a survey method, choosing to use an online questionnaire because we could pose relatively complex questions in a cost-effective way. Moreover, gathering data via an online questionnaire aligned well with the participants being frequent users of smartphones and social media. The sample consisted of 230 Chinese Gen Y consumers born between 1980 and 1995, who had used a smart device and/or fitness app for at least one month in their regular fitness practices. Respondents came from 21 of the 31 provinces in mainland China, with more than half residing in Beijing.

We designed the questionnaire based on our review of previous sports marketing research. The questionnaire was translated from English into Mandarin. Sojump was used to design and administer the questionnaire. The invitation to participate in the research was sent through WeChat, one of the most popular social media platforms in China. SPSS was used to analyse the data.

4. Results and Discussion

The smartphone was the technology most used by respondents for exercising (95.2%), with the second most commonly used device being the smart bracelet (52.2%). Other frequently used wearable and unwearable devices were smart watches (18.7%) and smart weighing scales (24.8%). Bluetooth headsets (17.8%) were the most commonly used independent device. In comparison, although smart sportswear (10.0%) and motor sensing devices (8.3%) had been tried by some respondents, they were relatively unpopular among the Chinese Gen Y respondents. Results indicate that Chinese Gen Y consumers consider their economic situation when choosing smart devices that require a higher level of expenditure in their value co-

creation. Furthermore, the findings suggest that the smartphone might be a preferable alternative to wearable devices because most people already own and carry one, so no extra cost and effort are required.

In terms of the persistence of use, 2.2% respondents had discarded the smartphone as an exercise tool, whereas all other smart devices had 30.0% to 70.0% abandonment rate within a month. A comparison between the two results of “have ever used” and “have used >1 month” revealed that the smartphone is the device used for longest time in the majority of Chinese Gen Yers’ fitness practices.

The most popular fitness apps in Chinese Gen Y consumers’ exercising were daily record apps (83.0%) and target training (with social media) apps (61.3%). The next highest category was target training (without social media) apps (24.4%), sleeping apps (23.9%), health platforms in the smartphone (18.7%), and diet apps (18.3%). Gamification apps and O2O apps were the least popular. The data also showed that WeChat sports and Keep are the most popular daily record and target training (with social media) apps respectively.

From an S-D logic perspective, smart devices and fitness apps are the main resources used in online fitness practices while sports venues (e.g., gyms) and equipment are the main offline resources. Both online and offline resources are integral parts of Chinese Gen Y consumers’ fitness practices. Data indicate that online fitness resources do not replace offline fitness resources but, rather, the two complement and support each other in Chinese Gen Y consumers’ fitness practices. With reference to sport and fitness marketing in the digital era, online fitness resources provide a valuable source of information as well as social incentives through internet-based online fitness communities. Also, digital technologies enable respondents to exercise and monitor their health anywhere that is comfortable and convenient. However, to gain benefit from the use of digital resources in fitness practices, individuals have to be equipped with basic knowledge about technology and fitness while a degree of self-discipline is required to persist in exercises.

Respondents were asked to rate the importance of 12 benefits of using a fitness app. Three factors with eigenvalues greater than 1 were extracted: fitness-oriented value, experience-oriented value, and socialising-oriented value. These three factors explained 59.9% of the variance. *Fitness-oriented value* refers to the benefits of smart devices and fitness apps in helping respondents exercise more effectively or more conveniently, thus helping them reach their fitness goals. *Experience-oriented value* refers to increased experiential benefits in the respondent’s use of a smart device or a fitness app. These benefits include not only easy use due to ‘user-friendly’ design, but also the pleasure gained from engagement, internal motivation, and multi-actor interactions. *Socialising-oriented value* refers to increased benefits in the respondents’ socialising activities they experienced in their fitness practices. Respondents who emphasised this value orientation were more willing to show themselves to others as well as meet new people and make friends in virtual fitness communities. Table 1 shows the overall importance of each value orientation in Chinese Gen Y consumers’ digital facilitated fitness practices.

Value factor	Mean	SD	Corresponding Likert scale	N=230
Fitness-oriented value	3.75	.69	Important	
Experience-oriented value	3.70	.75	Important	
Socialising-oriented value	2.42	.92	Not important~Neutral	

Table 1. Value orientations

To summarise, fitness-oriented and experience-oriented value are both pivotal in Chinese Gen Y consumers' value construction in their digital technology-facilitated fitness practices. In comparison, socialising-oriented value is less important. This finding is consistent with previous research in the offline fitness marketing (Woolf, 2008) suggesting that socialising is not an important motive for people to take part in physical activities.

From the S-D logic perspective, where 'value' is always uniquely and phenomenologically determined by the individual (Vargo & Lusch, 2008), Chinese Gen Y consumers' value constructions vary according to fitness level and gender. Moreover, in relation to S-D logic, these value constructions are likely to be influenced by the nature of the Chinese fitness industry and Chinese Gen Y consumers' subculture as relevant institutions (Vargo & Lusch, 2016). Not surprisingly, the perceived importance of fitness-oriented value grows with an increase in fitness level. Correspondingly, it may be the case that Chinese Gen Y consumers who are at a higher fitness level are more attracted to online fitness practices as opposed to offline fitness practices because they are cheaper, more accessible, and more flexible.

Chinese Gen Y consumers also consider experience-oriented value to be an important factor in their use of smart devices and fitness apps. There are several possible explanations for this result. One possibility is that the abundance of choice in today's market (Gay & Leijdekkers, 2012) encourages Chinese Gen Y consumers to have high expectations of products and therefore a user-friendly interface seems to be a necessary element for a product's popularity (Chen & Pu, 2014; Conroy et al., 2014; Kranz et al., 2013). Additionally, Chinese Gen Y consumers as 'natural-born netizens' (Jing & Ruiming, 2013) are used to rapidly-changing technologies in their daily lives and have great enthusiasm for experiencing new and 'cool' products.

Despite the overall low importance of socialising-oriented value in the sample, socialising-oriented value is important to those who enjoy socialising with others compared to those who do not enjoy socialising with others, and males compared to females. Following the S-D logic emphasis on institutions in value-creation, it is reasonable to expect that the socialisation and living circumstances of Chinese Gen Y consumers (Vargo & Lusch, 2016) will lead to higher levels of socialising-oriented value for males. For example, because the ratio (1:1.05) of Chinese Gen Y males to females (Chinese Statistics Bureau, 2010) can result in increased pressure for single males to marry, some of them are likely to consider virtual fitness communities as a way to meet females.

5. Conclusions

This research confirms the importance of smart devices and fitness apps in helping Chinese Gen Y consumers in general to perform fitness practices more effectively and hence increases the possibility for them to develop a healthier lifestyle. Therefore, the study indicates that smart

devices and fitness apps might be extremely helpful in addressing the issue of increasing numbers of Chinese Gen Y consumers with suboptimal health status.

Moreover, the findings of this study have important implications for S-D logic and service marketing. First, the study provides a new application of S-D logic in the online fitness context, which substantiates S-D logic's applicability in interpreting new phenomena in complex service ecosystems. Thus, the research contributes to S-D logic by revealing that Chinese Gen Y consumers phenomenologically co-create value in their fitness practices in relation to other consumers and firms. Moreover, the research indicates that institutions play an important role in explaining consumers' value constructions and their value co-creation behaviours.

6. Limitations

Findings of this research are limited by the comparatively small sample size, necessitated by limited time and resources. A larger sample of Chinese Gen Y consumers from all 31 provinces in mainland China would better represent the research population and improve the reliability of the findings.

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How Does Color Strategy Create the Social Value: A Multi-Case Study Approach

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Abstract

This paper is describing color influence on the social value. We analyze five previous colour studies selected from various sectors of activity discussing previous methods and color effects in order to find its significant impact on humans. It reviews factors how companies and Non-Profit Organizations (Church, Fashion house, High school, Mobility and Prison,) use color strategies, method implementation, instruments and type of colors. Secondly, it discuss how colors or colored environments influence working performances; causing certain behavior; creating negative or positive perception to surroundings and task given; and influencing moods and emotions. Finally, this paper highlights the potential scientific approach in finding color effects on human behavior through the creation of social value. The paper includes with a series of recommendations for CEO's Non-Profit Organisation and brand manager in order to maximise the benefits of the color strategy and to take this opportunity to act on human behavior and create social value.

Key words: Color, Social Value, Human Behavior, Perception of Space.

JEL classification: M31.

1. Introduction

Color is source of motivation, excitation, drawing attention and providing emphasis. It is one part of the dimensions of communication in information design. According to Caramelo Gomes & Darè (2010), chromatic language emerges throughout history and nature, an unquestionable way of communication for individual or collective identification. The color can be a code that illustrates political and social ideologies and realities.

For many years, color has been considered as a useless element, devoid of a social value. Nowadays, this refusal of color seems to have been overcome.

But the willingness to use color for solely decorative purposes can produce a rather negative effect: the creation of a superficial approach that impoverishes our environment instead of helping it to improve.

The culture of color must go further than this reflection. Color is a precious resource because it makes possible to recover and give value to a given territory through a quick and cost effective renovation process. The reinterpretation of color should be made in order to produce concrete results and improvements in the quality of life.

We must rethink the term color not only as a tool to redesign environments and create new landscapes but also as a tool that conveys serenity and responds to specific social purposes.

How is it possible? Color is a visual reference, effective and immediate, in order to communicate important information and to interact with inhabitants of a given environment.

Living in an equilibrated chromatic context makes it easier to better conduct our everyday activities in urban landscapes. An exploratory qualitative study has been carried out in order to address the following research questions in relation to the general question of how Color

Strategy create a Social value with in the companies and Non-Profit Organization.

- *Why should SME and Non-Profit Organizations use a color strategy?*
- *How could SME and Non-Profit Organizations implement a color strategy?*
- *How does a color strategy affect SME and Non-Profit Organizations?*

2. Literature review

2.1. What is color?

“Color originates in sunlight and is perceived through subtractive color theory. The various wavelengths of light shine on an object and the surface absorbs or subtracts all the colored light rays except for the ones reflected from the object. This color is reflected and received through the cells of retinal wall of the eye” (Morton, 1995).

The color has no material existence, it is the sensation caused by the action of light on the vision's organs. The perception of colors depends on the existence of two elements: the light (acting as a stimulus) and the eye (as a receiver, acting as a decoder of the luminous flux, splitting it or changing it, having then the selecting function of the retina).

The decisive factor for the appearance of color is the light. The light is a moment of vivacity or seriousness, showing and hiding areas, objects, creating real or fantastic environment. The light has its existence conditioned by matter.

According to Caiazzo (Cited in Bassani et al., 2010, pp. 143-147) “*Color is a very important element that is able to reflect the philosophical, sociological, and psychological components of a product*”. The role of color is important not only because it influences aesthetic and technical aspects of human-made environments, but also it affects human beings psychologically, physiologically (Tofle, et al, 2004)

2.2. The act of seeing and the mechanism of perception

Visible colors are defined by the cones of the eye. Humans have three kinds of cones: red, blue and green. These three wavelengths decipher millions of colors.

Approximately 2-3 % of women and some animals have at least four types of cones which increase color differentiation (Morton, 1995).

These receptor cells absorb the hues and send a message to the brain where the colors are deciphered.

Brain impulses are also sent to the major endocrine regulating glands that cause emotional and psychological responses (Nielson & Taylor, 2007). These receptors constitute two distinct pathways; a red-green system and a blue-yellow system (Banaschewski et al., 2006).

Seeing has been described as to perceive with the eyes or the sense of sight or vision.

Perception is more widely defined as to take in with the mind and senses... to become aware of by sight, hearing or others sense.

The mechanism of seeing and perceiving may at first appear to be the same thing but those two terms must be differentiated:

Perception depends on the senses of sight and vision but more importantly on the different information received from the stimuli of our environment and past experience. In fact, perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world (Lindsay & Norman, 1977).

The perception is different from one to each other and is related to personal, cultural and psychological factors. In other words, a person is confronted with a situation or stimuli. The person interprets the stimuli into something meaningful to him or her based on prior

experiences.

A human eye reads the color in relation to its environment, which means that the color is as important as the contrasts between colors. It is possible to reduce the information gained from a scene by reducing the contrast between what has to be done and its background.

The quantity and quality of light can affect a person's vision of an object, such as a glare which may impair both vision and communication. The glare from the daylight or from the artificial light must be understood and avoided. The distinction is between the glare, which causes disability, and the glare which causes discomfort. However, what an individual interprets or perceives may be substantially different from reality. Perception is closely related to attitudes.

2.3. *Introduction to the Color Experience Pyramid*

According to Mahnke (1996), the color experience may assume six basic interrelated factors (See Fig. 1).

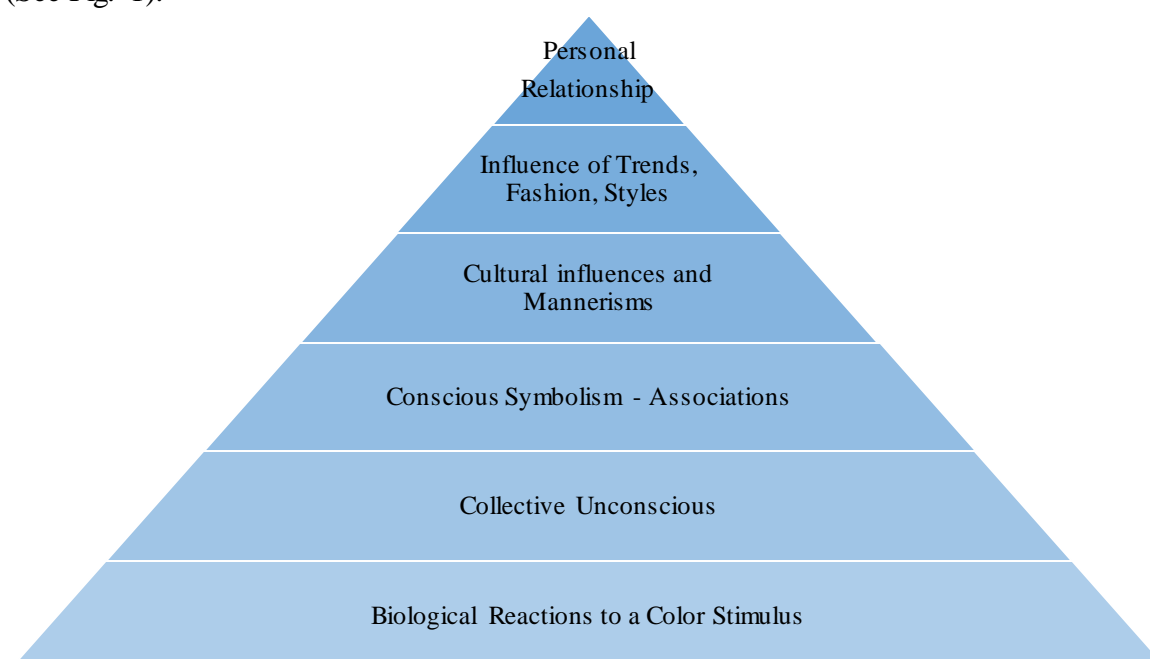


Fig1: The Color Experience Pyramid

Source: Based on Mahnke, (1996, <https://iacna.com>)

2.4. *Color in psychology*

The study of how color affects mood and behavior is a relatively new science, and determining the effects, if any, of color has been difficult.

Artists and interior designers have long understood how color can dramatically affect moods, feelings, and emotions. It is a powerful communication tool and can be used to signal action, influence mood, and cause physiological reactions.

The concept of color psychology has been now implemented in several fields but its most important aspects are only discussed in marketing, art and interior design.

- **Warm and cool colors**

In general warm color as red, yellow and orange brings out emotions of comfort and warmth, but also feelings of hostility and danger.

Whereas cool colors like green, blue or violet express feelings of calmness, tranquility and sometimes sadness.

This warm/cool approach of the color had been used in the medicine field: it is called

chromotherapy: the use of colour to heal. A practice whose origins are located in Egypt and China.

- **Color and culture**

This is a point we already discussed in the Color Experience Pyramid. Much of a color's effect may be due to meanings assigned to it within a given culture, and these meanings can vary widely from one culture to another.

Even in a given culture, the meaning can change depending on the context; for example, red can be a warning of impending danger, but cards bearing red hearts are exchanged on Valentine's Day.

- **Color meanings**

While perceptions of color are somewhat subjective, there are some color effects that have universal meaning.












	Danger, warning, or error/ warmth, love, passion, and intense emotion
	Has a calming effect, love and romance, as well as femininity
	The most fatiguing color to the eye and a attention-getting color...seen as a sunny, happy color
	Calming effect/ sadness
	Warm, stimulating and attention-getting color
	Can suggest strength and security
	Associated with nature, and sometimes signifies good luck or money
	Royalty, wealth, and luxury spirituality and wisdom
	Purity, innocence, and goodness
	Death, mourning, and evil
	'In between color', gray is a practical, timeless color

Table1: The Color meanings

Source: Adapted from Kurt, S., & and Osueke, K.K (2014, pp. 3-5)

2.5. What is Social Value?

According to (Ergil, 1984, cited in Türkahraman, 2013, p. 633), 'Social values are moral beliefs and principles that are accepted by the majority so as to ensure the continuity of a society'. According to Social Value UK (www.socialvalueuk.org), 'Social value is the value that stakeholders experience through changes in their lives. Some, but not all of this value is captured in market prices. It is important to consider and measure this social value from the perspective of those affected by an organisation's work'. Examples of social value might be the value we experience from increasing our confidence, or from living next to a community park. These things are important to us, but are not commonly expressed or measured in the same way that financial value is. There are several different types of social value; economic forms which include the social benefits to an area and the positive impact these may have on the local economy, and less tangible types including quality of life and community safety. Social values indicate what is important to a local community and can aid the development of effective flood alleviation schemes that satisfy all stakeholders.

Social Value UK, state that social value has a huge potential to help us change the way we

understand the world around us, and make decisions about where to invest resources.

2.6. *The Social Value's Principles*

The Principles of Social Value provide the basic building blocks for anyone who wants to make decisions that take this wider definition of value into account, in order to increase equality, improve wellbeing and increase environmental sustainability. They are generally accepted social accounting principles and are important for accountability and maximising social value. Adopting the seven Principles identified by Social Value UK will sometimes be challenging as they are designed to make invisible value visible. Value is often invisible because it relates to outcomes experienced by people who have little or no power in decision-making. Applying the Principles will help organisations become more accountable for what happens as a result of their work, and means being accountable for more than whether the organisation has achieved its objectives.

The Seven Principles

1.	Involve stakeholders	<ul style="list-style-type: none"> • Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders.
2.	Understand what changes	<ul style="list-style-type: none"> • Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended.
3.	Value the things that matter	<ul style="list-style-type: none"> • Making decisions about allocating resources between different options needs to recognise the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders' preferences.
4.	Only include what is material	<ul style="list-style-type: none"> • Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.
5.	Do not over-claim	<ul style="list-style-type: none"> • Only claim the value that activities are responsible for creating.
6.	Be transparent	<ul style="list-style-type: none"> • Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders.
7.	Verify the result	<ul style="list-style-type: none"> • Ensure appropriate independent assurance.

Table2: The Seven Principle's Social Value

Source: Adapted from the Social Value UK (www.socialvalueuk.org)

Color psychology is still useful in society through environmentalism colors, researching color effects, implement them into society as a whole, and the inventions. 'The effects of colour on human psychology are used all around the life to impress people, to get their attention and to gain more customers by the people who are experts in colour psychology' (Ünal, 2015, pp. 127-128) are in line with the social value's principles.

3. Methodology and Analysis

The methodology is explained by the diagram (Fig. 2). Our study was conducted in a scientific manner which means: we describe the research design, the method we used to collect our data. Then we have explained the theoretical part of the different ways of carrying data, we will choose a method to answer our research question and then, explain why we made this choice.

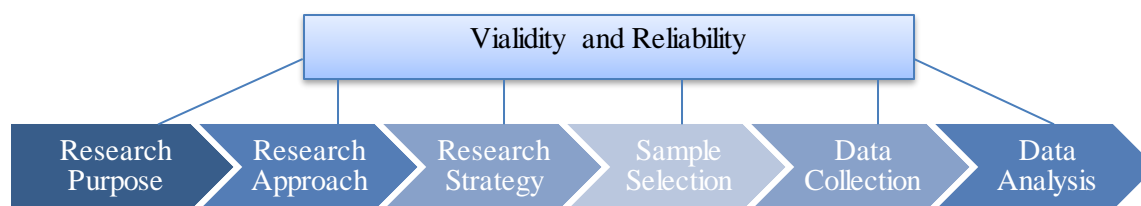


Fig. 2 : A Schematic Presentation of the Methodological Approach in Case Study

Source : Adapted from Foster (1998, pp. 81)

A qualitative research design was used to answer the research questions of this study. According to Hair et al., (2007), qualitative research represents descriptions of things made without assigning numbers directly and used in exploratory designs, offering a detailed insight and understanding of the research object. According to Yin (2003), it can be differentiated between exploratory, explanatory, and descriptive case study approaches. Exploratory case studies are 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 (Yin, 2003). This multi-case study represents an exploratory attempt to analyzing Color at SME and Non-Profit Organization.

As confirmed by (Hakim, 2000), the collection of data contributing to case study methodology may involve ‘specialised interviewing of informants, professionals and organisational or public role-holders’, this research design is based on an in-depth interview with Massimo Caiazzo, Designer and Color Consultant. A total of nine questions have been addressed (see table 3).

1. What is color?
2. What are the qualities of the good color?
3. Who are your market research clients?
4. Why are / they appeal to your skills?
5. What is the importance of color in the management?
6. What was your best experience color designing?
7. How do you work? How do you attack color problem?
8. Do you do a lot of research? Focus groups?
9. Can you sum up your color philosophy in one word?

Table 3: Questionnaire for the Massimo Caiazzo, Designer and Color Consultant.

Source: The authors

The in-depth interview with order donors and with the chief of color Management projects of companies and Non-Profit Organizations that have made the choice to use color strategy.

Through these cases, this applied social research is used to denote studies that have the objectives of developing, monitoring or evaluating policy and its related practice (Hakim, 2000), we have the opportunity to illustrate the main concepts described above and also to discuss implementation aspects of color strategy initiatives.

Each case study follows the same presentation. A first part presents the objectives of color strategy initiatives. In the second part, the implementation is described with detail. The third part unveils the performance for human behavior, customer behavior and for companies Non-Profit Organizations.

Case 1: The Bollate Prison, no-profit chromatic redevelops intervention for a penal Institution

Why did Bollate prison use a color strategy?

The project's goal is to improve the quality of life of prisoners and workers who are in this jail. Indeed, they noticed a lot of suicides and depressions for both prisoners and workers, both were touched by a lack of well-being. Usually, there is a lack of color in jails, because in people's mind jails should be dark places, a punishment place and not colorful place where it is easy to live. Thus, it's much more a place where prisoners are punished and banished from the society instead of being reintegrated and feeling useful.

How did Bollate Prison implement a color strategy?

At first, it was complicated to repaint the facade of the jail because of the material used for. After visiting the jail and meeting the staff, Massimo Caiazzo decided to paint in different colors the windows framework. He suggests a balanced range of colors for the windows frameworks and for the inside of the jail.

According to Caiazzo (2016), using powerful and primary colors such as red for the common rooms, and a shade of warm and cold colors for corridors in order to make it warmer and reduce their excessive length.

At first, staff was a bit reluctant for this project because of the colours used for. Indeed, for them, colors were similar to those used for a primary school building, but the designer took it as a compliment because that color selection rendered the jail a more human space.



Fig 3: The original concrete façade of the Bollate prison

Source: Studio Massimo Caiazzo (Milan, Italy)



Fig 4: The External side of the Bollate prison

Source: Studio Massimo Caiazzo (Milan, Italy)



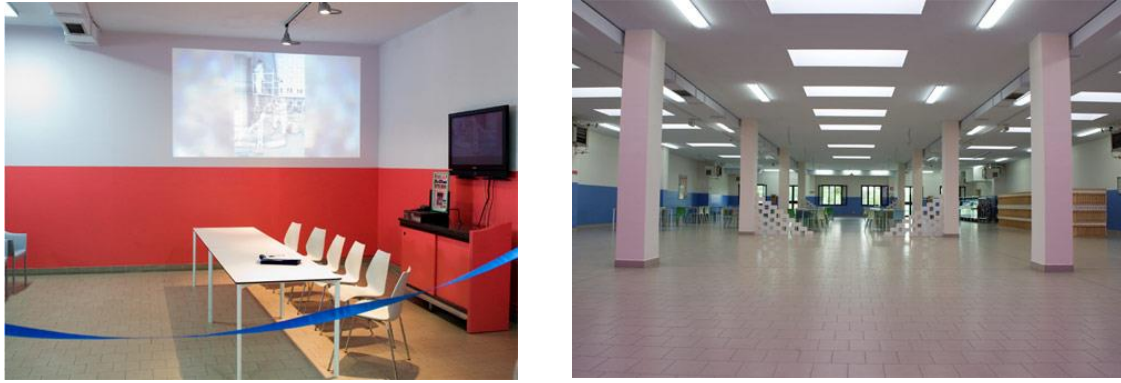


Fig.5: Internal side of the Bollate prison, Milan

Source: Studio Massimo Caiazzo (Milan, Italy)

How did the color strategy affect the project?

Changing colors has a positive impact on prisoners and workers life. Indeed, the entire project was made by prisoners and staff who were working hand by hand, as a team to improve the quality of life there. They all work very hard to make it a cozy place to live. Even family' and friends' prisoners were surprised by those changes; children were not so sad to visit their parent in this place anymore, color gave them happiness and allowed them to feel better. The aim of this project was not only changing the color but also trying to make prisoners feel useful, to make them feel as a team and trying to make them collaborate with each other. Thus, they go on project and plant flowers around the jail by themselves.

Moreover, some people find their vocation because a prisoner decided to become a painter after getting out of the jail. This project was a human project and we noticed even if people were in jail because they did something wrong for the society, Caiazzo trusted them and helped them find back their confidence. The color renovation project involved an organized team of prisoners who wanted a change in their environment.

Case 2: The chromatic restyling of a church of the 11th century, no-profit chromatic redevelop intervention for the interiors of the church of Saint Mary Major

Why using a color strategy?

The Studio Massimo Caiazzo led a project of restyling of the Santa Maria Maggiore church in Mirabella Eclano, which dates back to the 11th century and is the first of this kind. It is situated in one of the most dangerous earthquake zones in Italy. The intervention of chromatic restyling was mandatory in order to correct the incoherence and the discomfort sensation generated by the colors and the lighting. The main goal was to achieve a result not only aesthetically pleasing, but also, physical and spiritual appealing. It was not very hard to understand that scientific observations must be taken into account during the chromatic restyling process. In other words, all the interactions between the environmental components and the artificial ones.

The application of the Color Strategy

In addition to the objectives listed in the previous question, it was important to define a cultural and a symbolic value of the project. At this point, the Studio Massimo Caiazzo made a connection between the project and the concept of spiritual transition in a reference to the 11th century wooden Christ in the apse, the metaphor of the transition from the flesh (warm colors)

to the spirit (light blue) through all its intermediate degrees. So the colors used were inspired by the paintings of Giuseppe Tomaioli (1749) present in the ceiling and in the top side of the central nave.

« The colors, taken from these paintings, have been brighten up and desaturated and then they have been ordered following a progressive modulation. » *Colore Architettura E Città: La Cultura del Progetto Sostenibile* (<http://dipse.architettriroma.it/documenti/colore-architettura-citta.pdf>) (2013, pp. 54 -55).



Fig 6: The Chromatic Plan – Palette and Application Section of the Church of Santa Maria Maggiore-Mirabella Eclano (AV), Italy
Source: Studio Massimo Caiazzo (Milan, Italy)

How did the color strategy affect the project?

The goal aiming to create a suitable atmosphere of concentration for prayers was realized. The previous incoherence was replaced by a natural harmony, thanks to the optimization of volumes and a comfortable lighting. The chromatic restyling also permitted to assure a better reading of the paintings.



Fig 7: The metaphor of the passage from flesh (warm colors) to the spirit (light blue) through all its color range
Source: Studio Massimo Caiazzo (Milan, Italy)

Case 3: Buses change skin: color design for natural gas buses

Why did the AMT (Azienda Mobilità Transporti) use a color strategy?

This project led by the Studio Massimo Caiazzo aims to offer to the public transport users in Verona a good quality service that is able to associate harmoniously the attention towards the environment and the citizen's well-being. Also, it intends to optimize the vehicle's size perception and the reduction of the realization and maintenance costs.

The application of the Color Strategy

The vision of Massimo Caiazzo to achieve those goals was as follows:

- The vehicle body could be divided into three horizontal stripes.
- On the top, colors made by "effect pigments" with high technology content could be used. It would be the first time that the Italian and European public transport system would use a paint that changes colors according to the light grade that hits the bus (orange blue, purple).
- On the intermediate level, a lively green stripe could be set.
- The stripe on the bottom could use one of the changing hues of the top, the cobalt blue because this side is more exposed to consumption and to dirt.

The result

The new urban layout of Verona is now characterized by these buses, both in rest and in motion. Since these redesigned buses have been in service, the AMT (Azienda Mobilità Transporti) of Verona has recorded a significant reduction of vandalism aboard. The lively green on the intermediate stripe underlines the ecological vocation of these buses. The vehicle body was divided in three parts in order to optimize the perception of the vehicle's dimension as well as to reduce its maintenance costs.



Fig 8: The vehicle body was divided in three in order to optimize the perception of the vehicle's dimension as well as to reduce its maintenance costs

Source: Studio Massimo Caiazzo (Milan, Italy)

Case 4: The Italian fashion house Etro

Why did the Brand Etro use a color strategy?

Etro is an Italian fashion house founded in 1968. The brand produces a menswear and womenswear line, in addition to accessories, fragrances, and other home products. Etro is synonymous of style. It is a lifestyle based upon quality and sophistication, not only in terms of design, but also regarding material as silk, cashmere, etc.

As shown by previous academic works (e.g. Rieunier, 2006) color should attract the consumer's attention to the point of sale through the alert function. The attraction function is to empower the point of sale to generate interest for the consumer. The function of well-being helps to create a positive atmosphere in the point of sale.

The fashion brand wanted to develop a new chromatic chart, in the way that each color contributed to a therapeutic function of the soul and the body. The two most important suggestions were about considering that color is an illusion, also, that the fact to combining colors is important.

The application of the Color Strategy

The chromatic chart realized by the color consultant Massimo Caiazzo for Etro is called « Breath the Colours ». It contains 16 colors attributed to the logo with an adjective and a short definition. It's about a project of customization, making each article sold by the brand a unique one. It's also about the improvement of our lives through the therapeutic use of color and light, known since ancient times.

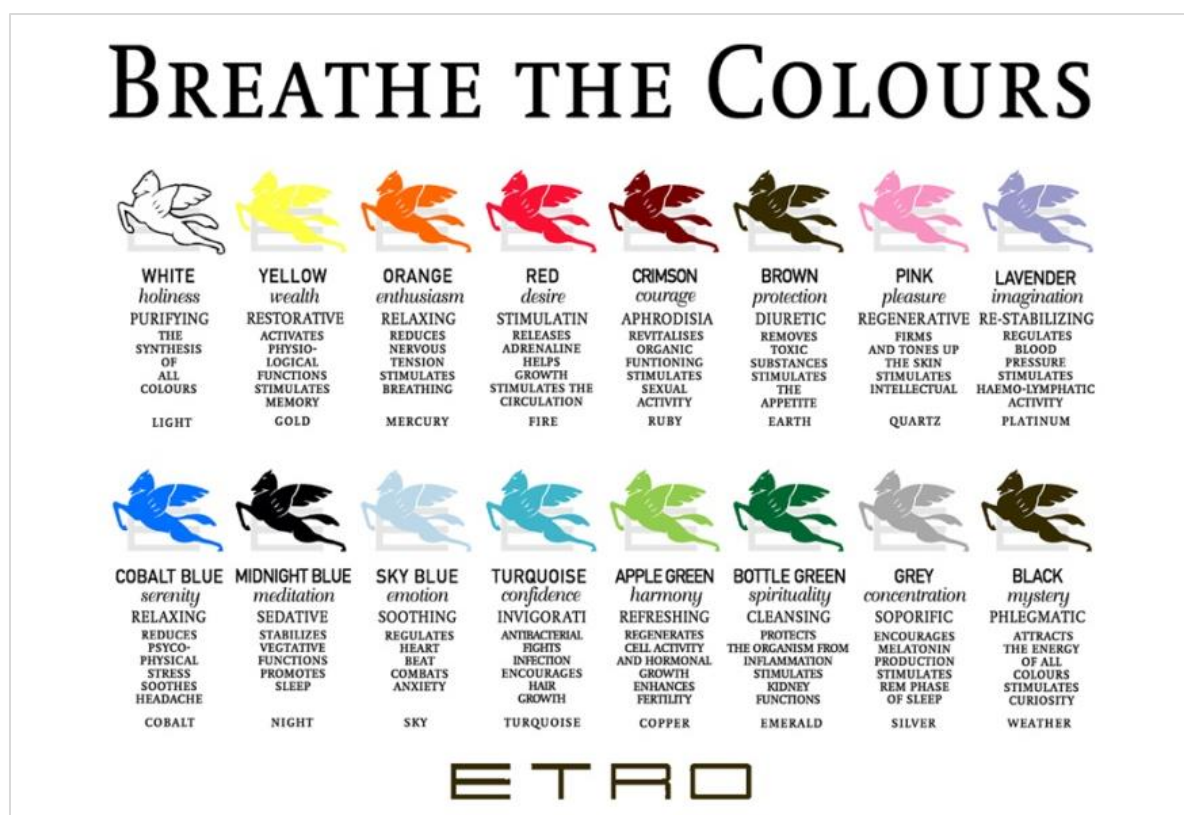


Fig 9: The new color palette designed for Etro

Source: Studio Massimo Caiazzo (Milan, Italy)

The result

According to Aaker (1997), there are five core dimensions that play an important role in a brand strategy: Sincerity, excitement, competence, sophistication and ruggedness. (See Fig. 10).

In the case of Etro, it's more about a representation of sophistication, and here, Caiazzo wanted to connect the personality of the brand with customers' perceptions of color. This is why, the new chromatic chart contained many definitions of colors corresponding to the customers' psychological needs. As Garber, et al., (2000) already stated, color affects every moment in life. It is an important marketing communication tool, a memorable visual element and carries key symbolic and associative information about products.

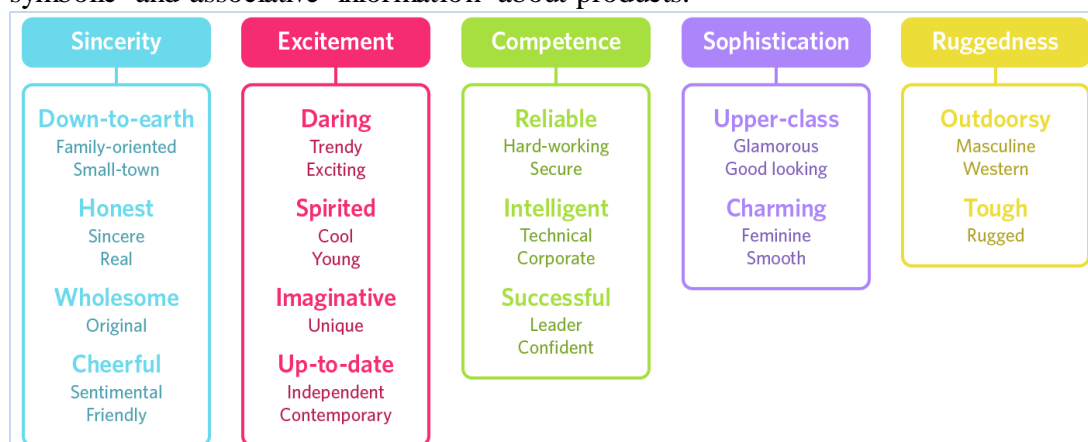


Fig10: The 5 Dimensions of Brand Personality

Source: Aaker, J. L. (1997, pp. 347-356)

Case 5: The Boccioni's Artistic High school

Why did the high school use a color strategy?

These organizations use color strategy because there is a problem with the color in those places that it has a strong emotional content. People experience subjective impressions which vary according to human temperament. Man is responsive to his environment and is affected by it. This is especially important to take into consideration in educational and pedagogical environments as it may have an effect on a patient's responses, both conscious and subconscious, during learning.

The application of the Color Strategy

According to Portillo & Dohr (1993) and Portillo (1996), the Effects of Color in educational and pedagogical environments, empirical studies, researchers have found reds to increase emotional and motor responses more than greens and blues, more explicitly, a study of color and emotionality indicated that green elicits the strongest positive emotions of calm, peace, and happiness, but yellow-green associates with disgust and sickness as well as white, brightly lit interior environments contribute to eye fatigue and psychological discomfort.

So he created a ground using industrial tiles with different gray tones. According to Portillo (1996), "this approach serves as a practical as well as an aesthetic purpose in highlighting potential environmental hazards –for example, on staircases, where treads and risers must be clearly delineated".

In this case, the colors must not only be different in hue, but in shade or texture as well. On the

other hand, experts suggest that in environments for elderly users, color can be used to organize a series of rooms so they appear to be grouped in some way; it can signify change, suggest outlines or emphasize contours, signal an alert, or work as a background surface on which a focal object can be easily distinguished. Here, the use of color becomes more important than making a room aesthetically appealing.

The result

Color strategy affect the organizations through color perceptions that change according to lighting variations, spatial configuration of the interior, primary tasks occurring in the space, and differences among the people using the space. Similarly, color also is affected by materials, textures, and patterns in the interior environment, and that these effects may attenuate or strengthen with the passage of time. The results included several aesthetic preferences as well as characteristics of desirable educational and pedagogical environments.



Fig.11: External side of Boccioni Liceo, Milan



Fig.12: Internal side of Boccioni Liceo, Milan

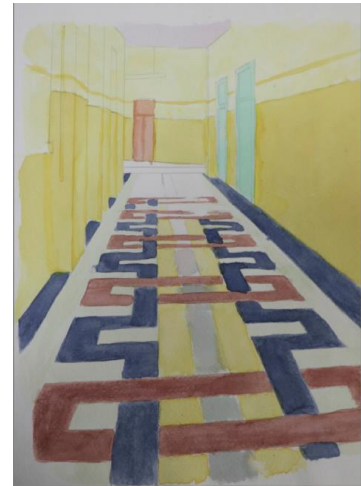


Fig 13: The new color palette designed for liceo Boccioni

Source: Source: IACC ITALIA Massimo Caiazzo (Milan, Italy), Edda Mally, Emanuela Volpe, Eugenia Alliata, Jin Hee Lee, Silvia Bellani and Umberto Garboli.

4. Managerial implications

Color plays a huge role in the management and the brand's life. In order to create a memory recognizable experience for customers, brands are stimulating the senses by an eye contact. So choosing the best and the right color for a corporation are crucial. From the branding chart to the packaging, the color should set the brand apart. This process should take into account color psychology, which is fairly complex; because colors can mean different things depending on

the culture.

According to Moriarty (1991), color in advertising serves a panoply of purposes. Color is used to draw attention, to create moods and emotional response, and to enhance memorability. Moriarty (1991) further states that color can be used as a cue. The colors are widely used by marketers because it is a means of communication, they allow the identification and brand differentiation, Roulet (cited in Rieunier, 2006, pp. 129-160).

Many specialists in branding see color as an important part of marketing because it can be used to influence consumers' emotions and perceptions of products (Bellizzi & Hite, 1992). Companies also use color when deciding on brand logos. These logos seem to attract more customers when the color of the brand logo matches the personality of the products.

In other words, colors play different roles depending on many criteria linked to the targeted audience: religion, politics, ceremony, and art. So these aspects must be taken into account while defining marketing and a management strategy for a product. The culture of the potential audience affects how it understands the deeper meanings of color. Even the context you use the color in affects the meaning of color. For example, in India, red means purity, while in the U.S. it denotes passion and specific holidays.

Ulrich et al. (2004) summarizes how consumers perceived brand benefits by classifying them according to three basic dimensions:

- “Social benefit: The product can by the consumer be perceived to be helping them feel more acceptable, to improve the way they are perceived by others, help them make a good impression on other people, and giving them social approval and adhesion”.
- “Emotional benefit: Makes the consumer feel relaxed, good, smoothened, pleased, evoke thoughts of happiness”.
- “Functional benefit: The product can be perceived to be well crafted, having an acceptable standard of quality”.

5. Conclusion

The perception of a color can widely vary from one culture to another. It could be linked to age, to gender, or to the context in general. It's a mysterious subject that guides human behavior, mood and performance, according to many factors. For example, orange and red are known to be stimulants. The origin of this behavior, according to Leslie Harrington, executive director of The Color Association of The United States, which forecasts color trends: *"You have an innate reaction to color. For example, when you look at red, it does increase your heart rate. It is a stimulating color. This goes back to caveman days of fire and danger and alarm."*

Color is also able to change our perception of time and space. In other words, light colors are expansive and airy, making rooms seem larger and brighter. Dark colors are sophisticated and warm; they give large rooms a more intimate appearance.

This qualitative study aims to show social and psychological values of colors through all experiences conducted by the Color Consultant Caiazzo. All the cases above-cited mention the positive effect of colors, they deeply had a remarkable influence of feeling and behaviors. For example, thanks to the color strategy conducted by Caiazzo, prisoners feel more optimistic, and committed less suicide. Also, the colors chosen in the project of the church permitted to have more spiritual and concentration effects.

Public spaces play a vital role in the social life of communities. The social value of public space is wide ranging and lies in the contribution it makes to 'people's attachment to their locality and opportunities for mixing with others, and in people's memory of places'. Places can provide opportunities for social interaction, social mixing and social inclusion, and can facilitate the development of community (Dines et al., 2006). Color consultants believe the

colors used in the design of an environment can have significant impact on the emotions and performance of people within that environment (Brucker, 2013, pp.18).

A quantitative study showing statistical analysis and the results of the social values of color is planned to complement this qualitative study. In addition to that, the quantitative research aims to measure and to provide the fundamental connection between empirical observations and mathematical relationships.

As Heller (2009), already stated “*Combinations of colors and emotions are neither the fruit of the hazard nor the question of taste, but establish themselves on common experiences, profoundly anchored in the language and the thought and which are understandable at the same time by the history and the psychological symbolism*”. Color is a fundamental factor in environmental design. People often consider our response to color as instinctive and simple, but it involves a very complex interaction between light, eyes, and the brain (Ghamari et al., 2016). So we can conclude with a slogan provided by Itten (1965, pp. 8) “*Color is life ; for a world without colors appears to us a dead*”.

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Cross-cultural Differences in Tourism Product Preferences

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Abstract

Tourists can discover a variety of benefits in tourism products, which are intended to satisfy their needs. However, their preferences differ according to travelers' characteristics. The current study tries to examine favored choices made by tourists as well as their preferences regarding package holidays, and more precisely internal tourism product attributes (i.e. package tour attributes) and external tourism product attributes (i.e. destination attributes). The study attempts to answer the following questions: How are the motives behind traveling and tourism products preferences affected by cultural differences? How do the tourists perceive the importance of particular product attributes depending on the country of their origin? The surveyed sample of 463 tourists spent their holiday on coach tours in Poland in 2014–2015. They participated either in English-guided tours or Spanish/Portuguese-guided tours. Two sample groups differ with respect to travel motivations. The US, Canadian, and Australian travelers indicated Polish origins, interest, and family member as main factors influencing their decision to visit Poland, whereas tourists from Spain, Brazil, Portugal, and Argentina listed interest as the most important travel motive. Moreover, such factors as recommendations, tourist catalogues and travel agents influenced significantly Spanish and Portuguese speaking tourists' decisions. All surveyed tourists attach high importance to such tour attributes as tour leader, organization and attractiveness of the program, and to the following destination attributes: safety, cleanliness, tourist attractions, and tourist information. However, a great number of product attributes was more important for English speaking tourists (e.g. social factors such as opportunity to meet new people, entertainment, possibility to communicate in English). Managers can draw many conclusions from this study. The most important one, however, is that they should concentrate on offering their clients a tailor-made, and culturally customized packages and adapt product sales strategies and communication strategies to selected target segments. Moreover, it is important to consider cultural differences in the product development process and to emphasize cultural sensitivity and competence as an important factor in providing services for tourists.

Key words: tourism product, tourism product attributes, package holidays, tourist motivation, cross-cultural differences.

JEL classification: L83, M31.

1. Introduction

Travel & Tourism has emerged as one of the fastest growing industries worldwide influencing the development of other industries, such as: construction, agriculture, transport and others. The growth of the Travel & Tourism sector in 2015 (2.8%) outpaced that of the global economy (2.3%). In total, Travel & Tourism generated 9.8% of global GDP. The direct contribution of Travel & Tourism to GDP in Poland was 1.7% of total GDP in 2015 and it is forecasted to rise by 3.0% in 2016, and to rise by 5.0% from 2016 to 2026 (World Travel & Tourism Council). Tourism development depends on the availability of attractive natural and/or man-made resources in a specific region which tourists demand and pay for (Briassoulis & van der Straat, 2000). Attractive tourist locations can enjoy a growing number of visitors. They also gain competitive advantage over other regions and thus can become the regional financial engines supporting the economy. The most common attributes of tourism destinations, according to Dwyer and Kim (Dwyer & Kim, 2003), consist of: cultural/heritage resources (e.g. historical monuments), functional/physical resources, (e.g. accommodation, transportation, food), and natural resources (e.g. climate, countryside).

Over the years package holidays have become one of the most popular ways of travelling. Tour operators develop packages based on destination attributes for package holiday makers. Thus, package holidays comprise tour attributes as well as destination characteristics, as tourists expect not only natural and cultural resources but also services associated with leisure, such as

infrastructure, accommodation, etc. (Park & Jang, 2014). Moreover, because consumer purchases are influenced strongly by cultural, social, personal and psychological characteristics, holiday packages need to be customized to tourists' specific needs and wants. Ethnicity and cultural differences are among factors that strongly influence customers' preferences, therefore they require thorough examination. Furthermore, taking into account a fact that Poland is not perceived as a typical tourist destination (Johann, 2014), development of customized tourism products would enhance the value of packages as well as travelers' holiday experience. The Polish Tourist Organization has commissioned several empirical studies in Poland concerning the analyzed matter. However, their limited scope has become the reason why in the current work the author compares the preferences of two traveler groups who use package holidays due to their ethnic background.

This study is intended to, among others:

- 1) determine the main reasons for English speaking tourists as well as Spanish/Portuguese speaking tourists to visit Poland,
- 2) discover the role of marketing communication in tourists' decision making process,
- 3) clarify the significance of tourism products (such as services provided by the tour operator, as well as additional destination attributes) that is appraised by the two groups of package holiday travelers,
- 4) explain the differences regarding preferences of the acclaimed tourism product attributes that appear among the two groups of tourists.

It is believed that cultural differences are the basis for distinct perception of the significance of the acclaimed tourism product attributes among these two groups of travelers. What is more, it has been considered that English speaking tourists and Spanish/Portuguese speaking tourists have statistically diverse attitudes toward internal and external tourism products.

2. Literature Review

Culture is the fundamental determinant of a consumer's wants and behavior, and each culture consist of subcultures that include nationalities, religions, racial groups, and geographic regions (Kotler & Keller, 2016). Ethnicity refers to a shared distinctive culture and way of life that can be reflected in language, religion, customs, material culture (e.g. clothing and food), and cultural products (e.g. music and art). National culture has been proved to influence significantly individual values and attitudes (Hofstede, 1984), and to have a significant impact on consumer decision-making style (Leo et al, 2005). Thus, marketers need to attend to cultural values, as well as to cultural differences in order to understand how to best market their products.

The growth of international travel over the last decades has stimulated an interest in cultural influences on travel behavior and enhanced the body of knowledge in this field. The concept of national culture or cultural traits is one of the most researched areas in the field of tourism research (Reisinger, 2009). The researchers have investigated such topics as influence of national culture on tourist motivations (e.g. Kozak, 2002), information search (e.g. Litvin et al., 2008), satisfaction and complaining behavior (e.g. Baker, Crompton, 2000), as well as perceptions (e.g. Tsang & Ap, 2007). Numerous studies have shown that there is a relation between cultural values and tourism product purchase behavior. Moreover, given the complex character of tourism products and the fact that they offer multiple value to tourists in order to satisfy their various needs including physiological, safety, social, and esteem needs, as well as self-actualization needs (Johann & Panchapakesan, 2015), cultural differences should be taken into consideration in the tourism product development process.

An understanding of tourist motivations and its association with destination selection is crucial in predicting future travel patterns. It could also help marketers to design appropriate marketing programs which would attract tourists to certain destination (Jang & Cai, 2002). Tourist

behaviors and travel motivations are generally explained by ‘theory of push and pull motivations’ (Dann, 1977; Crompton, 1979). While push factors refer to motives that drive a tourist away from home (e.g. desire to escape from routine, need to experience adventure, expectation of social interaction), pull factors are the motivations arousing a person to visit a particular destination (e.g. image, natural beauty, culture) (Dann, 1977). According to Kozak (2002) tourist motives differ between nationalities and place visited, however, some similarities can be observed. His findings were based upon ‘pull’ and ‘push’ motivations of British and German travelers visiting Mallorca and Turkey. Whereas relaxation and pleasure were ranked as the most significant motivations for both sample groups, German tourists were more likely to have cultural, relaxation and pleasure, as well as physical motivations. On the other hand, British tourists were more strongly motivated by seeking/fantasy factors and had a higher need for exploration and adventure.

According to many researchers tourists’ perceptions differ across cultures (e.g. Tsang & Ap, 2007), however, other researchers claim that there is a limited indication that national culture influences tourists’ perceptions of travel services (e.g. Crotts & Erdmann, 2000). In fact, national cultural differences should be perceived as one of many forces affecting consumer decision making. Tsang & Ap (2007) examined cultural differences between Asian and Western tourists’ perceptions of relational quality service delivered by guest contact personnel. The surveyed group of international tourists visited Hong Kong. It was found that Asian tourists (high power distance cultures) gave lower ratings for all the relational quality service attributes compared to Western tourists (low power distance cultures). Yu and Ko (2012) found significant differences among Chinese, Japanese, and Korean tourists with regard to medical tourism destination choice, discomfort, and preferred products. Koreans placed most significance on selection factors whereas Japanese attached importance to inconveniences related to medical and care services, stay and cost, as well as information and insurance. Research results indicating that cultural values have a significant impact on tourist decisions and perceptions provide reasons for pursuing further studies in this area.

3. Methodology

3.1. Design of Questionnaire

The questionnaire was developed based on findings from literature, interviews, discussions with experts, as well as on the results from previous studies regarding tourist satisfaction with package holidays. The questionnaire was constructed using 1 - 7 Likert scale. Also, it contained various types of questions, such as the closed-ended ones on socio-demographic characteristics, customers’ perception regarding internal and external tourism product attributes, their comprehensive satisfaction and fulfillment, as well as open-ended questions where the visitors could openly articulate their opinion in relation to the holidays spent in Poland.

Research data was gathered among selected participants of summer holidays coach tours in Poland in 2014-2015 who were also supposed to decide and select the subjects. The organized tours were sold by tour operators and travel agents (under their own brands) in the form of package vacations to American, Canadian, Australian, Spanish, Brazilian, Argentinean and Portuguese tourists. From the Polish side it was handled by Mazurkas Travel, Polish Incoming Tour Operator, which took part in arranging the services for visitors. The examined group of travelers took part in guided tours with either English or Spanish/Portuguese speaking guides. The tours’ itinerary included visiting most important venues and tourist attractions in Poland.

3.2. Data Analysis

Data were analyzed in order to identify tourism product attributes which are significant for both English and Spanish/Portuguese speaking tourists. Moreover, the factors that influence visitors’

holiday experience were also investigated. Taking into consideration complex nature of tourism products and the effects of the former research study, tourism product attributes were classified into two following groups:

1) internal tourism product attributes that were combined of program's attractiveness, organization, hotels, restaurants and meals, bus standard, tour escort, price/quality relationship, and

2) external tourism product attributes that consist of characteristics of the destination, including climate/atmosphere of the visiting place, tourist attractions, nature, shopping opportunities, safety, possibility of meeting new people, weather, cleanliness, reasonable prices, entertainment, tourist information, kindness toward foreigners, possibility to communicate in English.

In order to determine whether any statistically crucial variations arouse between English and Spanish/Portuguese speaking tourists' perceptions of the tourism product attributes' importance, and as a result of data's asymmetry, the Mann-Whitney test was implemented.

3.3. Respondents and Their Characteristics

Travelers that spent their summer vacations on coach tours in 2014-2015 in Poland were under the investigation in this research study. After each tour, tourists received questionnaires in a paper-and-pencil form and answered one of 463 sample set of questions. According to the surveys' results, which are shown in Table 1, females were represented by 64.1% of tourists, and males by 35.9%. When taking into consideration respondents' age, they were represented by the following age groups: 2.4% - under 20; 3.9% - between 21–30 years old; 4.3% - between 31–40 years old; 7.6% - between 41–50 years old; 19.0% - between 51–60 years old; 36.5% - between 61–70 years old; 16.8% - over 70. Taking into consideration visitors' country of residence, tourists were coming from the following countries: 56.1% - United States, 13.2% - Spain, 10.4% - Australia, 7.8% - Canada, 3.7% - Brazil, 1.9% - Portugal, 0.9% - Argentina, 4.3% - other countries.

Description			Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Valid	Female	297	64.1	64.1	64.1
		Male	166	35.9	35.9	100.0
		Total	463	100.0	100.0	
	Missing	System	0	0.0		
		Total	463	100.0		
Age	Valid	under 20	11	2.4	2.6	2.6
		21-30	18	3.9	4.3	6.9
		31-40	20	4.3	4.8	11.7
		41-50	35	7.6	8.4	20.1
		51-60	88	19.0	21.0	41.1
		61-70	169	36.5	40.3	81.4
		over 70	78	16.8	18.6	100.0
		Total	419	90.5	100.0	
		Missing	System	44	9.5	
	Total		463	100.0		

Country of residence	Valid	United States	260	56.1	57.1	57.1
		Spain	61	13.2	13.4	70.5
		Australia	48	10.4	10.6	81.1
		Canada	36	7.8	7.9	89.0
		Brazil	17	3.7	3.7	92.7
		Portugal	9	1.9	2.0	94.7
		Argentina	4	0.9	0.9	95.6
		Other countries	20	4.3	4.4	100.0
		Total	455	98.3	100.0	
		Missing	System	8	1.7	
	Total		463	100.0		

Table 1. Sample Characteristics

Tourists indicated Polish origins (46.7%), interest (30.5%), family member (28.7%), a travel agent (7.1%), tourist catalogues (4.8%) as the most important factors influencing their decision to visit Poland. The majority of package holiday tourists travelled with their spouse/partner (52.1%), family members (34.6%), friends (20.7%), or alone (5%).

Results

The research tasks included the identification of tourists' perceptions of the importance of tourism product attributes with respect to their cultural background. Hence, two groups of package holiday travelers have been distinguished. The first group comprised 344 tourists from the USA, Australia, and Canada who participated in English-guided tours, and the second group consisted of 91 tourists from Spain, Argentina, Brazil, and Portugal who participated in Spanish/Portuguese-guided tours. Females constituted 66% of English speaking tourists and 60.4% of Spanish/Portuguese speaking tourists. In the analyzed group of English speaking tourists 18.5% were below 50 years old; 19.8% were between ages of 51–60; 41.3% between 61–70; and 20.4% were over 70. In the group of Spanish/Portuguese speaking tourists 26.6% were below 50 years old; 26.5% were between ages of 51–60; 37.5% between 61–70; and 9.4% were over 70. The two sample groups were not completely homogenous, however, they were to a large extent similar with respect to gender and age.

English speaking tourists indicated Polish origins (46.7%), interest (30.5%), family member (28.7%), recommendation (8.0%), a travel agent (7.1%), tourist catalogues (4.8%), books and publications (2.6%), and spiritual needs (2.2%) as most important factors influencing their decision to visit Poland, whereas Spanish/Portuguese speaking tourists listed the following factors: interest (25.3%), recommendation (17.6%), tourist catalogues (16.5%), a travel agent (16.5%), spiritual needs (11%), publications and books (7.7%), family member (5.5%), and Polish origins (3.3%). It is important to note that interest was listed among the most important travel motives for both sample groups while other motivations differ significantly. These findings concur with the study results of Klenosky (2002) and Jang & Wu (2006) who claim that push factors should be considered in conjunction with pull factors rather than in isolation. They are also in line with Kozak's studies (2002) which revealed that tourist motives differed between nationalities and place visited, however, some similarities could be observed. Moreover, the study results show that marketing communication, as well as word of mouth, significantly influenced tourists' decisions.

The two sample groups differ also with respect to travel companions as tourists participating in English-guided tours tend to travel with more relatives than the latter group. The majority of English speaking tourists travelled with their spouse/partner (49.7%), family members (40.7%), friends (21.5%), alone (3.8%). Spanish/Portuguese speaking tourists indicated that they travelled with their spouse/partner (52.7%), family members (16.5%), friends (22%), alone (8.8%). This reinforces the finding that family and friend togetherness was more important travel motive for English speaking travelers.

As it was specified before, tourism product attributes were classified into two groups - internal and external ones - whose importance was determined using 1 - 7 Likert scale. Table 2 presents the perception of English and Spanish/Portuguese speaking tourists' perception regarding the importance of tourism product attributes. According to data in Table 2, English speaking tourists pay the greatest attention to: tour leader (6.69), organization (6.44), attractiveness of the program (6.39), and price-quality relationship (6.38). The most important destination attributes consist of the following measures: safety (6.52), cleanliness (6.41), tourist attractions (6.33), and tourist information (6.25). Meanwhile, for the Spanish/Portuguese speaking tourists the most important are: tour leader (6.53), organization (6.39), and attractiveness of the program (6.16). Moreover, for those travelers the most important destination attributes are: cleanliness (6.23), safety (6.19), tourist attractions (6.16), and tourist information (6.12). These conclusions are in alignment with the results of Jang & Cai study, which was undertaken in 2002, and showed that cleanliness and safety were recognized as the most significant motivational determinants.

Tourism product attributes	English speaking tourists			Spanish/Portuguese speaking tourists		
	N	Mean	Standard deviation	N	Mean	Standard deviation
Attractiveness of the program	340	6.39	0.751	90	6.16	0.847
Organization	344	6.44	0.817	90	6.39	0.612
Hotels	343	6.07	0.871	90	6.02	0.749
Restaurants and meals	344	6.15	0.840	89	5.76	1.066
Standard of the bus	341	6.17	0.870	90	6.09	0.816
Tour leader	344	6.69	0.555	88	6.53	0.586
Price/quality relationship	341	6.38	0.813	90	6.06	0.853
Climate/atmosphere of the visit	339	5.88	0.984	88	5.63	1.021
Tourist attractions	341	6.33	0.789	91	6.16	0.885
Nature, countryside	342	5.88	1.077	91	5.81	0.930
Shopping opportunities	340	5.11	1.404	90	4.76	1.211
Safety	341	6.52	0.765	90	6.19	0.873
Opportunity to meet new people	344	5.41	1.277	91	4.77	1.564
Entertainment	343	5.27	1.247	91	4.77	1.351
Weather	343	5.48	1.089	91	5.46	1.177
Cleanliness	343	6.41	0.728	91	6.23	0.857
Reasonable prices	344	6.15	0.897	89	5.83	1.100
Tourist information	342	6.25	0.836	89	6.12	0.877
Kindness toward foreigners	344	6.15	0.911	90	6.00	1.071
Possibility to communicate in English	343	5.93	1.164	90	5.36	1.486

Table 2. English Speaking Tourists' and Spanish/Portuguese Speaking Tourists' Perceptions of Tourism Product Attributes Importance

The Mann-Whitney test was introduced in order to determine whether the English speaking tourists and Spanish/Portuguese speaking tourists pay attention to different tourism product attributes. The test's results are presented in Table 3. In the result of Mann-Whitney test it was acknowledged that there is no apparent difference ($p > 0.05$) between the two groups of examined tourists regarding organization and hotels. However, there appeared to be statistically significant differences ($p < 0.05$) in tourists' perception of importance of other tour features. What is more, such destination attributes as: tourist attractions, nature/countryside, weather, cleanliness, tourist information, along with kindness toward foreigners proved in the test to be as much important for English speaking tourists as for Spanish/Portuguese speaking tourists. Nevertheless, it turned out that other destination features have different importance among the

two examined groups of visitors.

Internal tourism product attributes							
	Attractiveness of the program	Organization	Hotels	Restaurants and meals	Standard of the bus	Tour leader	Price/quality relationship
Mann–Whitney U	12762.000 16857.000	13872.000 17967.000	14644.00 0	12261.500 16266.500	14357.00 0	12911.00 0	11668.000 15763.000
Wilcoxon W	-2.678	-0.798	18739.00	-3.080	18452.00	16827.00	-3.848
Z	0.007	0.425	0	0.002	0	0	0.029
Asymp. Sig. (2-tailed)			-0.798		-2.657	-4.010	
			0.425		0.008	0.000	

Significance level at 0.05

External tourism product attributes							
	Climate/atmosphere of the visit	Tourist attractions	Nature/countryside	Shopping opportunities	Safety	Opportunity to meet new people	Entertainment
Mann–Whitney U	12780.500 16696.500	13795.00 0	14488.000 18674.000	12891.500 16986.500	11961.00 0	11942.000 16128.000	12432.000 16618.000
Wilcoxon W	-2.185	17981.00	-1.062	-2.368	16056.00	-3.591	-3.074
Z	0.029	0	0.288	0.018	0	0.000	0.002
Asymp. Sig. (2-tailed)		-1.782			-3.706		
		0.075			0.000		

Significance level at 0.05

External tourism product attributes						
	Weather	Cleanliness	Reasonable prices	Tourist information	Kindness toward foreigners	Possibility to communicate in English
Mann–Whitney U	15296.500	13856.500	12710.000	13929.000	14575.000	11767000
Wilcoxon W	74292.500	18042.500	16715.000	17934.500	18670.000	15862.000
Z	-0.303	-1.823	-2.636	-1.339	-0.913	-3.631
Asymp. Sig. (2-tailed)	0.762	0.068	0.008	0.180	0.361	0.000

Significance level at 0.05

Table 3. Mann-Whitney Test

According to the research results, the following product attributes: attractiveness of the program, restaurants and meals, standard of the bus, tour leader, and price/quality relationship, as well as the following destination features: climate/atmosphere of the visit, shopping opportunities, safety, opportunity to meet new people, entertainment, reasonable prices, possibility to communicate in English, are of a greater importance among English speaking visitors than among Spanish/Portuguese speaking tourists. Other tourism product features are of the same significance for both examined groups of package holiday travelers. It needs to be acknowledged that there are apparent differences among these two groups' assessments in the matter of such tourism product attributes as opportunity to meet new people, entertainment, and possibility to communicate in English. This outcome strengthens the research results of Yu and Ko that took place in 2012 and proved cultural differences to influence tourists' perceptions

of tourism product attributes.

Conclusions

The research results can lead to new ideas regarding tourism product strategy and may be also applied by product managers. The thorough analysis shows some similarities and differences in terms of the two distinguished groups' characteristics. Tourists participating in either English-guided tours or Spanish/Portuguese-guided tours are relatively homogenous with respect to gender and age, however, noticeable differences can be observed when taking into consideration the main factors influencing travelers' decisions to visit Poland. While English speaking tourists list Polish origins, interest, family member among the main reasons to come to Poland, Spanish/Portuguese travelers indicate interest, recommendation, tourist catalogues, and travel agent. Moreover, English speaking tourists tend to travel with more relatives than the other group, which can be explained by their Polish origins and willingness to visit the country of their ancestors with close relatives. This finding reinforces the research results of Klenosky (2002) and Jang & Wu (2006) who claim that push and pull factors should be considered simultaneously.

Furthermore, there are correlations between the two distinguished groups with respect to travelers' perceptions of tourism product attributes' importance. English speaking tourists as well as Spanish/Portuguese speaking tourists attach high importance to such tour attributes as tour leader, organization and attractiveness of the program; and to the following destination attributes: safety, cleanliness, tourist attractions, and tourist information. Dissimilarities that appear among these two groups are, nevertheless, mainly connected with a rather diminished relevance of a great number of tourism product attributes for Spanish/Portuguese speaking visitors. However, it should be taken into account that there are significant dissimilarities between the two groups' assessments regarding social factors that include opportunity to meet new people, entertainment, and possibility to communicate in English. Again, this outcomes prove to be similar of those obtained by Kozak (2002) and Yu and Ko (2012), which proved travel motives and perceptions to vary across nationalities and cultures.

The empirical results of the study lead to several conclusions of practical importance. Given the differences between the two distinguished groups, tourism managers have to focus on providing tourists with well suited packages to meet their specific needs. For instance, tourists from the USA, Canada, and Australia tend to be more demanding, so excellent customer service could be emphasized as one of the points of differentiation. Customer service should be also regarded as one of the most important skills required from tour leaders, hotel and restaurant staff, bus drivers and other partners performing services. Core competencies of product managers should include the ability to develop attractive tour programs and thoroughly planned itineraries. Moreover, it is important to consider cultural values and differences in the product development process and to emphasize cultural sensitivity and competence as an important factor in providing services for tourists. These findings concur with the study of Tsang an Ap (2007), who put emphasis on cultural training for tourism and hospitality industry employees, yet, they give new insights into the tourism product development process.

Furthermore, product managers should cooperate with sales managers and marketing managers to adapt product sales strategies and communication strategies to selected target segments. As stated by Jang and Wu (2006), developing pull factors to suit the push factors of tourists would better satisfy their needs. As tourists from the USA, Canada, and Australia are mostly motivated by their Polish origins and family members to visit Poland – cultural heritage, traditions, customs, traditional food, and homely atmosphere could be emphasized in the communication message. In case of tourists coming from Spain, Brazil, Portugal, and Argentina, it is also important to enhance cultural heritage in the communication message but in a broader context, highlighting the historical significance of Poland as well as contemporary

achievements. Considering other communication techniques, trade promotion as well as sales promotion and personal selling would be effective means of communication when targeting this group of tourists.

Limitations and Future Scope of Research

This study has considered only package holiday travelers' preferences based on their ethnicity. Hence, conclusions can be limited to the distinguished groups of tourists. Moreover, it is hard to formulate implications concerning general issues, such as research impact on business practice, public policy and society. In order to indicate a broader context, future studies may duplicate the current research by incorporating tourists who travelled on their own. Cultural, social, personal and psychological characteristics of travelers can be taken into consideration when examining tourism product preferences. Additionally, the analysis of research outcomes is eligible based on correlation between two groups of package vacation tourists staying in Poland. For future reference, comparisons could be carried across cultures in order for the research to overcome the mentioned limitations.

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Comparative Advantages Related to a Municipality – the Experts View

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Abstract

In recent years competitiveness has intensified immensely not only between businesses but also amongst territories. This is on large part due to globalization, development of communication technologies as well as the easy opportunities for traveling and exploring. Territories nowadays have to look for ways they can improve their competitiveness not only on the global markets or related to their attractiveness to external audiences but also related to local residents' and business's attitude towards the territory itself. One way to increase the competitiveness of a territory is to use its advantages in order to distinguish it from other territories with similar characteristics. In classical economics theory two types of advantages are described comparative advantages and absolute advantages. Absolute advantages can be used to build competitiveness but not all territories have absolute advantages and also absolute advantages are not always enough to ensure sustainability over time. Territories have to also look for and explore the options for developing their comparative advantages. Comparative advantages are derived from the opportunity for exchange which leads to increased productivity and consumption. In other words the value of the comparative advantage is assessed based on the advantages the competitor has. Applied towards territories comparative advantages could be found in specific features pertaining to the territory like certain climate conditions, a given set of natural resources, the available sightseeing sights, traditional culture, local customs and traditions, certain locally produced food and drinks and so on - all of which give the opportunity to build advantages over competitors. In the current paper the experts' views on identifying the potential comparative advantages of Varna municipality will be put up for discussion.

Key words: comparative advantage, competitiveness, territory.

JEL classification: M31.

1. Introduction

It is no surprise that in recent years territories as well as businesses are starting to compete between each other, not only on local levels but in the global economy (Rudolf and Yusupova, 2015) as well as related to building attractiveness towards local residents and businesses. It is inevitable that the regions, towns and localities will be compared in terms of efficiency and economic performance (Chitea, 2015). The competition between territories is based on different factors depending on the stakeholders that are its target at the moment. Territories can compete for investments – local or foreign, government or private by improving the local tax policy, the conditions for starting a business, lessening the bureaucratic procedures for businesses, development of a good overall relationship between local authorities and businesses (Cheshire, 2003). Trying to attract residents (O'Farrell, 2015) by improving the quality of life, the purchasing power of average wages, developing better quality educational, medical and social services and so on. Attracting tourists (Mulec and Wise, 2013) by good maintenance and development of local cultural and historic sites, improving the quality of natural resources that are used by tourists, helping local businesses develop the available services and offer a comprehensive tourist product. Territories compete for attracting visitors also by assisting the offering of special social events, different festivals, conferences, round-tables and so on. Events are seen worldwide to have significant economic and socio-cultural impact (Moise, 2015). Business tourism also has the potential to stimulate the economy through a continuous flow of foreign exchange, creating job opportunities, encouraging infrastructural and social development, and forming linkages with other industries (Gracan and Barkidija, 2015). Competing with other territories on the global market can be challenging, but if done properly can be beneficial for the territory, its residents and the businesses operating on it.

Absolute advantages are the easiest way for developing a territory, but there are rarely absolute advantages that territories can use. So the most reasonable way for a territory to develop is by using its comparative advantages. Comparative advantages of territories could be found in specific features pertaining to the territory like certain climate conditions, a given set of natural resources, the available sightseeing sights, established culture, local customs and traditions, certain locally produced food and drinks and so on. All of those give the opportunity to build advantages over competitors.

(Coombe et al., 2014) state that naturalized synergies between the qualities of a territory, the characteristics of its goods, the traditions of its people, and their cultural identity, may express the experience and enhance the economic sustainability of some peoples in some places.

2. Comparative advantages of territories - literature review.

Comparative advantages are the so-called factors of production such as land, labor, natural resources and capital (Porter, 1990). A territory is a certain area which has specific resources available – natural resources, historic and special interest sights, products, specifically produced or hand-made there, certain traditions, food and so on. Comparative advantages for territories could be found in specific features pertaining to the territory like certain climate conditions, a given set of natural resources, the available sightseeing sights, traditional culture, local customs and traditions, certain locally produced food and drinks and so on. More specifically the comparative advantages for territories can be presented as follows in the table below:

Type of comparative advantage:	Possible variations:
Natural resources (Mulec and Wise, 2013)	Geographical position and size of territory; Geological resources; Climate; Water resources (rivers, lakes, sea); Landscape; Specific flora and fauna; Balneology resources.
Socio-Economic resources (Birnleitner, 2014)	Economic structure (available production); Socio-demographic structure – population characteristics, migration, professional training, special education; Political and administrative structure – local government, decision-making process.
Infrastructure and available services (Tonkova, 2015)	Transport – public transport, good conditions of highways and local roads, railway and airport availability; Public services like healthcare, security, educational infrastructure, sports and recreational infrastructure; Available amenities – gas, electricity, waste processing, water services.
Cultural and historical resources (Zbucea, 2014)	Historic sightseeing; Traditions, local crafts and productions (Pustylnick, 2011); Sites layout; Monuments and sights of interest; Events; Entertainment; Guided tours; Specific cuisine; Festivals.
Available sports facilities (Zimmer and Grassmann, 1996)	Water sports and swimming; Aviation; Horseback riding; Walking and cycling trails; Winter sports;

	Golf; Other sports facilities.
Available accommodation for tourists and visitors (Zimmer and Grassmann, 1996)	Overall capacity of the territory; Distribution of accommodation on the territory; Breakdown of accommodation by types and sizes; Quality and rates of boarding; Camping sites and caravan parking opportunities; Possibilities of farming tourism or rural getaways; Available conference centers; Exhibition halls; Accommodation for conferences and availability of technical services; Diversity of restaurants offering different kinds of meals; Quality and prices of food; Distribution of restaurants on the territory.
Local conditions for setting up and carrying out business operations (Tonkova, 2014)	Local taxes and fees for businesses; Bureaucracy setting for starting and carrying out businesses; Ease of access to local authorities and funds for entrepreneurs; Openness of local policy to cooperation with businesses; Availability of qualified workforce.
Quality of life for local resident (Nuvolati, 2003) (Shafranskaya and Potapov, 2012)	Payment rates of local employers; Fairness of payment and workload; Purchasing power of local wages; Ease of access to local infrastructure for residents – playgrounds, libraries, etc.; Safety and security of life in the local community; Public transport and transport infrastructure; Reliable educational services – kindergartens, schools, universities and so on. High quality of social life opportunities – events, festivals, happenings etc. Dependable medical services offered on the territory. Opportunity for local residents to be part of the local decision-making process of authorities.

Table 1. Types of comparative advantages

3. Research framework: Comparative advantages of territories.

Even though there is a lot of research done on the competitiveness of destinations (Kozak, 2009, Mikulić et al., 2015, Morrison, 2013, Mulec and Wise, 2013), research on comparative advantages for territories not related just to tourism is not amongst the most popular subjects of science. The current paper focuses on the research of the experts' view of the comparative advantages of Varna municipality. Comparative advantages are important for territories because they give them the uniqueness to build advantages over competitors and develop (Tonkova, 2015). We have looked for experts' view on what the comparative advantages of Varna Municipality are and if there are explored fully to build its competitiveness over similar territories. In-depth interviews with experts in territory development have been conducted. The interviewed experts are engaged in finding ways of developing the territory and its attractiveness not only to tourists and visitors, but also to local residents, businesses, investors and others. The process of developing a territory is described as a four-staged process which includes attractiveness, competitiveness, growth and development (Lonska, 2013). Lonska (2013) states that the process of territorial development starts with attraction and retention of capital which then helps attract competitive resources to the area. When the attracted competitive resources become competitive advantages of the area the next stage of the process of territorial development is achieved. Optimal and productive usage of these resources leads to the growth of the territory. Growth of the territory accumulates, enhances and improves present resources with the aim to achieve improvement of citizens' general life well-being, which is the final target of the process of territorial development.

We have also researched local strategic documents where advantages on local, national and international levels have been explored. These are:

- Municipal Development Plan of Varna Municipality 2014-2020;
- Preliminary assessment of the Municipal Development Plan of Varna Municipality for the period 2014-2020;
- Monitoring report on the implementation of the 2014-2020 Municipal Development Plan for 2015;
- The development plan for the Black Sea basin district;
- Municipality of Varna economic structure and growth prospects.

4. Research results - comparative advantages – found in official data and the experts' view.

The research of the official documentation and the in-depth interviews made with the experts in territory development of Varna municipality has led to the recognition the following conditions of the territory:

4.1. General characteristics of Varna Municipality:

- The municipality is located in the Northeast part of Bulgaria, on the shore of the Black Sea, with suitable climate conditions and richness in natural resources and historic sites.
- Varna is one of the oldest settlements in the world. Remnants of settlements from 12 000 years ago have been found on the territory of the municipality.
- There are materials and spiritual heritage preserved from all historical ages of human development on the territory of the Municipality of Varna.
- The city of Varna is designated as a Functional Urban Area (FUA) according to the classification of European cities in line with the ESPON project.
- According to the National Statistics Institute data, the total territory of the Municipality amounts to 237 485 decares, of which 40% is agricultural land, 26% - forest area, 21% - settlements, the rest is related to the usage of transport infrastructure, mining of mineral resources and water areas.
- The municipality is located on the crossroads between Western Europe and the Middle East with two highways and an international road passing through the city, the international airport and the industrial zone and port complex on the North Coast of Varna Lake determine the importance of the city to Bulgaria and Europe.
- The most important water resource is the Varna Lake which is 13 km long and 1.2 km wide with an area of 17.4 sq.km. and an average depth of about 9.8 meters. The lake is very important to the economic development of the Municipality.
- The mineral waters on the territory of the Municipality of Varna are a significant natural resource of recreational, balneological and thermo-energy nature.
- With a population of over 343 000 people according to the National Statistical Institute, Varna Municipality has a significant demographic potential.
- The density of the population is 1634 people/sq. km. The high value of the indicator refers to overpopulation and high concentration of human resources.
- 69.5% of the population in Varna Municipality is in working age and 30% of it has graduated from college or university.

4.2. Characteristics of Varna Municipality's local economy:

- The combination of moderate continental climate and natural resources of the municipality favor the development of the **agriculture** here. The predominant soils are black and clay-sandy with good natural fertility. The relatively high humidity of the air reduces the negative effect of summer droughts and is extremely important for the development of agriculture. According to data from the Ministry of Agriculture the utilized agricultural area in

Varna Municipality includes on average 2427 hectares of fields, 344.2 hectares of vineyards, 83.5 hectares of orchards and 410 hectares of meadows and pastures.

- The gross product and the gross added value for Varna region are distributed as follows - 68.7% is formed by the services sector, followed by the sector of industry by 28.7% and lastly by agriculture with 2.6%. The **economy** of Varna Municipality is highly diversified in its structure. Leading for the regional economy are tourism, maritime industry, transport, electrical appliances manufacturing, etc. The largest share of companies being micro enterprises (less than 9 employees) with nearly 93% of the total number of enterprises. The distribution of the companies by sectors of the economy shows that the largest share are the representatives of the trade, followed by the enterprises in the sector of professional activities and research and third - real estate operations. There are also enterprises in metallurgy, machine building, food industry, clothing industry, electrical engineering, production of building materials and construction, furniture industry. The marine industry is represented mainly by large companies in the field of shipbuilding, ship repair and harbors and those performing services and other related activities related to the maritime business are mostly small and medium. Fishing and aquaculture is a specific sector directly related to the marine industry and tourism. Most of the fish species have local significance and satisfy the local market and the local tourism sector.

- **Transport** infrastructure of Varna Municipality is important on local, national and international level. Port Varna is a main point in the logistics chain of Pan-European Transport Corridor No.8 from Italy via Albania and Macedonia to Central Asia and through the Ruse-Varna road segment as an alternative segment of Pan-European Transport Corridor №7, it provides a faster connection between the Rhine-Main-Danube motorway - /Port Ruse - Port of Varna/ - Caucasus countries - the countries of Central Asia, Iran and the Middle East. Varna International Airport contributes to the favorable environment for development of the business in the Municipality. The railroad network is well-developed. Road transport - it is necessary to improve both the national road network in the municipality of Varna and the municipal road network, which is traditionally in a poor condition.

- **Tourism** is one of the main sectors of the local economy. The recreational features of the area, the availability of mineral springs, the network of protected areas and the relatively well-developed coastal infrastructure create favorable conditions for the development of various types of tourism: marine recreation, balneological, cultural, ecological, rural and others. The largest resort complexes: "Golden Sands", "St. St. Constantine and Elena", "Sunny Day" and "Riviera" are located on the North coastline of Varna Municipality. The structure of the visitors is as follows: Bulgaria – 33.5%, Germany - 26.1%, Russia - 19.5%, Romania - 13.6%, Poland - 7.2%, Israel - 4.6%, Great Britain and France by 2.4%, Denmark and Norway by 2.3% , Finland - 2.1%.

- The investment in **Research and Development** is still very low in Bulgaria in general - the R&D expenditure is 0.6% of GDP with an average of 2.0% for the EU. The share of innovative enterprises in Varna Municipality is reducing. There is also a decline in the share of enterprises that have introduced new or improved products to the market.

4.3. Characteristics of social policies and human resources:

- Most people are employed in the "Trade, repair of motor vehicles and motorcycles" sector and there is an increase of employment in the budgetary sphere while a noticeable decline in employment in the Construction, Manufacturing and Transport, Storage and Mail sectors. Even though the unemployment rate is still lower than the average for the country there is a serious problem with the high rate of youth unemployment and the retraining of the long-term unemployed groups.

- The condition of housing and accommodation is an indicator and a major factor for the sustainable development of the municipality. In order to solve the main housing problems of

the Municipality, it is necessary to renovate the old and depreciated buildings, to increase the energy efficiency of the buildings, to provide additional parking spaces and green areas and parks, to innovate the outdated infrastructure of the streets.

- There is relatively well-developed healthcare structure with the exception of the need for restructuring and provision of emergency medical care. There are not enough specially designed facilities for long-term rehabilitation.

- There are 46 institutions for social services with a total capacity of 3181 places for social services for children and adults. Social areas in Varna Municipality are: specialized institutions; social services with state funding; social services with municipal funding; accessible environment; payment of social benefits.

- The education infrastructure includes facilities from pre-school and educational institutions - schools (primary, secondary, vocational), colleges and universities. Varna is an important university center in Bulgaria and the North-East region. Five out of the 45 accredited universities are located here as well as three colleges.

- Varna is an important cultural center offering a full range of activities - theaters, museums, cinemas, libraries, fine arts galleries and others. There are a variety of festivals like the International Music Festival "Varna Summer"; the International Folklore Festival; International Theatre Festival; European Music Festival; International Jazz Festival; International Fair of Arts and Crafts and many others. The cultural activities along with the cultural monuments are one of the favorable factors for the development of tourism and supporting the overall socio-economic development of Varna Municipality.

- Varna Municipality has a well-developed policy concerning the youth. A number of measures have been taken, including encouraging youth initiatives, involving young people in public life, providing opportunities for leisure time activities, providing opportunities for young people to participate in youth events. The Municipality's efforts have been recognized by nominating the city European Youth Capital for 2017.

- Even though sports are considered important for the development of the city and many sports events are taking place as part of the initiatives for Varna – European Youth Capital for 2017, the experts agree that the available sports facilities are not enough. New sports playgrounds and football playgrounds are needed, especially in the areas of Vladislavovo, Mladost, Asparuhovo. There is also insufficient use of the natural resources of the Municipality as water sports and recreation area for the citizens of Varna.

- There are four protected areas under the Wild Birds Directive - Batova (Code BG0002082), Varna-Beloslav Lake (Code BG0000191), "Yata" (Code BG0002046) and "Galata" (Code BG0002060), as well as two protected areas under the Habitats and Wildlife Conservation Directive - "Golden Sands" (Code BG0000118) and "Galata" (Code BG0000103). In the immediate vicinity there are three other protected areas on the same Directive - "Batova River Valley" (Code BG0000102), "Pobiti Kamani" (Code BG0000132) and "Varna-Beloslav Complex" (Code BG0000622).

5. Discussion

The comparative advantages of Varna Municipality are represented below from different points of view - comparing the experts' view and the official documented data to review if there are any discrepancies in the findings and if the official data is deviating from what the experts recognize as comparative advantages that can be used to build competitiveness of the given area.

Type of comparative advantage	Recognized in official data	Recognized by experts
Geographical position and size of territory	Favorable for tourism	Favorable for tourism, transport, logistics
Geological resources	No mineral resources	Sand mines providing construction business with materials
Climate	Favorable for summer tourism	Favorable for summer tourism,
Water resources (rivers, lakes, sea)	Sea – favorable for summer tourism and fishing; Lake – good for logistics	Sea – favorable for summer tourism, water sports and activities for local residents, tourists and visitors, fishing; Lake – transport means for development of local economy.
Landscape	Beneficial for tourism	Giving opportunity for a lot of activities to be organized for local residents, tourists and visitors.
Specific flora and fauna	Several protected areas.	Protected areas are not developed and advertised to potential customers.
Balneology resources	Mineral waters	Mineral waters used for balneology

Table 2. Comparative advantages related to natural resources.

The Municipality's geographical position, the climate conditions and the available human resources determine good environment for the development of tourism. Despite this the available resorts are not very popular worldwide as most of the visiting tourists are Bulgarian. Even though tourism has been a main source of income for the region for decades presently it faces difficulties due to over-building in the resorts, immigration of qualified human resources to foreign countries, intense competition from neighboring countries like Turkey and Romania.

Type of comparative advantage	Recognized in official data	Recognized by experts
Economic structure (available production)	Leading for the regional economy are tourism, maritime industry, transport, electrical appliances manufacturing, etc.	The largest share of companies is micro enterprises representing 93% of the total number of enterprises.
Socio-demographic structure – population characteristics, migration, professional training, special education	There is a significant demographic potential, high concentration of population, 69.5% of the population in Varna Municipality is in working age	Even though the population is growing due to people moving to the Municipality, the immigration of highly-qualified human resources to more developed countries poses problems for local businesses.
Political and administrative structure – local government, decision-making process	The municipality is autonomous, with its own budget and assets.	Accommodating the interests of different groups with those of the whole community is not present.

Table 3. Comparative advantages related to socio-economic resources.

There is a great potential in the human resources – a large percentage of the population is in working age. The share of micro enterprises shows that people are very creative and eager to start developing their own ideas. This is something that should be recognized by local authorities as an advantage and supported by them.

Type of comparative advantage	Recognized in official data	Recognized by experts
Transport – public transport, good conditions of highways and local roads, railway and airport availability	Well-developed public transport, connection to highways, international airport, railway station, passenger and cargo ports.	Even though there are transport opportunities, most of them are outdated and need to be renovated or replaced. No common tools to plan trips like websites.
Public services infrastructure like healthcare,	There are 46 institutions for social services with a total capacity of social	The available sports facilities are not enough.

security, educational infrastructure, sports and recreational infrastructure	services for children and adults of 3181 places.	
Available amenities – gas, electricity, waste processing, water services	All amenities are provided at satisfactory levels.	Problem with tap water supplies in some areas of the Municipality.

Table 4. Comparative advantages related to infrastructure and available services.

The well-developed sea and cargo transport have always been a determinant for the fame of the city as a crossroad between the East and the West. There is a good General Development Plan for Varna port, which is the cornerstone of its investment program. Investors are invited to build three new terminals: a Ro-Ro terminal, a grain terminal and a container terminal. Feasibility studies have been made for the building of these terminals. According to the updated GDP, two new terminals shall also be built in Port Varna West – one for liquid chemicals and one for cement and clinker. Varna International Airport is directly linked to the economic development of the city and the region. It serves tourist companies mainly, operating scheduled and charter flights to more than 35 countries and 101 destinations. The position of Varna Municipality, the port, the airport and the railroad station give great opportunities for attracting investments which could help the development of the territory even on international level, but the poor conditions of the roads in the Municipality and the lack of information provided to international partners about the possibilities available here determine the under usage of those resources. The quality of railroad services hinders not only the cargo traffic but also the passenger transport.

Type of comparative advantage	Recognized in official data	Recognized by experts
Historic sightseeing	One of the oldest settlements in the world, several museums	Several museums with unique exhibitions of Varna's long history
Monuments and sights of interest	There is a number of monuments and sights of interests available	The popularization of the monuments and sights of interests is not sufficient amongst incoming tourists and visitors
Events	A variety of events organized.	A great variety of events due to Varna's candidacy for European capital of culture.
Entertainment	Several theatres, cinemas, exhibition halls with diverse programs available.	Varna municipality has a busy entertainment calendar but it mainly developed for the center of the city, leaving other settlements and parts of the city with less opportunities.
Festivals	A variety of festivals are organized.	Festivals are concentrated in summer months when the city is a popular destination already.

Table 5. Comparative advantages related to cultural and historical resources.

There is a variety of historic monuments, sightseeing opportunities, cultural events and festivals but they are not very well-advertized. Also most of the organized events are concentrated in the city center and in the high tourist season.

Type of comparative advantage	Recognized in official data	Recognized by experts
Water sports and swimming	Good opportunities for water sports and swimming available due to the sea, lake and several swimming pools.	Insufficient use of the natural resources of the Municipality like water sports and recreation area for the citizens of Varna.
Horseback riding	Several facilities available.	Facilities are not very popular.
Walking and cycling trails	There are trails available.	Not well-kept or promoted

Table 6. Comparative advantages related to available sports facilities.

Sports are considered important for Varna Municipality as it is working towards building an

image of youth-friendly environment. But the advantages the municipality has are underused and not well taken care of.

Type of comparative advantage	Recognized in official data	Recognized by experts
Overall capacity of the territory	About 415 places offering accommodation.	-
Distribution of accommodation on the territory	The accommodation is concentrated mainly in the resorts on the territory. There are several opportunities for stay in the city center.	-
Quality and rates of boarding	There's a variety of hotels with different quality and offering different prices.	-
Possibilities of farming tourism or rural getaways	Some options for rural tourism in Varna Municipality are available.	The Municipality depends mainly on summer resorts. Farming tourism and rural getaways are not well-developed.
Available conference centers	Abundance of conference halls, most offered with equipment.	Most of the conference halls are located in hotels which makes it easier to plan business activities.
Exhibition halls	Are available in Varna Municipality	Are concentrated in city center. Suburbs are excluded.
Diversity of restaurants offering different kinds of meals	As a tourist area Varna Municipality offers a great variety of restaurants with different cuisine.	

Table 7. Comparative advantages related to available accommodation for tourists and visitors.

There is a great variety of accommodation available as well as restaurants and conference halls. This provides opportunity for tourism to be expanded to low tourist season in other forms – business tourism, corporate meetings, corporate team-building activities and so on.

Type of comparative advantage	Recognized in official data	Recognized by experts
Bureaucracy setting for starting and carrying out businesses, Local taxes and fees for businesses, Ease of access to local authorities and funds for entrepreneurs	According to the Local Business Environment Index (http://www.effectivemunicipality.com , 2011), Varna Municipality is amongst the places with worst conditions to set up and carry out a business.	Starting a business in Varna Municipality is related to a lot bureaucratic issues and high local taxes.
Availability of qualified workforce	30% of the population has graduated from college or university	High rate of youth unemployment and the retraining of the long-term unemployed groups

Table 8. Comparative advantages related to local conditions for setting up and carrying out business operations.

The environment for setting up and running a business in Varna Municipality is not favorable and hinders the development of the region. Great attention should be paid by local authorities and business associations to this. Relatively serious remains the problem with the immigration of highly-qualified human resources to more developed countries. This could be tamed by reinforcing fair salaries and standardized working conditions.

Type of comparative advantage	Recognized in official data	Recognized by experts
Payment rates of local employers	The region is placed in fourth position in the country.	Great diversity of payment rates depending on professions.
Purchasing power of local wages	Lowest wages in the EU, but due to lower prices in Bulgaria, purchasing power is not as low.	As a tourist area Varna has higher prices than other cities which lowers purchasing power of local wages.
Ease of access to local infrastructure for residents – playgrounds, libraries.	The municipality is planning to reinforce the rules for access to local infrastructure.	There is still difficulty for disabled people to move freely in the city even on sidewalks.
Safety and security of life in the local community	Low rate of crime according to official data from the Ministry of Internal affairs	Varna Municipality is considered safe.
Reliable educational services – kindergartens, schools, universities and so on	Well-developed educational infrastructure with pre-schools, schools, colleges and accredited universities available.	Not enough places available for the pre-school education which is compulsory for 5-year-old children.
High quality of social life opportunities – events, festivals, happenings etc.	A lot of social events are organized on the Municipality area.	Most events are organized in summer months and not so many available to local residents all through the year.
Dependable medical services offered on the territory	Relatively well-developed health-care structure.	Restructuring and provision of emergency medical care is needed.
Opportunity for local residents to be part of the local decision-making process of authorities	-	No developed policy for inclusion of local residents in the decision-taking process of authorities.

Table 9. Comparative advantages related to quality of life for local resident.

The quality of life in the area is considered favorable as compared to other areas in the country, but there is a lot of improvement needed for it to become competitive outside of the country. There is a need for residents' infrastructure to be improved and taken up to contemporary levels.

7. Conclusion

In the present paper several strategic documents have been reviewed as well as in-depth interviews with experts in territory development have been performed in order to discover the comparative advantages of Varna Municipality and the opportunities the area has for growth and enhancement. The research has revealed that the territory is rich in resources that are favorable for the development of tourism, transport and logistics and business travels. It also has the needed prerequisites for the advancement of the quality of life of the residents of the area. The favorable geographical location and natural resources, sea coastline, built infrastructure, employment levels and great economic and human potential create real opportunities for successful development and sustainability of the city and its hinterland. There are three major factors in the infrastructure of the city that contribute to the favorable conditions for development: the Port of Varna, Varna International Airport and the railroads. But they all need to be closely reviewed by local authorities and the services they provide need to be improved according to international standards. The population growth of Varna Municipality is due to people moving to the area. There is a general tendency of urbanization and concentration of the majority of the population and all economic activity in the big cities and the centers of agglomerations. Therefore close attention should be paid to growth of smaller settlements in Varna Municipality. Further research will research if the residents of the territory perceive the same advantages as the experts as comparative for the territory.

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Value Creation vs Value Appropriation: Network Externalities for Auto-Dipper

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Abstract

A firm's competitiveness is deeply engrained in its offering. It is important to understand the competition, the market requirement, production-operations and the value of its offering. Moreover, to ensure survival of the firm, it is essential to ascertain the plausible source of competitive advantage, the obvious being its value offering. Most firms face the necessity to not only create value for its customer, but also to appropriate value for itself. This paper takes the case of Auto-Dipper and tests the issues of value-creation and its appropriation in the practical perspective of business strategy, through the concept of network externality. The Auto-Dipper is an optical-mechanical device that automatically puts the vehicle headlights to lower beam when it encounters an oncoming vehicle in the night. The glare of oncoming headlights puts the driver to light blinding which increases the chance of an accident. Further, as most of the Indian roads are two-way and the frequency of oncoming vehicle is very high, the driver is severely fatigued after a night drive, raising the accident chances. The product passes through stringent field trials and the price is affordable for the market. The ministry of surface transport of the Government has made the product mandatory for all four wheelers and other heavy vehicles. Further, the product is patented and has a seemingly ready market. However, the product is still not seen in vehicles and the analysis points to network externalities that inhibits in capturing value. The paper exemplifies through the research approach of analytic induction technique that value-creation in itself is not sufficient for the firm to achieve growth and profits, but the capability to appropriate value is as crucial as the value itself. With this, the argument between value-creation versus value-appropriation is explained in the perspective of business strategy with the help of the case on the firm, through the lens of network externality. The network externality is crucial in the movement from value-creation to value-appropriation, as is exemplified by the case of Auto-Dipper.

Key words: Value Creation, Value Appropriation, Network Externality, Competitive Advantage, Business Strategy.

JEL classification: M13, M30.

1. Introduction

To understand a business, it is important to understand its competency with respect to the business environment it operates in. To ensure sustainability, it is essential to ascertain the plausible source of competitive advantage, its value offering. The value is ascertained when the company provides a solution that is appreciably better than the solution provided by its substitutes, at a price that is acceptable to the market. Armed, with the value, the company tries to build layers of augmented value so that it becomes difficult for the competitors to emulate. The company may go further to create barriers for competitors to build similar offering. The case of Auto-Dipper suggests that the offering promises to provide a tangible offering benefit at an affordable cost. The product is an optical-mechanical device that senses light from an oncoming vehicle in the night and helps the driver to automatically dip for better night vision sans glare. Further, the product (offering) has made through the stringent industry trails and is made compulsory by the Government for all four-wheelers to have, in India. The product is patented and most automobile producing companies have accepted the product. Although, the offering provides strong value, still it is not seen much in the market. The paper analyses the strategic reasons for poor commercial performance of the offering by identifying the network-externalities that the product must have in order to appropriate value.

2. Theoretical Perspective:

The considerations for value creation and value appropriation for business is a subject that is

neither complete nor has established a lot of seminal research. However, while understanding a firm, especially a start-up venture, a few things that should be kept in mind is that the factors of value-creation and value-appropriation are dynamic in nature and the configuration of it changes constantly. This questions the sustainability of business, continually. The competitive forces that shape value by Porter (2008) highlights the requirement of a strategist to understand the forces that are at play to understand and cope with competition with respect to the value of its offering. Market attractiveness indicates the potential to make profit for the organization, given the condition of the market or industry, and the value proposed. Many factors influence market attractiveness, such as size of the market, competitors, their comparable offerings, readiness of customers, and so on. High barriers to subsequent entry can make the market attractive for the incumbent and not so for new entrants. Interestingly, if the market is attractive, it does not automatically mean that the business will surely flourish. If the firm controls some of the factors that influence market attractiveness, such as high barriers to entry, the potential for value-appropriation goes a lot higher with the same value proposition.

Addressing competency issues, the firm may choose to stick to its competency or else acquire the required capability. It is even more important to know the resources that are valuable for the firm in ensuing competitiveness and sustainability. Prahalad and Hamel (1990) highlight the importance and role of competency as the root of competitiveness for the organization. It is important to understand that the organization cannot always have or create all competencies that are required for competitiveness. Rather, the organization is often faced with the strategic choice to either build all the required competencies in-house or somehow acquire them from outside.

Network externality can be seen as a change in the benefit for a consumer that is directly attributed with the change in the number of consumers. In other words the value received by consumer rises sharply with the rise in the number of consumers for that offering. Network effect is not necessary but is usually seen in new path breaking offerings that need higher market efficacy to be successful (Katz and Shapiro 1985, Farrell and Saloner 1985, Arthur 1996). Network externality also supports path dependence, where the size of a network increases based on what the performance of the network in the past (Liebowitz and Margolis, 1995). Network becomes more successful when the size of the network surpasses the critical size, when the benefits of the network seem to rise considerably.

3. Research Method:

Event-history approach to a case becomes convenient where the theory is tested in light of the case in a longitudinal manner. Hence, this research can be seen as a way to answer to the research question of the link between value-creation and value-appropriation through network externality. This is achieved by considering the value that the firm creates, the capability of a firm under study, and the network effect that is essential to the case.

It is seen that similar studies mostly incorporate a modified form of analytic induction technique (Denzin, 1978; Yin, 1994), combined with the theoretical perspectives under study through the case (Wollin, 1996). This is a flexible technique for obtaining, ordering and analysing primarily qualitative instances (Wollin, 1995; Eisenhardt, 1989; Pettigrew, 1995) that we will find from the case. As such, the case includes the retrospective longitudinal and processual analysis techniques of Pettigrew (1995). Analytic induction commences from an existing theoretical position, and then compares the theory, or emerging theory, with the evidence obtained by each case instance, prepared on the basis of its possible contribution to answering the question and the answer itself is then modified in the light of such cases (Wollin, 1995). This iterative process provides an empirical explanation to the research question.

The unit of the study in this research is 'firm'. The concept of subject (value capture and competitiveness of the firm) is to be seen as a part of the emerging view of institution as social

system, where the interrelated choices of individuals compete and cooperate to form a community of symbiotically related choices (Van de Ven and Garud, 1989), natural for studying network externalities (Katz & Shapiro, 1994). However, the social definition of an institution contrasts with more conventional perspective of substitute choices (Porter, 1980), or group-think, where groups of individuals agree on a choice for the sake of group choice over individual choice (Kool & Dierickx, 1993; Porter, 1980). It should be noted that in both the conventional definitions, the competitive interactions of the individual choices are assumed, ignoring cooperative or neutral interactions, essential in studying the network effect. Further, this research is based on the case of Auto-Dipper and studies the firm's resources, value activities and network effect to ascertain value-appropriation.

4. Data from Case:

The Auto Dipper is a product that is created by Kakatiya Energy Systems, for four wheelers in order to help them in night driving (Kakatiya's Unique Auto Dipper, 1996). The product when installed in the vehicle can automatically put the vehicle headlights to lower beam as it encounters an oncoming vehicle from the other side. This reduces the glare and fractional blindness that drivers may experience from oncoming traffic. This less-glare situation helps reduce the chances of an accident. Further, as the frequency of oncoming vehicle is very high on Indian highways and the roads are mostly two-ways, the driver feel severely fatigued after a night drive. To reduce this fatigue also, auto-dipper is useful, as it automatically dips the headlights and manages the intensity of light. The government of India, through its ministry of surface transport has made this device mandatory for all vehicles. All new vehicles must have the product installed, whereas all on-road vehicles are expected to have the device installed within the next ten years. The testing of the product passes through stringent field trials and the price of the product is reasonable (Kakatiya Energy Systems, 2014a). With this patented product that has a ready-made market; Kakatiya Energy Systems should not have any problem in commercializing it.

The firm enjoys numerous favourable factors on which the business can thrive. The offering has a large market potential, a product that is dependable, affordable, patented, made mandatory by the Government, guaranteeing profits, yet the product in reality is not conspicuous. If a product is good and cheap and has a guaranteed market, it is natural that it experiences success. The importance of scientific validation and acceptance by the prospect market is even more essential than the technical performance of the product and its affordable price ((Kakatiya's Unique Auto Dipper, 1996).

Drivers appreciate that Auto-Dipper signals the oncoming vehicle to dip their headlights when they pass (Kakatiya Energy Systems, 2014b). The mind-set of commercial drivers is that they see Auto-Dipper as a "preferable product" not as an "essential product", as life was going on without Auto-Dipper and will continue to do so (Kakatiya Energy Systems, 2014c). Maximum benefit of Auto-Dipper would happen when both the vehicles (coming for opposite directions) are fitted with Auto-Dipper.

The product undergoes successful field trials means that the product performs to customer satisfaction and says that it improves visibility by minimizing glare, and glare causes momentary loss of vision. However, most commercial drivers did not feel that this momentary loss of vision is the reason for accidents at night (Kakatiya Energy Systems, 2014d).

The description of parts of the Auto-Dipper, such as light sensor, plastic casing, electronic items (transistors and relays), indicates that the component are relatively cheaper and easier to get from open market. As the product components are sourced locally, the plants will at best assembling few parts, the cost of the plant and the warehouse for finished goods may not exceed INR 25 million. The cost of the product is ascertained to be in the range of INR 500 to 1150/-. The company has put an estimated price of the product at around INR 3150/-. Hence, the

product can have a margin of around INR 2000/- for each unit (Kakatiya Energy Systems. 2014e).

The number of 4 wheelers sold in 2016 is about 400,000 and considering the road worthiness of old vehicles (replacement market) to be at least 15 years, the total market size can be estimated to be about 4.5 million four wheelers that are currently plying on India roads. Even if only the OEM market is tapped for the first years, the profitability can be INR 800 million. Overall, with such a large confirmed market, dependable product, high plausible profits, the company is all set to appropriate value that it has created and protected.

5. Analysis:

When the two-third of the price of the product is the profit margin, it can be safely assumed that the margin is very high. Under the circumstance, the company can reduce the margin and attract more customers. However, this is not needed now as the company already is looking at a ready-made huge market, of about 400000 new vehicles (OEMs) in 2016 and about 4.5 million older vehicles (replacement market) that are on the roads. Even if the company sells its product only to the OEMs for the first year, it is expected to make a profit of 800 million. This about 25 times the investment they would make in the first year. If we consider the replacement market also, then the profitability is going to be even larger. But the product has not seen high sales. With such a large confirmed market, dependable product, high plausible profits, the product is not seen around as the replacement market waited towards the fag-end of the time given of ten years, and the OEM market waited for each other to install the product first.

The maximum benefit of Auto-Dipper would happen when both the vehicles (coming from opposite directions) are fitted with Auto-Dipper. This rises to the question of “Network Externality”. Drawing an analogy, imagine the person having the first telephone in the world. Who would the person call? The benefit of phone comes only when the person’s friends, relatives and workmates have phone connections. This means, the more people have phone connection, the more people the person can call, the more benefit the phone provides. If most of the vehicles are fitted with Auto-Dipper, the vehicle having Auto-Dipper will have the most benefit. If everyone waits for the other to get Auto-Dipper installed first and wait till a critical mass is reached, then everyone will wait for each other and the product will take a long time to be embraced by a large population. However, the automobile manufacturers- the original equipment manufacturers (OEMs) don’t have a reason to wait as it has been made mandatory by the Government. However, the benefits derived by the OEM Auto-Dipper installed vehicle will be a direct function of the size of the network. The immediate servicing of the replacement market remains another concern, which leads to competency question.

Explaining with another example from India, the Government of India has made it mandatory the use of electronic meters by the auto-rickshaw yet took more than a decade in most cities to implement. The typical issues were political (auto-rickshaw driver’s union), departmental (road transport departments in most states were inadequately manned) and suppliers (tenders for electronic auto meters went through a lot of trials and tribulations). It was not possible to implement the electronic auto meters instantly as the sheer numbers of auto rickshaws plying on the road were millions and the installation took time. The same effect can be expected for Auto-Dipper installation in replacement market.

It is said that the on-road vehicles are expected to have the device installed within the next ten years. This will make most on-road vehicles to wait for a later date as neither the drivers felt that this product is not crucial for night driving nor the vehicle owners saw any direct correlation of data between night glare and accidents. The scientific link between night glare, momentary blindness and road accidents in night due to glare is not conclusively ascertained. The commercial drivers have seen the Auto-Dipper as a ‘preferable product’ as they still drove on the roads during night time, managing the glare, without meeting with an accident.

Moreover, the vehicle owners may feel that this product can at best be a good-to-have product. There is a conflict of interest between the consumer and customer of the product. In India, most of the vehicles that ply in the night on highways are commercial vehicles and these vehicles are driven by hired drivers. This meant, the owner of the vehicle would have paid for the Auto Dipper and the benefit is derived by the driver, who in most cases is not the owner. As owners mostly thought that drivers are compensated adequately for the night glare inconvenience, they can always defer the purchase of Auto-Dipper. Moreover a commercial vehicle is heavily comprehensively insured for accidents.

The successful field trials suggested that the product performs to customer satisfaction and says that it improves visibility by minimizing glare, and glare causes momentary loss of vision. This meant that the product could perform to specifications, and not necessarily mean that the product will provide the claimed benefit (value). The natural way to achieve value in the case of Auto-Dipper is through the network externality where the size of the network generates more value.

The best way to achieve the network effect (reaching critical mass) through network externality for the Auto-Dipper was to have it installed in all new four-wheelers, perhaps initially at cost. OEMs have been witness to the trials and are happy with the reliability of the product. Moreover, the product is also not so expensive that it would have an appreciable raise on the prices of the new cars/trucks. The 4-wheeler accessories cost a lot more than an Auto-Dipper and this can be marketed as a safety accessory. It is important to understand that for the OEMs (Car/Truck manufacturers), their production plants are heavily automated and any variance to the production process is not readily embraced. Moreover the cars/trucks being compact in their space, electrical, and conduits, would find the additional installation of Auto-Dipper tedious. OEMs, instead of waiting for each other to implement the product first, should be encouraged to take the first initiative to showcase their vehicles as a safety conscious. It is essential for Kakatiya Energy systems to scientifically establish the link between night glare and accident.

This case takes up the argument between value-creation versus value-appropriation and identifies the critical factor such as network externality in ascertaining profitability and sustainability of the business. It is important to have a clear understanding of the situation and the appraisal of the firm's resources and operations. What the business does and is capable of doing, is crucial to ascertain how the business can achieve what it claims. Understanding what resources are critical to the firm in achieving competitiveness and sustainability is crucial to the argument of firm's value capture.

6. Conclusion:

As is obvious from the analysis above, there is a mismatch between the benefit that the product promises and the benefit that it delivers. The value of the offering increases only when the size of the network increases, meaning more and more vehicle installing the product. To pull off commercial production, the firm may need to secure people from outside the firm, leading to expansion of organization's capability. Only when, the organization pulls it off consistently over time, it may translate into a competency. The network externality can provide value only when a critical mass is reached, after which it may go into a positive feedback loop, attracting more consumers into the network and thereby raising the value of the network itself. Value-creation in terms of potential benefits of the offering is not enough. Value-creation happens and expands only when the network expands. Hence, value-appropriation can only happen when network externality helps further value creation.

The case of Auto-Dipper is idiosyncratic and exemplifies that although the market is attractive, the product is dependable, the offering affordable, the product is compulsory for everyone to have (mandatory by the Government), the product fosters safety, and even when all the

plausible external factors are made favourable for business, it may still not translate into profitable business. The network externality is crucial in the movement from value-creation to value-appropriation, as suggested by the case of Auto-Dipper.

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Identifying Areas of Information Asymmetry on Foods Labels

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Abstract

The fierce competition in the food market has put forward the discussion on the provision of information to consumers. With the increasing interest in marketed products and services and raised consumer awareness, the cases of asymmetry between the information supplied by companies and the information required by consumers are also on the increase. Among the instruments to limit the negative effects and risks caused by the existence of information asymmetry as an element of the non-verbal communication between producers and consumers, is the product label. The informative function of product labels is conducive to a reduction of market failures and the risks consumers assume with the purchase and use of products. The purpose of this paper is to identify areas of information asymmetry on food labels in the Bulgarian market and to formulate recommendations for improving the degree of information symmetry in B2C communications. The methodology of the study is based on focus group discussions aimed at identifying the imbalance between consumer expectations regarding the information contained on product labels and the one that consumers would like to find on labels. The expected results are to reveal areas of asymmetry on product labels and to make recommendations to companies to overcome information asymmetry.

Key words: information asymmetry, labeling, consumer expectations.

JEL classification: M31.

1. Introduction

Many authors in the field of marketing view information as an essential part of customer relationships and a strategic weapon of companies (Berkowitz, Kerin and Rudelius, 1989). Under the conditions of a highly turbulent and highly competitive environment, information is perceived as a key driver (Philip and Caslione, 2009) for achievement of market success, decreasing the uncertainty and the risks (Smith and Taylor, 2004) in conducting market transactions. Nowadays marketing faces a number of challenges that are the result of the new market space and the information and communication environment. In an information society (Soava and Raduteanu, 2012) and knowledge-based economy (Drucker, 2011) consumers have unlimited sources of information and high expectations of the products and services offered on the market. The growing consumer demands and expectations create conditions for a number of problems faced by marketing specialists such as increasing the effectiveness of marketing communications and overcoming information asymmetry (Tonkova, 2016). The questions concerning the efficient marketing communication and information asymmetry are among the key issues of the information society that Nelson (Nelson, 1970) and a number of authors claim to be inversely related. This statement determines the choice of effective marketing communications as a means of reducing information asymmetry in communication between manufacturers and end-users in the offer of consumer products and services. That claim predetermines the choice of efficient marketing communications as a means of reducing the information asymmetry in the communication between manufacturers and end users in the offer of consumer products and services.

There are three basic components lying at the heart of efficient marketing communications: message, audience and media. The information age influences each of these basic components of efficient communication. This influence is mainly associated with the explosive penetration of information and communication technologies. From a marketing point of view, consumer perceptions are one of the directions in which new market conditions are reflected. The technological invasion observed over the last decades changes the way consumers participate

in the communication process and in particular the way they receive, process and interpret information from the communication messages targeted at them.

2. Marketing communication process

The changes in consumer perceptions, the efforts to decrease the uncertainty and to limit the risks (Murray, 1991) associated with consumer purchasing (Burnett, 2008) decisions are all factors influenced by the information available in the market space that reaches end users through different communication channels and is characterized by a certain level of asymmetry. The inverse relationship between information asymmetry and marketing communications is presented through an adapted model of a marketing communication process. Figure 2 illustrates an adapted model of the communication process, based on the communication models presented by Shannon (1948), Weiner (1948) and Schramm (1955). In the Weiner and Schramm models there is a concept of feedback that attributes, according to Weiner, a component of interaction to the communication process, that is lacking in the Shannon model (Wiener, 1948).

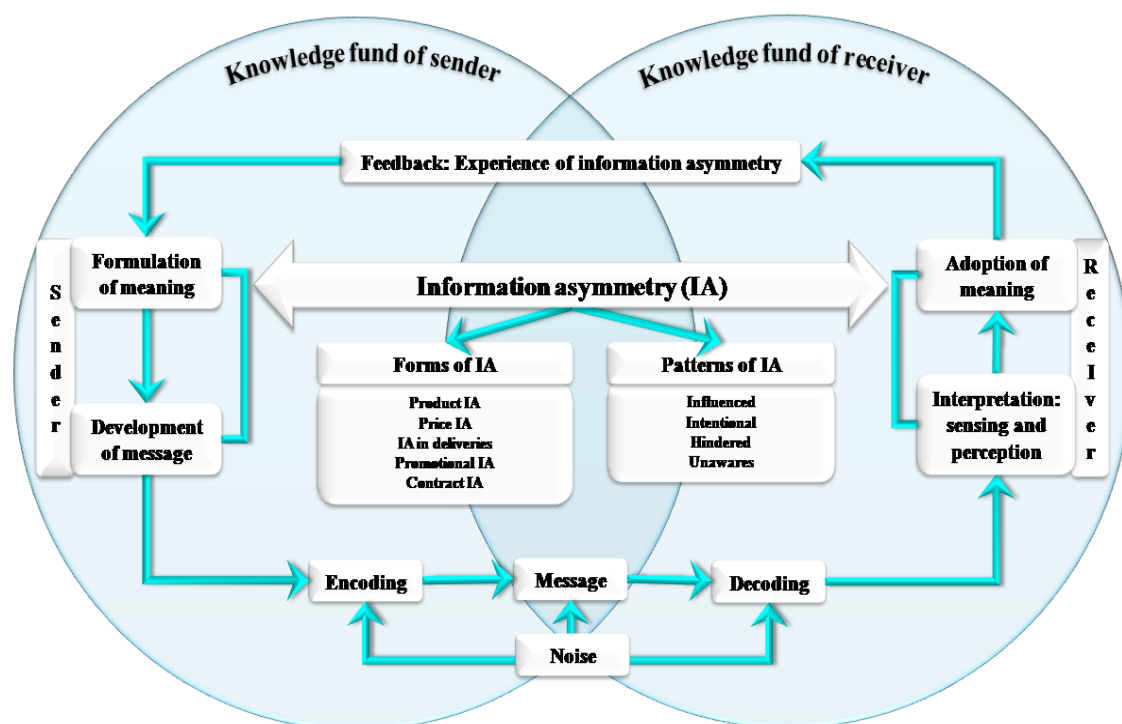


Figure 1. The model of marketing communication process with information asymmetry

Sources: Adapted from models of Shannon, 1948, p. 380; Wiener, 1948, p. 112; Kajtazi, 2010, p. 153

The model presents in an expanded form the process of marketing communications thus illustrating the links between its classical elements: Sender, Encoding, Message, Decoding, Receiver, Noise, Feedback, and the concept of information asymmetry in the communication process. Figure 1 illustrates the classical elements of the communication process that are influenced by the Knowledge funds of the sender and receiver and the forms and models of Information Asymmetry. The purpose of the combined view is to illustrate the two-way influence of the forms and models of information asymmetry on information flows. Under the conditions of digitization of the economy, information asymmetry is considered to be one of the critical problems in the new market space and in particular in marketing that is becoming increasingly noticeable and intensive in the new communication and information market environment (Kajtazi, 2010).

The study in this paper focuses on one of the components of product information asymmetry – the product label.

The choice of the product label as an object of study was dictated by its original functionality as a communication element and information carrier making it a potential carrier of information asymmetry. Information asymmetry manifests itself particularly brightly in situations where the product label acts as the only communication and information channel linking manufacturing companies to end users.

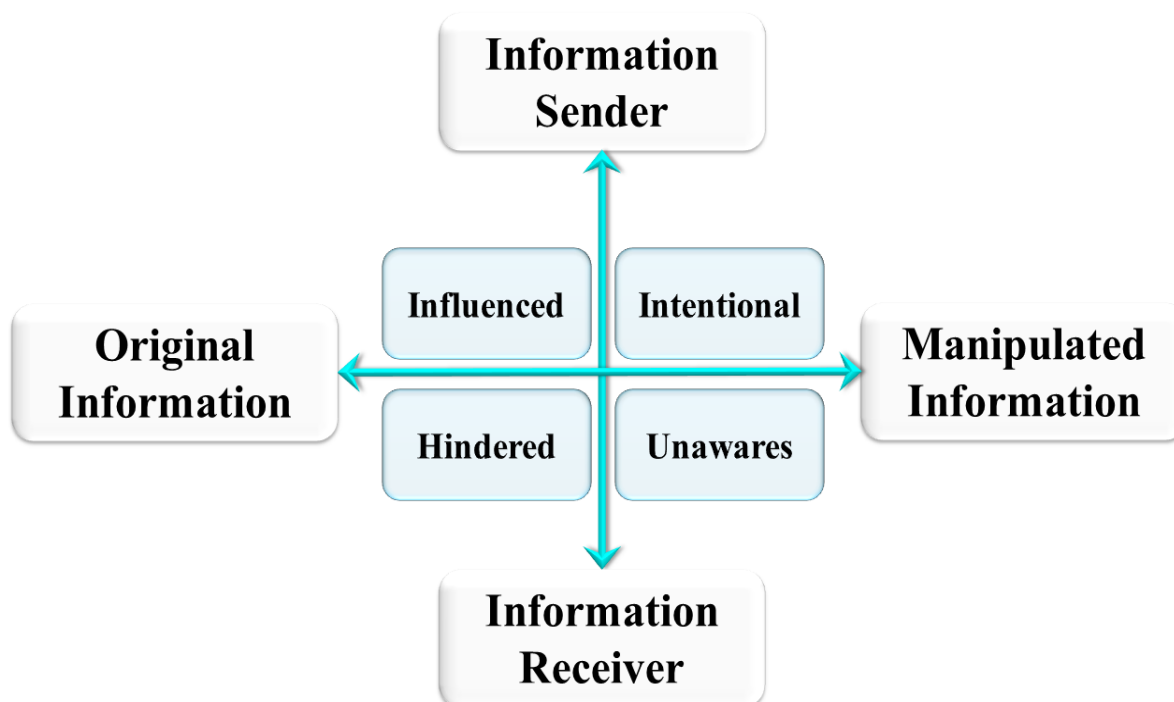


Figure 2. Patterns with information asymmetry

Sources: Adapted from model of Kajtazi, 2010, p. 153

Kajtazi identifies the four recurring patterns (Figure 2) that aggravate the problems arising from the presence of information asymmetry in the communication between companies and end users. The identified models: Influenced, Hindered, Intentional, Unawares (Kajtazi, 2010) are presented in this paper in relation to the identification of the areas of information asymmetry on product labels.

3. Labeling

According to Perreault and McCarthy (2002) product packaging links a product to the rest of the marketing strategy and in many cases provides a higher promotional effect than the effect that could be achieved by advertisements because packaging is often the first contact between a consumer and a product (Perreault and McCarthy, 2002). The product label is, by its very nature, an integral part of product packaging (Kerin and Hartley, 2017) and is seen as a means of raising the awareness of and the interest in the products (MacLaughlan, 2014) as well as the level of product knowledge (Hirschman and Wallendorf, 1982). The product label is a powerful marketing tool (Lusky, 2014) the main role of which, in terms of marketing, is to lure new consumers to use a company's products (The National Provisioner, 2014). Kotler and Armstrong (2012) outline some key functions of product labels, including identifying a product or a brand, describing important product information and creating customer relationships (Kotler and Armstrong, 2012). Packaging and labeling are an essential part of any marketing strategy; they add value for customers and represent an important competitive advantage for

companies (Kerin and Hartley, 2017). Product labeling is also related with the issue of socially responsible information disclosure and companies' responsible business behavior as a whole (Serafimova, 2016). Kerin and Hartley (2017) point to three key benefits that are linked and largely achieved by packaging and labeling processes. The three key benefits are communication benefits, functional benefits and perceptual benefits (Kerin and Hartley, 2017). The communication benefits of packaging and labeling are related, broadly speaking, to the communication function of product labels, i.e. the quality and type of information shared with end users through the verbal and non-verbal means of communication used by marketing in the development of powerful and functional product packages and labels. The functional benefits of packaging and labeling relate to the storage, convenience and protection of products as well as to the preservation of the product quality. The last type of key benefits pointed by Kerin and Hartley (2017) are called perceptual benefits. This type of benefits includes the overall design (shape, colour, graphics, symbols, text, fonts, etc.) of product packaging and labels. The perceptual benefits relate to the ability of packaging and labels to influence the process of product positioning and building brand equity (Kerin and Hartley, 2017).

3. Methodology for identifying areas of information asymmetry on foods labels

This study represents a second stage of a study of information symmetry/asymmetry in marketing, part of own dissertation research. The forms of information asymmetry of B2C markets in Bulgaria were identified during the first stage of the study. The main forms of information asymmetry were analyzed and systemized into five groups as a result of own study of official data of the Commission for Consumer Protection (The Commission for Consumer Protection is a specialized state authority enforcing the legislation on consumer protection in Bulgaria. It carries out activities related to effective market supervision, termination of unfair trade practices, increasing consumer awareness, etc. by implementing national and European policies on consumer protection) for January 2017 concerning cases in which administrative enforcement orders were issued. The following main forms were identified: product, price, contract, promotional and distribution information asymmetry. The results of the content analysis show that approximately half of the practices (43%) refer to product information asymmetry, that is provision of incomplete or misleading information about composition, instructions for use, properties, characteristics, functions, storage conditions, manufacturer/importer name and other information subject to legal requirements to be present on the product label or as a supplementary leaflet accompanying the goods or as a description of the goods in e-commerce. The purpose of the presented retrospective of previous own research is to disclose the reason for aiming the research interest at identifying areas of information asymmetry on the labels of food products.

The methodology for identifying areas of information asymmetry on food labels is based on a qualitative survey of a primary database. The data is collected through discussions in focus groups. Some leading motives for selecting a specific qualitative research method are the greater objectiveness of the collected information, the properties of the group environment to stimulate the creativity of the respondents and the provision of an opportunity for expression of opinions (McDaniel and Gates, 2015). The use of a formulative research approach is justified by the need to identify the key areas of information asymmetry on food labels that mediate the process of communication between producer companies and end users. The research interest in investigating the areas of information asymmetry on product labels is the result of the findings in the first stage of the overall dissertation study where 43% of all cases with administrative enforcement orders issued by the Commission for Consumer Protection were related to product information asymmetry. The results confirm the opinion (Perreault, Cannon and McCarthy, 2015) that the information on product labels is often incomplete or misleading for end users (Perreault, Cannon, and McCarthy, 2015).

Non-target non-random samples (among the respondents) were used in the selection of participants for the group discussions. The selection of the sample model is related, on the one hand, to the formulative nature of this study, and is aimed, on the other hand, at collecting information for the purpose of proper formulation of research problems and hypotheses that would underlie a forthcoming descriptive study, which is a logical next stage in the overall dissertation thesis, part of which is the present study.

Two discussions were held in mini groups consisting of 6 people. The discussions were held at home in order to predispose the respondents to discuss freely issues related to the product information that reaches them through product labels. Interesting and new aspects related to the studied problem – information asymmetry in the communication between manufacturing companies and end users – emerged in the course of the discussions in focus groups.

4. Results and discussion

A qualitative research method – focus group discussions – was applied in order to identify the key areas of information asymmetry on product labels. The study involved 12 people divided in two groups. At the beginning of each discussion the participants were acquainted with the purpose of the study and with the technological process and the duration of the discussions. The participants in the focus groups discussed a set of questions the answers to which reveal the key areas of information asymmetry identified by end users. The topics discussed included sharing of opinions and supporting them with personal examples related to the topic. The questions asked in the focus groups covered topics, some of which are listed below.

- ✓ What information do end users look for on product labels? What information do they expect to find on food product labels?
- ✓ What are the main information attributes that respondents take into account when buying food products?
- ✓ Does product information on product labels affect consumer purchasing decisions? Which factors influence consumer purchasing behaviour?
- ✓ What situations of information imbalance have the participants encountered?

The qualitative primary data collected during the two group discussions were processed by the method of content analysis and the following results were summarized outlining some new strands differing from the areas of information asymmetry on food labels which are no less curious and are of interest to the author's overall thesis dissertation. Let us go back to the purpose of this study which is to identify areas of information asymmetry on food labels. For the purpose of the study it is necessary to answer a number of basic questions and depending on the answers to these questions the areas of information asymmetry will be identified.

First of all, answers should be given to the following questions: "Do end users read the information on food labels?", "Do they understand the information that they read?" and "What type of information do they look for and/or expect to find on product labels?".

During the discussions it was found that most of the participants read the information that is on the product labels. To the next question whether they understand the information they read slightly more than half of the respondents replied that they have difficulty understanding the whole information provided on labels. The other half was divided almost symmetrically between the two polar positions: those who understand and who do not understand the information they read.

The types of information that end users want and expect to find on product labels need to be established in order to identify the areas of information asymmetry. The results were summarized and systematized in Table 1.

No	Types of information on food labels	Key areas with predominant information asymmetry	Key areas with predominant information symmetry
1.	Expiry date	✓	
2.	Ingredients	✓	
3.	Nutrition facts	✓	
4.	Instructions for use/Method of preparation		✓
5.	Country of origin		✓
6.	Net amount	✓	
7.	Producer		✓
8.	Product name/Trade mark	✓	

Table 1. Type of information sought by end users

The summarized results highlight the first three types of information that engages the attention of a major part of the participants to the discussions: expiry date, ingredients and nutrition facts. They play a significant role in the decision-making process to purchase a particular type of food at a point of sale.

To fulfil their main functions, product labels should inform end users about the main product attributes, influence their decisions to purchase a particular product at the points of sale and increasingly serve as a communications medium and an intermediary that provides the first contact between end users and the producers. The following key areas of information asymmetry were found on the food labels in the Bulgarian market during the discussions and after summarizing the results:

- Expiry date
- Ingredients
- Nutrition facts
- Net amount
- Product name/Trade mark

Besides the identified areas of information asymmetry, both groups were asked the following question at the end of the discussions: “Would you like to add anything else related to the topic?”. Some interesting opinions emerged as a result of the discussions within this final question. For example, most of the respondents united around the view that end users pay more attention to the information presented on food labels when their diet affects their health, eating habits, perceived level of risk and so on. The discussions revealed an opportunity for a future study of information asymmetry at two levels:

- Information asymmetry at the level of ‘producer – end user’;
- Information asymmetry at the level of ‘trader/intermediary – end user’.

If we have to comment on the established levels of information asymmetry in the context of identifying asymmetry areas at the level of ‘producer – end user’ they are mentioned above and those at the level of ‘trader – end user’ are related to the deliberate manipulation of information in two of the areas: net quantity and expiry date. Outside the scope of the product label information, the participants commented on information asymmetry concerning the price-to-quantity aspect. The discussion of this topic confirms the results obtained in a previous survey of the forms of information asymmetry where the price information asymmetry comes second after the product information asymmetry, which was a precondition for this study. The opinions expressed by the participants in the focus group discussions enhance the research interest of the author and will be explored in depth in the future projects of the researcher.

5. Conclusions

The new market environment creates favourable conditions for establishing information as a

strategic weapon and a key driver for market success by reducing the uncertainty and the risks faced by the end users, in this case, of food industry products. The information communicated to end users on product labels can lead to diametrical results for companies. For example, if the information is delivered in a manner appropriate to the target audience that meets consumer expectations, it leads to positive business results. The positive outcome is supported by the ability of information to have impact on the reduction of risks and the sense of insecurity in end users in the processes of communication and making a decision to purchase a specific product.

The identified areas of information asymmetry on food labels in the Bulgarian market allow for specific and targeted measures to achieve information symmetry in the communication between the mentioned groups of market participants. This study reveals the areas of information asymmetry on product labels in the food industry. The specific recommendations and efforts to reduce the information asymmetry should be directed at using different communication channels to raise the level of consumer knowledge combined with maintaining continuous contact with and direct feedback from the end users in order to reduce the sense of uncertainty, to decrease the risks and to increase the levels of consumer satisfaction and trust in a company's products. The efficient implementation of an adequate combination of communication tools is motivated by the continuous development and penetration of information and communication technologies in all spheres of life, which necessitates constant adaptation of companies to the highly turbulent not only competitive but also technological and communication market environment.

The results of the study confirmed already known aspects and revealed new aspects of the studied market defect – information asymmetry. The whole study represents a further stage of a comprehensive dissertation research and will be used to refine future research questions and hypotheses in order to study the multifaceted manifestations of information asymmetry within the scope of various marketing processes as well as the links to the individual elements of the marketing mix.

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Applied Aspects of Automated Pricing in B2C Marketing

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Abstract

Technological developments over the past two decades have had a strong impact on the marketing elements. New opportunities for marketing creativity have been revealed that go beyond the traditionally best covered areas: product development and advertising. The application of innovations in pricing decisions and in the technology of their implementation in marketing is an important step towards the successful sale of products on B2C markets. Balancing investment in innovations according to the components of the marketing mix is a necessity in the new conditions of competition and market dynamics. Automated pricing has great potential for use on B2C online and offline markets. Its implementation is aimed at absorbing the yield potential based on "the price that the consumer is willing to pay" under certain circumstances and under the influence of specific factors. The linking of automated pricing with the costs and risks accompanying the marketing of products and services is also of interest. The paper deals with the significant applied aspects of automated pricing in B2C marketing and presents the views of companies on their applicability and concrete benefits for businesses and consumers.

Key words: marketing, automated pricing, flexible pricing.

JEL classification: M31.

1. Introduction

Price as a component of the Marketing Mix is traditionally defined as a factor that will ensure generation of sales and profit. And if in the previous decades the focus was mainly placed on price setting methods and adjusting price to market conditions, the focus today is being shifted to flexible pricing with elements of automation and use of Big Data (Baker, Kiewell & Winkler, 2014). Big Data can be used purposefully in automated pricing models to obtain adequate price differentiation or personalization.

Researchers in the field of price management emphasize the importance of price and the technology of pricing in revenue management under high-tech conditions. (Bayoumi, Saleh, Atiya & Aziz, 2013). Special attention is paid to automated pricing, taking into account multiple factors influencing the price. Automated pricing models are currently being developed, with the idea to serve the marketing of products and services.

2. Preconditions for automated pricing

The development of Internet technologies and the development of a wide range of applications for marketing purposes have helped replace traditional marketing tools with innovative tools designed or adapted for online markets. Enhanced on-line turnover, increased competition and bid transparency encourage more and more companies to invest in e-channels. While initial investment was primarily focused on developing new products and channels for their distribution, part of the investment at this stage is focused on improving the pricing process and linking it to the real environment.

Three factors stand out that will drive the transformation from marketing decision support systems to marketing decision automation systems: enhanced productivity in the marketing function, better decision-making and the demands for mass customization of marketing activities (Bucklin, 1998).

Some researchers argue that automation of activities can enable businesses to improve performance, by reducing errors and improving quality and speed (Mc Kinsey, 2017).

The specificity of the on-line market, such as the difference in the psychographic and economic

characteristics of consumers interested in buying the company products, enables companies to take advantage of the price the consumer is prepared to pay. However, specific circumstances such as time, location, etc. may also come into play.

Since the emergence of on-line markets, companies have been able to gather loads of information about their customers, part of which could be successfully applied for pricing purposes in order to set the “exact price” corresponding to the historical purchases data and customer claims or consumer willingness to pay the price. At present, there is a great deal of criticism going on, that this information is not fully exploited for marketing purposes.

The dynamics of on-line markets suggests price development. There are several reasons for that. Firstly, the offers of individual bidders are made visible to prospective buyers allowing for direct price comparisons. Secondly, most of the products are mass produced which means that the price will be the main factor of competitiveness especially when it is identified with the total consumer spending. Thirdly, the combination of product life cycle and the life cycle of its on-line offering implies price movements. Fourthly, users have access to available price comparisons on particular mass products. All of the above reasons have a bearing on the price dynamics using automated pricing.

The cost aspect in automated pricing is also important. Production and distribution costs are able to influence environmental conditions and the particular customer. Therefore, variables such as order volume, frequency, structure, etc., which are related to production costs and/or distribution cost per unit of product are covered by the automated pricing models.

Consumers evaluate positively the efforts of companies to set ‘the right price’ for them. They do not think they have to pay more for the product to cover for specific costs and risks incurred by the company on behalf of other clients. This can be seen for example in the area of insurance, banking, etc. Price sensitivity of end users will continue to be a powerful drive in implementing dynamic pricing models which reflect the real product state, the environment and the price the customer is willing to pay. According to leading companies dynamic pricing is a means to attract new and keep existing customers. (IBM Commerce, 2016). Another important aspect of B2C pricing is the study of consumer willingness to pay (Breidert, Hahsler, & Reutterer, 2006) and how to use this variable for the purposes of automated pricing.

There are certain conditions and prerequisites for price dynamics to be applied to the off-line market. Thus for example, with perishable goods, a fixed price is not justifiable (product appearance and taste are changing over time). In the opinion of other authors “under the common fixed-price scheme, if the price is set too low, potential revenue will be lost; but if the price is set too high, demand will be low and perishable products may be wasted when they expire” (Cho, Fan & Zhou, 2008). It is therefore logical to look for automated pricing in traditional retail outlets. Binding the price with quality, quantity, delivery price, time inflation (especially in high inflation countries) etc., can be effectively used with off-line markets too. Dynamics of off-line pricing will contribute to maintaining consumer interest and generating consumer loyalty to the store in question.

Companies that specialize in providing solutions for automating the retail pricing process believe that their use by grocery retailers will help optimize the price, taking into account market pressures, competition based on aggressive price and promotion activities and helps them increase revenue and profit (Blue Yonder).

3. Automated pricing models

Thanks to price setting models, regular updates and disclosure, companies using high technology in marketing have a proven record of successful operations. Authors engaged in the topic of automated pricing models have put forward arguments that help reduce the likelihood of conflicts. (Spanoudakis & Moraitis, 2009). Various models can be used (Table 1 and Table 2), however, the selection of a specific model should be based on the following: price targets,

cross over and transfer effects,	competitive models, previous automation results, etc.
Automated pricing models	Specifics of application
Single variable models/influencing variable	This model is based on the selection of a specific variable influencing the price. Such model was first developed by the Coca Cola company and it involved continual update of the Coca Cola price in view of the temperature in the POS area. An example of such a model is the dynamics of the price in terms of reported inflation rates, product delivery price, etc.
Multiple variable models/influencing variables	Over the last decade, models with multiple variables have been gaining momentum. These cover factors which lead to an increase in price alongside factors that trigger price reduction. A model of this type is offered for bed-nights pricing where “each multiplier will adjust the price up or down around the reference price based on certain influencing variables (for example, hotel occupancy, time before arrival, etc.)”(Bayoumi, Saleh, Atiya, Aziz, Atiya, 2013) The use of such models in practice may help achieve the highest average cost for the entire sales volume of a given product or service.
Single-product models	Automated pricing based on a single-product model takes into account the specificity of the product and the environment influencing it. The model does not cover the current state and price dynamics and conditions of selling other products.
Multi-product models	Here, price variations of other products within the product category are taken into account, together with the prices of products with high cross-sell effect on the product for which pricing is made and the relationship between the price of a product and the prices of products for which it is a driver for sales. There is also sufficient research interest in automated pricing in a mix of products (bundle discounts), offered by on-line vendors.
Models administered by the company	The majority of automated models are administered by the company. This can be put down to company’s sensitivity to leakage of price information. The future, however, bodes well for integrated pricing models where the end-user price will be linked to the information exchanged between various parties in the distribution channel system.
Models based on user involvement	Ensures involvement of users in the automated pricing process.

Table 1. Automated pricing models in B2C marketing and specifics of their application

Source: Table is drafted by the author. It shows results from theoretical research and business practices.

Study of existing automated pricing practices shows that different temporal information is used to feed the pricing variables (Table 2). Research companies point out that some of the activities subject to the largest degree of automation are performing physical activities, data processing and data collection (Mc Kinsey, 2017).

Automated pricing models	Specifics of application
Models with current variable(s) readings	The information fed to the automated pricing model is real-time. Typically, this information encompasses the purchase parameters entered by the consumer and/or variables characteristic of the environment. Variables such as stocks, inventory structure by model, colour, size, etc., can also be used.
Models with previous variable(s) readings	Usually, these models include data representing purchase history, claims and risks taken by the company relevant to a particular client (company-specific risks). Such types of automated pricing models are often used in the area of finance. Some authors share the opinion that “consumer’s past purchases of a particular product often exert a strong positive influence on his current demand” (Nakamura & Steinsson, 2011)
Models with future variable(s) readings	Estimated value models find application in specific business areas, subject to world market prices, stock indices, etc. Thus for example, use of potential predictors of demand is possible in event marketing (Ferreira, Lee & Simchi-Levi, 2014).
Mixed models of automated pricing	These are virtually the most complex models which simultaneously take into account the actual state and information about the past or the future which directly or indirectly affects the price. Using this type of models ensures flexible pricing that could be beneficial to both companies and their customers.

Table 2. Automated pricing models in B2C marketing according to information/data being fed to them

Source: Table is drafted by the author. It shows results from theoretical research and business practices.

Another aspect of automated pricing is the market where it would be applied. Certain models are developed specifically for on-line and off-line markets. Over the past few years, the relationship between pricing and price similarities on both markets (on and off-line markets) has been intimately studied. (Cavallo, 2016).

4. Companies and automated pricing

To determine the attitude of Bulgarian companies to the possibilities of using automated pricing, a qualitative survey was conducted through in-depth interviews. In May, 2017, ten (10) interviews were conducted with company managers who have been realizing sales on B2C market for the last three years. The survey encompassed different types of businesses – production and sale of clothing, tourism services, packaged food, consulting services, insurance, transport and education services, garden furniture and equipment, sportswear and take-away services. The results of key issues are presented in Table 3.

Key variables	Outcomes of unstructured interviews
Managers attitudes to automated pricing	Most managers share the view that following the dynamics of modern markets, price should be in concord with the more significant variables. All agree that this process of pricing with multiple variables will be more effective if it is automated. It is also believed that price dynamics is a necessary prerequisite for the on-line market.
Knowledge of practices/software solutions regarding automated pricing	Managers participating in the survey say that they are aware of certain software solutions offered by well-known companies specializing in digital technologies as well as of solutions specifically designed for a particular product or channel. Companies that are currently covered by the survey do not use automated pricing models.
Potential problems arising from automated pricing	Although the companies surveyed do not use automated pricing models, their managers share some concerns about their use such as conflicts with customers, intended price discrimination and too much pressure from consumers to lower prices.
Attitudes towards user involvement in pricing strategies	Managers interviewed have a margin of discretion regarding automated pricing which involves users, but do not exclude it as a practice that will dominate the future.
Benefits of automated pricing	One of the potential benefits of automated pricing is the ability to calculate the price risk for each client and to prevent the sale of a product or service at a loss. Among other benefits seen by respondents is cost cutting in pricing and disclosure and improving the rate of pricing and preventing losses and lost profit. Some of the benefits for users is the likelihood of “lower consumer spending” and “sharing the profit of a particular sale with the customer”.
Intention to use it in the future	The majority of managers does not intend to fully automate their pricing but are willing to introduce it partially for some of their products on selected distribution channels. Surprisingly, despite their intention to use automated pricing models, managers also insist on having human control over the going price of a product.

Table 3. Automated pricing models in B2C marketing according to information fed to them

Source: The table was drafted by the author and presents the results of topic-based research.

The results of the conducted survey are upbeat and can be used to promote automated pricing. Interviewed managers share the view that automated pricing will be more in line with the changes to other elements of the marketing mix and influencing variables from the macro and micro environment. The rate of pricing and elimination of the subjective factor in price formation are to be found in respondents' responses in support of the use of automated pricing.

5. Conclusion

The automation of marketing processes and tools will continue to develop. By communicating their positive effects companies will be able to attract investment in more innovative processes which are to substitute traditional marketing processes and tools. Redistribution of sales on the on-line and off-line markets will lead to a change in B2C marketing. “Price” will be among the most affected components of the marketing mix as currently its automation is lagging behind in terms of distribution and communication. Automated data collection, processing and data

transfer, despite the limited use of their potential, will drive investments and encourage companies to use more efficiently information gathered for the purposes of making marketing decisions in real time. User involvement in the pricing process is gaining in popularity, reflecting the overall trend towards increasing the role of consumers in the marketing process.

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Collaboration between Consumers and Companies in Generating Ideas for Product Development

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Abstract

The development of modern society and the achievements in the field of technologies have led to changes in the interaction between companies and consumers. Nowadays, companies and organizations can use Internet technologies in order to reach their customers in a new and different way. This paper dwells on a research of the forms of cooperation between companies and consumers within the framework of digital domain in the foodstuff manufacturing sector in Bulgaria. The research aims to demonstrate how companies can improve the contact with their consumers by using innovative online platforms for generation of ideas thus creating new and differentiated products meeting the expectations of customers. These platforms allow business organizations to interact with their consumers and make them committed to their business. The present article is funded under Project №182/2016.

Key words: marketing, ideas, innovation, ideas generation platforms.

JEL classification: M31.

1. Introduction

In the contemporary market conditions companies tend to develop active approaches for new ideas generation and cooperation with consumers. The identification of customer needs is of particular significance in the process of successful product innovations development.

The paper provides summarized data of the examination of the forms of collaboration with consumers used by Bulgarian companies in the foodstuff manufacturing sector. This research studies the existing idea models under the digital environment conditions. Companies are aware that they do not have the entire information necessary for their activities, and that they need to work towards maintenance of collaboration. Gradually, communications are moving towards the Internet environment where the real and potential consumers are given individual attention. This is a precondition for the companies to use the modern forms of interactive communication that provide them the opportunity of establishing a new form of interaction with their consumers.

Over the last years, more and more companies have become aware of the potential of using their own employees, customers, partners and stakeholders as a source of information for innovations. Open innovation platforms constitute a means which is used by companies for accelerating the process of innovations. The various groups of stakeholders in these platforms have the opportunity of providing collaboration to companies by suggestions and ideas for new products, new concepts and trends that are expected to correspond to the organizations' needs. The present research more particularly explores the forms of interaction between organizations and their consumers. The research involves Bulgarian companies from the foodstuff manufacturing sector. This sector in Bulgaria covers about 14% of the industrial production in the country and generates about 14 % of the added value in the industry. The sector provides jobs for 15 % of the people engaged in the processing (manufacturing) industry. The average annual change in the indices of industrial production and the one concerning the turnover in the sector for the year 2013 is respectively -3.7% and -2%. The production manufactured by the enterprises is to the total amount of 7.09 billion BGN. In the year 2013, the turnover of the foodstuff manufacturing enterprises on the foreign markets amounts to 2.06 billion BGN. On the domestic market, the sector sold its production for 6.25 billion BGN. Price increase could

be noted per manufacturer in the sector of 3% on average during the year 2013.

The production consists of meat and meat products, fish, fruits and vegetables, dairy products, bread and pastry, confectionery, etc. It is accomplished by 5 743 companies, taking into account that half of them are situated in the territories of the provinces of Sofia-City, Plovdiv, Varna, Blagoevgrad, Burgas, Stara Zagora. Companies such as Papas Olio AD, Mondelez Bulgaria Holding AD, Amilum Bulgaria EAD, Nestle Bulgaria AD, Pilco EOOD, etc. stand out among the players in the sector. The share of the sector in the foodstuff industry export increased by 7.9%, in the year 2013. The main export destinations for the products of the sector are: Greece, Romania, Turkey, France and Germany.

The foodstuff manufacturing sector is an important unit for the development of Bulgaria's economy. Companies' activities are immediately related to consumption. Companies should follow and identify the needs of their customers for the purpose of maintaining the competitive level and the manufacture of products corresponding to consumer demand. It should be indicated that the process of developing new products underlies the modern high-tech idea models. This imposes the need of studying the contemporary forms of collaboration (interaction) and online platforms that companies use to perform direct contact with their consumers.

2. Collaboration between companies and consumers in the generation of new product ideas

The process of generating new product ideas is of exceptional importance for every single company. It is associated with the innovation activities of the companies and the development of new and differentiated products. The process involves various idea source groups with which companies should build good relationships with the aim of successful collaboration required for the creation and realization of innovative products.

In the first place, the significance of relationships in business needs to be clarified. No business is able to exist without relationships, interrelations and collaboration. One of the principal aims of relationships is the provision of access to resources for the participating entities, since every business is based on a set of specific resources combined in a manner creating a distinct business value. (Penrose, 1959). It should be noted that no entity is able to have and control all the resources necessary for its business. Companies use a combination of resources that are within the limits of their structure due to which the internal resources of a company are among its most important attributes (Ford et al., 2011). No company accommodates all the resources, but every company is dependent on its partners and consumers. They provide the additional resources necessary for an organization's business (Baraldi et al., 2012). Relationships provide the organizations with access to a broad combination of resources beyond their control which improves their abilities for innovations. The interaction between companies and consumers is of vital importance for encouraging business development and improvement of technologies (Hakansson and Waluszewski 2002, 2007, Baraldi 2008).

Companies create complex networks of knowledge and technological connections, which they use to create innovations as a result of collaboration (Möller et al., 2005). Traditionally, companies rely on their internal research and development activities in order to increase their innovation potential, but according to the literary review made by Johannessen and Olsen (2010), still greater focus is placed on the innovations accessible to, and oriented towards clients. In the contemporary economy, the organizations applying the new marketing rules directly develop relationships with their consumers (Scott, 2013). The main objective is to improve the processes of identification and satisfaction of their customers' needs. Through the introduction of new technologies and tendencies in marketing, organizations aim at establishing closer relationships with customers, creating loyal consumers who would recommend the organization to their reference groups (Kotler and Keller, 2006).

By adapting to the changes, the organizations start searching for methods of using creativeness and productiveness of internet consumers in order to achieve their business goals in real time. Nowadays, a customer has the opportunity of participating in the economy on equal grounds with big companies, he/she is able to contribute together with the other customers, to create value and satisfy their personal needs and necessities, to be part of a community like never before, to change the world or simply entertain themselves. Brian Solis asserts that people are building full-fledged networks around them, creating a distribution channel of audiences with audiences and their reach is as influential as it is infinite. According to Bradshaw and Rohumaa, the term user-generated content most exactly encompasses the content that has not been commissioned or paid for by an organization. In this new environment, companies constantly change and adapt by experimenting with new techniques, methods and approaches. It could be stated that one of the most popular concepts is the concept of using people scattered all over the world but still joined by their willingness to work for ideas, causes, products, services that inspire them or help them reveal their potential.

On the Internet, millions of pieces of information are transmitted, circulated and then connected to each other. This development has generated a new type of consumer (Cova, 2008) which does not hesitate to use his creativity to deliver innovations, improvements in products or services, to live their passion and not only to satisfy an economic interest. Consumers exercise their influence in every part of the business system and represent an opportunity that businesses must learn how to use in interacting with them and to co create value (Fabris, 2003, Cova, 2008). Armed with new tools and dissatisfied with available choices, consumers want to interact with firms and thereby “co-create” value (Prahalad and Ramaswamy, 2004). The changing nature of the consumer-company interaction as the locus of co-creation (and coextraction) of value redefines the meaning of value and the process of value creation (Normann and Ramirez, 1993, Prahalad and Ramaswamy, 2000).

The concept of automated marketing has also been developing over the last years. Automated marketing is an opportunity for companies to take advantage of innovations in order to achieve growth through designed development. Consumers can also benefit from the automated marketing used by companies, in terms of the positive effect on their awareness, decisions, general expenses, benefits from the consumption of the product and other positive transfer effects (Tonkova, 2016).

3. Research Methodology

A survey has been conducted among the managers of 30 companies dealing with foodstuff manufacturing in the territory of Bulgaria for the purpose of revealing and presenting the specifics of the forms of interaction between consumers and companies in the generation of product development ideas. The research was performed within the period February – May 2017. The instrument used in the process of research was the online questionnaire. It involves three blocks of questions associated with the specifics of the companies, innovation activities, sources of information used and platforms applied for consumer-generated ideas in the development of new products.

The object of research is the interaction between companies and consumers within the digital domain framework in the foodstuff manufacturing sector in Bulgaria, while the subject refers to the platforms for consumer-generated ideas in the development of new products. The main aim is to present and analyze the forms of interaction between consumers and companies in the generation of ideas for product development.

The following tasks have been defined for the accomplishment of the formulated objective:

- to clarify the specifics of the foodstuff manufacturing sector in Bulgaria;
- to spell out the main tendencies in the collaboration between companies and consumers within the digital environment framework;

- to identify the specifics of the platforms used for open innovations.

Statistical methods and their visual graphic presentation - Microsoft EXCEL have been used for results analysis and assessment.

4. Results of the survey performed in the sector of foodstuff manufacturing in Bulgaria

The research encompasses thirty Bulgarian companies specializing in the manufacture and distribution of foodstuffs for the home market, while 25% of them work at a regional level. The participants in the survey are managers of companies 50%, marketing managers 25% and product development managers 25%. The companies have directed their activities towards end and corporate users. The results of this research clearly show that the predominant part of the companies invest in product innovations (84%) in their activity and a smaller percentage of them introduce technological innovations (13%) /see fig.1/.

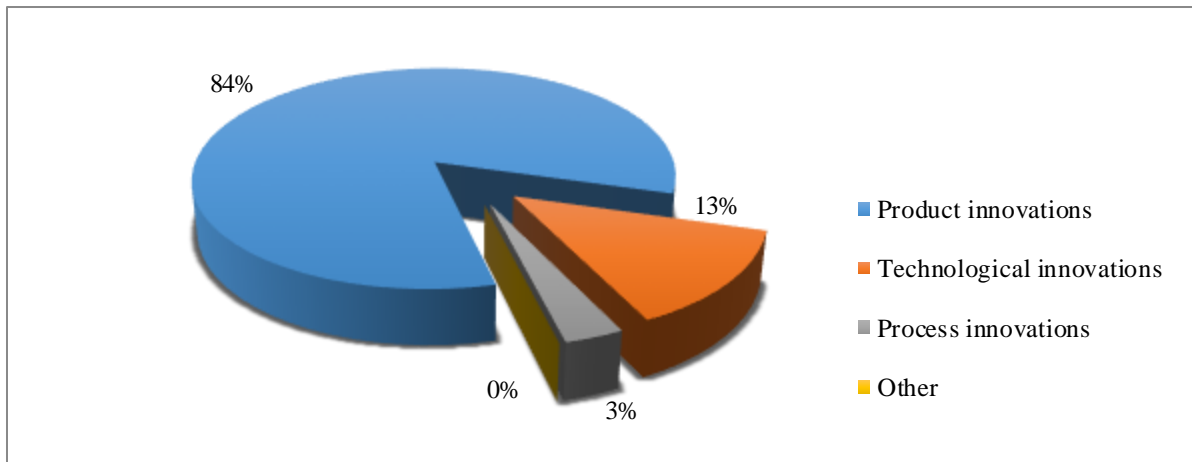


Figure 1. Types of innovations applied at the companies

Source: author' inquiry survey

As at the time of the survey, managers indicated that they used a combination of internal and external sources of information for the generation of innovation ideas. The particular sources of ideas that the companies apply in their business activities are specified in Figure 2. The results demonstrate that the most used idea sources are those people engaged in the company, regardless of their position (100%) as well as the consumers – present and potential ones (100%). The next most used category is the category of publications (66,6%), which comprises the publications of the organizations within the sector, magazines, exhibitions of goods and technologies, fairs. A great percent of respondents (47%) point to focus groups as a means for generating ideas. The advantage of this data collection method is that group work is usually better than individual work, because, as a rule, groups boost motivation of individuals.

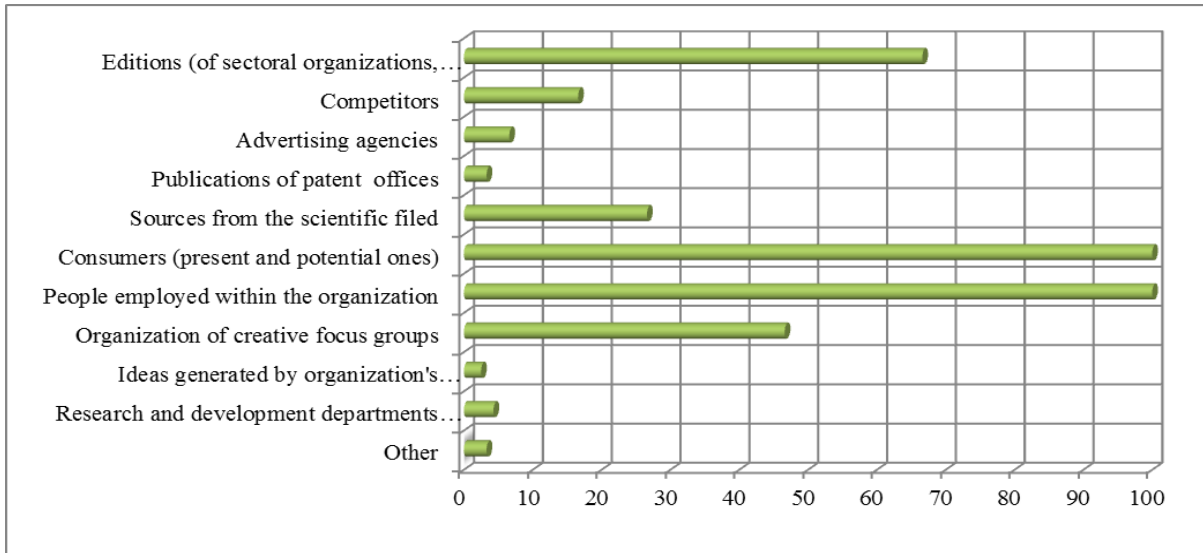


Figure 2. Types of idea sources

Source: author' inquiry survey

Note: The answers exceed 100% because the respondents gave more than one answer

The percentage distribution between the various sources of ideas confirms the statements made by managers concerning the mix of sources used by them. The results of the research indicate that the companies are rather satisfied with these sources at the current moment. A necessity could be observed for the optimization and enhancement of the sources used. Along with this, customer needs and wishes could be highlighted as a starting point in the search for new product ideas. The greater part of the respondents involved in the research (83,3%) state that they make changes to their product portfolio under the influence of clients. They join around the opinion that many of the good ideas come when asking consumers to describe the problems they face with the existing products.

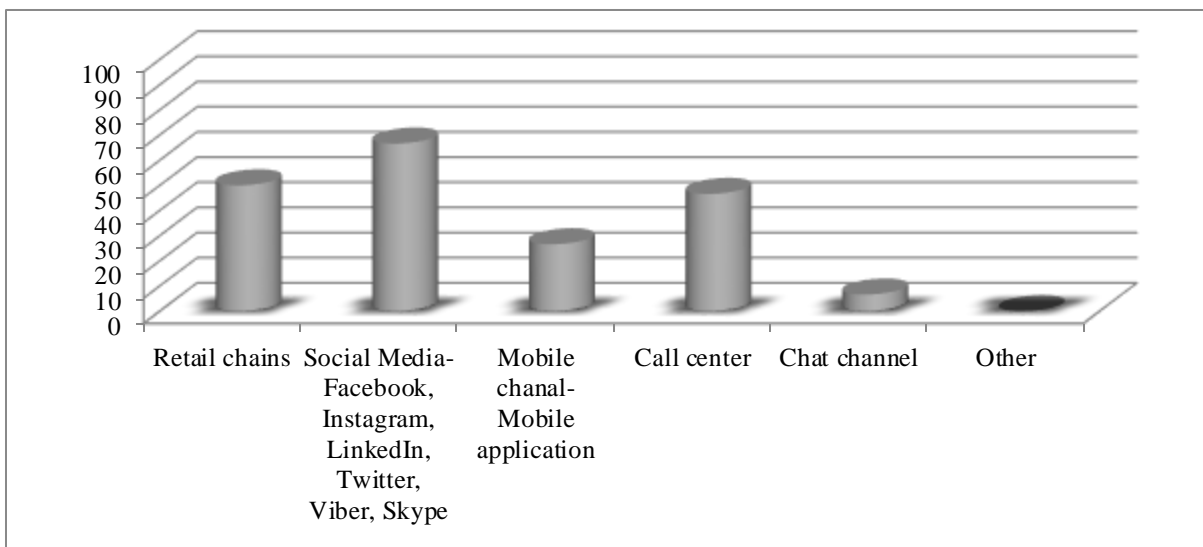


Figure 3. Channels of obtaining consumer feedback

Source author' inquiry survey

Note: The answers exceed 100% because the respondents gave more than one answer

The analysis of the results brings social networks forward (66,6%) as main channels of obtaining consumer feedback /see fig.3/. They comprise the contemporary online communication networks - Facebook, Instagram, LinkedIn, Twitter, Viber, Skype. Digital forms of communication line up before the traditional forms of contact and relationships through the means of personal commercial network of sites and facilities (50%). The remaining

channels of the managers surveyed are: telephone channel (46,6%), mobile-phone channel (26,6%) and live chat channel (6,6%). The specified data reveal the tendency of interactive communication penetration into companies' business through the help of which they can easily and quickly reach their consumers.

The idea models the respondents specify as being used by them within the framework of their activity are: business idea platforms (47%), idea banks (26,6%), business idea incubators (37%) and ideas competitions (50%). The approach of using platforms for product development is an important factor for the successful performance of various markets. This is also a way of achieving a successful mass personalization – for large scale manufacturing of products designed to answer the needs of individual clients. The ideas competitions that appear to be next in the ranking rely on the introduction of a system intended to encourage organizations' competitiveness among their employees by awarding the successful participants. Idea banks are a widely accessible resource, which helps people freely share, exchange, publish and discuss new product ideas. The principal objective in incubators is to provoke human creativeness, which stimulates consciousness and generates a diversity of ideas part of which can be transformed into reality. The results reveal that companies start using new idea generation platforms in a high-tech environment with a focus on the category: business idea platforms.

Respondents' knowledge on idea generation platforms predetermines their ability to point out the key advantages of their use. The most important advantages that distinguish the platforms, as assessed by the entities surveyed, are the accessibility at any time and from any place (100%) and the provision of a high-tech marketing channel for cooperation (100%). Nearly 80% of respondents of the research point out as an advantage the possibility to search for balance between supply and demand (80%), the increase of customer satisfaction through direct and immediate collaboration (66,6%) and adequate communication with consumers (53,3%). The opportunity for creating integrated cooperation between the company and consumers within a company's innovation policy has also been underlined (46,6%). The following have also been highlighted as advantages: attracting consumers (24%), increase of a company's market share (16,6%), covering new markets segments (7%), increase of sales revenues (6,6%). The results are visualized on figure 4.

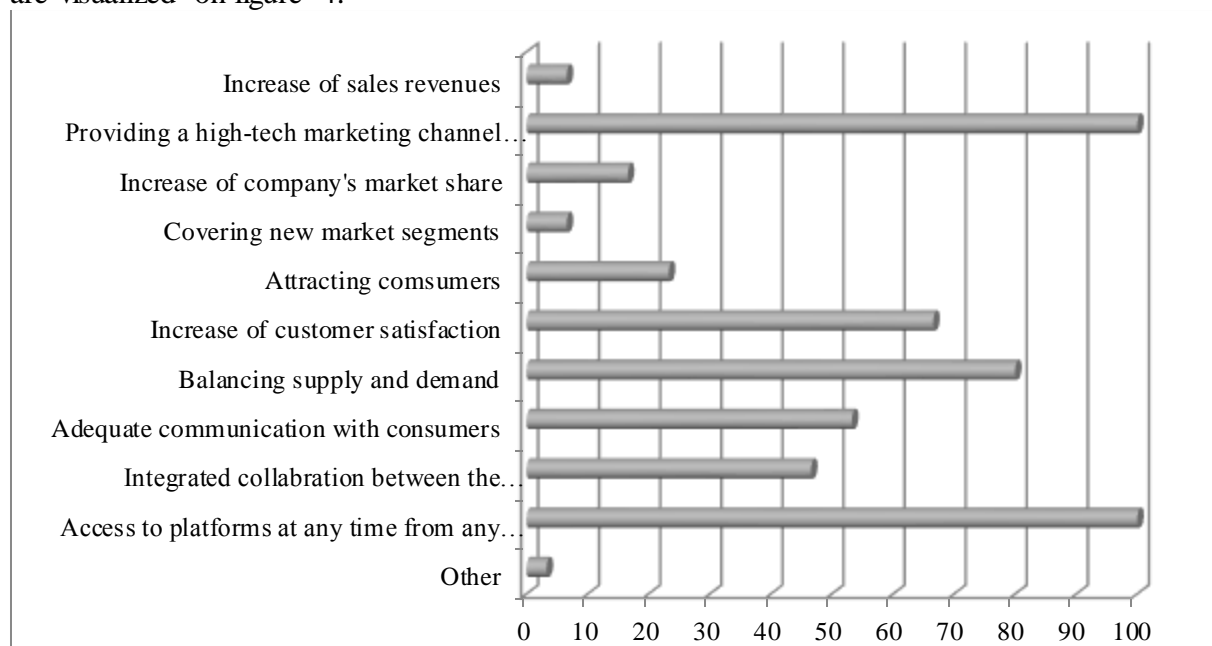


Figure 4. Advantages of the platforms for consumer-generated ideas

Source: author' inquiry survey

Note: The answers exceed 100% because the respondents gave more than one answer

The data provided on figure 5 demonstrate the characteristics that the platforms for consumer-generated ideas should have, according to the companies surveyed. The key characteristics indicated are the possibility for sending ideas substantiated by images, documents or video records (100%), and the possibility for real-time interactive communication with consumers (100%). These characteristics are also connected with the specified advantages of the platforms. The following characteristic emphasized by respondents is associated with the need of encouraging the process of ideas generation by consumers through the use of an established principle of voting and evaluation of ideas (66,7%). An interaction in the form of specific group or team of users (50%), as well as the accomplishment of joint activities between the organization and consumers – project development and involvement of teams of inventors (46,7%) have been specified by an approximately equal number of respondents. Other required platform components include the interaction of the entire community of the organization (20%) and the secure files sharing within the platform (16,6%). A small part of the surveyed company representatives of the foodstuff manufacturing sector point out the availability of an analysis preparation module as a necessary characteristic (13,3%).

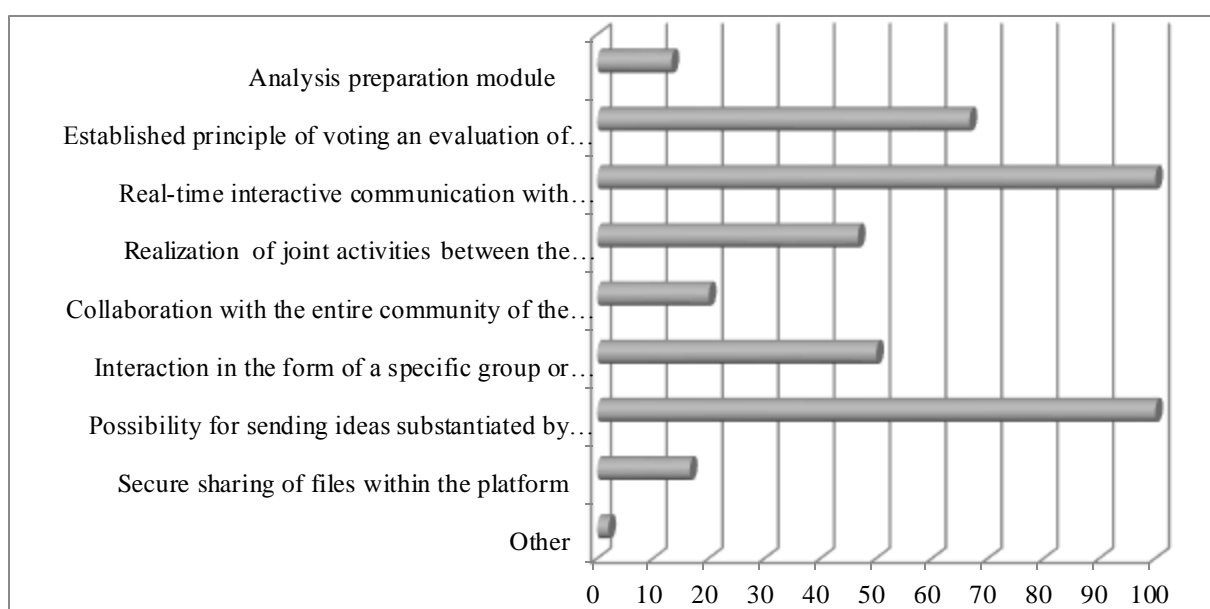


Figure 5. Characteristics of the platforms for consumer-generated ideas

Source: author' inquiry survey

Note: The answers exceed 100% because the respondents gave more than one answer

An analysis of several basic statements associated with the ideas generation platforms has been made within this research. The Likert scale showing respondents' degree of consent with five statements has been used for the analysis. The results reveal strong and explicit agreement with two of the statements, namely:

- The identification of customer needs is of particular importance in the process of development of successful product innovations.
- The open innovation platforms are aimed to improve innovation activity connected with the creation of new products and services.

Explored Statements	Likert Scale				
1. The open innovation platforms use technology achievements for the accomplishment of interactive communication between various sources of innovative ideas.	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
2. The open innovation platforms enhance the possibilities for co-creation with company's consumers.	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
3. The identification of customer needs is of particular importance in the process of development of successful product innovations.	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
4. Customers can provide valuable information relating to the marketing of products.	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
5. The open innovation platforms are aimed to improve innovation activity connected with the creation of new products and services.	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree

Table 1. Likert Scale

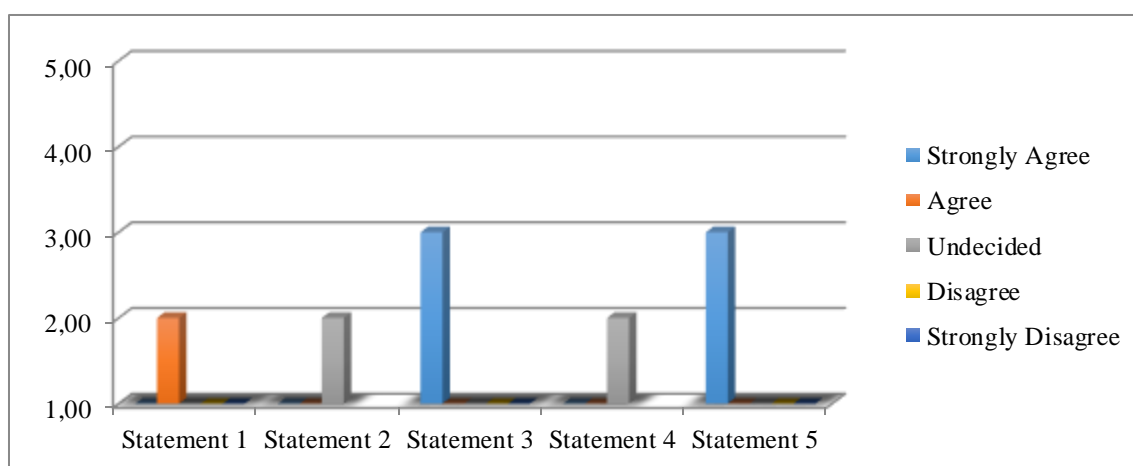


Figure 6. Examination of statements about the platforms of idea generation

Source: authors' inquiry survey

The results of the survey reveal that the main motivation behind the replacing of traditional approaches and practices in ideas generation in companies from the foodstuff manufacturing sector with the modern open innovation platforms in a high-tech environment is the development of technologies and communications, which change the forms of communicating with customers and support the process of building a real-time collaboration with existing and future consumers.

5. Conclusions

Digital technologies support the processes of interactive communication between customers and organizations, and as a result of this, they stimulate the development of product innovations. A variety of models that offer consumers diverse forms encouraging the process of free generation of ideas are being developed and applied.

As a result of the conducted survey of Bulgarian foodstuff manufacturers, it could be summarized that consumer - company interaction in the elaboration of product development ideas is evolving and a tendency for the implementation and use of online platforms can be observed. As an idea realization channel, platforms have a potential for future development. They are successfully applied in different areas and are increasingly strengthening their

positions of usage by the consumers in society. Thus, companies can generate ideas for their products directly from their consumers and make them contribute to their business activity. Customers are able to provide valuable information relating to the marketing of the products.

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Consumer Behaviour Characteristics in Optometry and Optical Dispensing Sector

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Abstract

The optometry and optical dispensing sector faces major challenges due to the healthy eyesight impact on the quality of life both at individual and global level. The demographic growth, the population aging and the new communication technologies cumulated with the prevalence of myopia, early cases of far-sightedness and market flooding with devices affecting eye-sight on long term, represent factors leading to the increase of the consumer segment in need of corrective optical equipment. And when we say corrective, we also think to their protective role, taking into account the impact of the ultraviolet radiations and the blue light exposure. Therefore, based on the growing need for highly customised and qualitative optical equipment – corrective glasses, sunglasses or contact lenses, we expect an increase of approximately 55% by 2020 in the optical goods and services market. In the primary eye care sector, the wearers present a complex purchasing behaviour based on a comprehensive study of all options, requiring their close involvement and a long period of evaluation. Due to the purchase's circumstantial character for individual optical equipment (IOE) – the selection comprises personal factors (age, gender, refractive error, various physiognomies, lifestyle, budget), psychological factors (motivation, perception, learning, ideas, attitude), social factors (their role in the specific group or their affiliation) and cultural factors – these personal polyvalent objects are perceived as expensive goods. This article attempts to describe the main characteristics of the purchase behaviour for each category of optical equipment having the consumer in a co-producer role. The purchase of an IOE is the result of a process taking up to 100 – 120 minutes. Faced with a dynamic market, influenced by fashion trends, innovations and technologies, the eye-care providers seek to consolidate their relationships with the customers and increase the retention of the existing ones, emphasising on generating a higher satisfaction degree, facilitating the experience up to the purchase and maintaining a continuous after-sale interaction.

Key words: optometry and optical dispensing sector, consumer's behaviour, corrective optical equipment, co-producer customer, customer purchasing process, decision-making process.

JEL classification: M31.

I. Introduction

At global level, the optometric and optical sector shows economic growth, and the factors determining this trend are the demographic growth, population aging, the fact that approximately 70 to 75% of the worldwide population is in need of visual correction (ROB, 2016, page 11), the renewal rate of the informational technologies and the internet expansion, and the fact that the eye care products and services present a high profit margin. The permanent research and the renewal rate of the technologies associated to visual correction offer new opportunities for opticians and the promise of higher incomes (ROB, 2016, page 11). Also, according to a report from Retailers Association of India and Boston Consulting Group, the e-commerce market is expected to grow and, until 2021, the volume of sales will reach approximately 50 – 55 billion dollars, meaning 6 times higher than the current level estimated to 6 – 8 billion dollars (Martins, 2017).

The optical products market presents several players, and the competition is strong both among manufacturers and eye care optical centres, independent opticians within large stores or online stores. In order to have a profitable business, the retailers of optical goods permanently conduct marketing researches from primary or secondary sources in order to be informed and make decisions on the consumer behaviour in the optometric and optical goods and services sector. Therefore, this article will attempt to outline some of the conceptual models envisaging the purchase decision-making process of the individuals and the specific elements in studying the

consumer behaviour for optometric and optical products from the perspective of the commercial activities, consumer behaviour in relation to the image of the eye care products store and the lifestyle of these specific consumers.

II. Literature review

The references used to document this article were selected from the specialty literature both from Romania and abroad, as well as from online sources, aiming at supporting both the presentation of the theoretical concepts mentioned in this study (consumer behaviour, decisional purchasing process, etc.) and the clarification of the specific elements pertaining to the eye care and visual correction field.

For statistical data and the elaboration of conclusions regarding the specific behaviour of optical products consumers, I approached secondary marketing researches based on the studies conducted by the largest players in the optometric and optical industry, respectively Luxottica (for the corrective glasses, sunglasses and associated accessories) and Essilor (for the corrective lenses).

Consumer behaviour is a multi-dimensional concept, resulting from a system of dynamic relations between processes of perception, information, motivation and actual manifestation of the human behaviour, based on consumer or group integration on the goods and services market offered by the present society and related to purchasing decision-making process (Cătoi, 1997, page 26).

The optical goods consumer is more competent, has high expectations due to easy access to information, high level of education and more sophisticated preferences. He/she wishes to have access to memorable experiences, attracted by the multitude of optical goods currently on the market, which satisfy a variety of visual needs. He/she usually conducts an online research during the pre-purchase stage of a product and pays attention to the online opinions and recommendations (ROB, 2016, page 9). According to studies (WMido.com, 2015), the average price paid for a pair of corrective glasses is approximately 268 Euros (including the corrective lenses) and for a pair of sunglasses approximately 79 Euros.

III. Data analysis & Findings

3.1. *Consumer behaviour – Conceptual background*

Marketers' main task is to understand consumer behaviour in order to have a comprehensive image of why individuals choose to act and use the goods and services of a certain company. In this context, the information gathered in their behaviour is essential in planning and improving those goods and services, in establishing prices, in promotion and placement decisions, as well as other managerial actions. Basically, in making purchasing decisions that satisfy their needs and desires, consumers are influenced by numerous personal, social and economic factors. In order to study consumer behaviour, marketers can use various models, among the most utilised mentioning the individual as economic being, the social influences and personal factors (Holdford, 2012, page 130).

The individual as economic being model states that, a large part of the consumer behaviour information obtained by companies comes from the economic environment. This model is based on hypothesis such as: consumer behaviour is rational; consumers tend to obtain maximum satisfaction with less effort through exchanges; individuals possess information on available alternatives and use it in the purchasing decision-making process (Bradley, 1995, page 452). Marketers use this model to gather information on the influence of the price range on the purchasing decision, on consumers' preferences or their incomes.

The social influences model emphasises the fact that, from birth, human behaviour is influenced by interactions with other individuals. These influences may come from family, friends, co-workers or school and affect the purchasing and consumption decisions throughout their entire

life.

In selecting a pair of corrective glasses, the optical products consumers are influenced by the following elements: the advice of the optician or optometrist (it represents the most important factor in choosing an optical device), the weight of the glasses, the acknowledgement of the benefits for their visual health, the types of materials used in manufacturing optical products, the colour, the comfort and the design of the spectacle frames (Eyewear Intelligence, 2015).

The personal factors model shows that each individual is influenced in his/her purchasing decisions by personality, values and convictions.

In order to understand the purchasing behaviour, in their marketing research on consumer behaviour, marketers take into account the three above-mentioned models and also social and demographic variables (such as age, social and household level, etc.).

The purchasing decisions of the consumers are grouped in two main categories: new and repeated decisions.

The new decisions result either from extensive analysis or research undergone by consumers in order to make a decision to purchase a product or service considered to be important or valuable, or limited analysis, when the purchasing decision for certain products or services is made on an impulse, without needing a long mental effort or research for various alternatives.

When acquiring a new pair of corrective glasses, in their purchasing decision, the individuals are influenced (Bailey, 2014) by a re-examination and update of visual needs, the recommendations of the ophthalmologist, the use of the insurance policy (60% of the wearers own and use an insurance policy in the USA), the promotional actions (price discounts, coupons, etc.) and the desire to buy spectacle frames from famous brands or designer collections.

The repeated decisions require less decision-time from individuals comparing to the new ones and a limited analysis of the alternatives, consumers using here their previous experience based on past decisions.

In order to determine the consumers to make repeated purchases of optical goods, companies in the eye care sector need an efficient customer relations management, therefore building customer loyalty becoming a priority.

The purchasing decision-process is based on consumer's actions grouped as follows: pre-purchase, purchase and post-purchase of goods and services (Bateson, 1992, page 84).

During the purchasing decision-making process for optical products, in the pre-purchase stage, the consumers are influenced by the following factors (Eyewear Intelligence, 2015): 52% by the sales personnel (optician, optometrist or ophthalmologist), 25% by the online evaluations (comparisons, information, simulations, etc.), 8 – 10% by PR actions, media advertisement (radio, TV, press) and 13% by the display of the merchandise within the eye care centre and its storefront.

According to other authors, the stages of the purchasing decision-making process include the following elements: problem recognition, information search, evaluation of alternatives, product or service purchase and post-purchase evaluation (Pride, 1997, page 141). Knowledge of the purchasing and consumption behaviour requires understanding the way in which consumers behave during each of the above-mentioned stages.

The purchasing decisions are also influenced by the consumers' tolerance to risk, and the most important types of risks are (Kare, 1996, page 465-470):

- the financial risk targets the loss of certain amounts of money resulting from inappropriate purchases.
- the lack of performance risk refers to situations when a product or service cannot satisfy the need for which it has been purchased.
- the physical risk takes into account the negative or adverse effects resulting from the use of a product or service.

- the social risk implies partial loss of the consumer's image following the purchase of an inappropriate product or service.

3.2. *Perspectives in studying consumer behaviour in optometry and optical products and services sector*

In order to study consumer behaviour when purchasing corrective glasses (based on ophthalmological prescription) and sunglasses, taking into account the various distribution channels for these articles, Luxottica Group (the largest manufacturer for optical products worldwide) carried out together with Mintel the execution of a market study (Bailey, 2014).

The objectives of the research targeted:

- the identification of the factors taken into account by consumers in their purchasing decision for optical products;
- determining the frequency in renewing corrective glasses and sunglasses;
- the identification of the time spent in making the purchasing decision for optical products;
- the identification of the impact of various promotional activities on the decision-making process for optical products.

The methodology of the research comprises:

- a *secondary research*, achieved using the consumer behaviour observation method in purchasing optical products, carried out in 6 (six) Sunglass Hut stores; and
- a *qualitative research*, achieved through Facebook, targeting 55 respondents in order to establish if they were wearing corrective glasses, sunglasses or both categories of optical products. They also conducted 7 (seven) interviews face-to-face to gather information on previous purchases for corrective glasses and sunglasses, and the consumers' opinions on a number of eyeglass websites (the websites proposed were Lookmatic.com, ZenniOptical.com, Glasses.com and CheapGlasses123.com).

The results of the research can be outlined following several perspectives: the commercial activities within optometric and optical products stores, consumer behaviour in relation to the image of the optical products store and the lifestyle of optical products' consumers (Cătoiu, 2001, page 45), combining them with the results of the Luxottica research study.

The commercial activities perspective targets specific activities within manufacturers of optical products and retail and online stores.

As a result of Luxottica's study (Bailey, 2014, pages 5-7), the marketing researchers found the following statistical weight for the most important factors influencing consumer behaviour of optical products:

- 27% of respondents confirmed that they are influenced by promotional activities when purchasing optical goods;
- individuals aged between 18 – 34 consider current fashion trends when making a purchasing decision, and women appreciate mostly the design and the brand of the spectacle frames;
- 36% of the interviewed take into account the authority and trust given to their optician and purchase various types of corrective lenses based on their recommendations;
- a large part of the respondents prefer to make purchasing decisions only after being advised by a specialised optometrist, counting on his/her professional experience;
- 72% of the individuals interviewed choose their prescribed corrective glasses and lenses in approximately 1 (one) hour;
- around 50% of the wearers change the spectacle frames and the corrective lenses every 2 (two) years or after a shorter period;
- 83% of consumers bought only one optical products on their last purchase, and 17% acquired two or more pairs of glasses;

- over 50% of respondents choose first their spectacle frames and then request information on the corrective glasses to be mounted on.

Another study conducted by the market research institute GFK provided data related to sales of sunglasses, corrective lenses, contact lenses and associated products for maintenance and protection (GFK, 2016). Thus, in 2016, the European market of optical products registered sales of approximately 8.8 billion € during the first half of the year. The study took into account the most important European markets, respectively France, Germany, Italy and Spain.

Germany registered during 2016 an increase of approximately 1% comparing to 2015 in optical products sales. Here, 87% of the total sales come from corrective glasses and lenses,

During 2016, Spain showed a decrease in sunglasses sales of 7.5% but, at the same time, an increase of 3.8% in corrective glasses and lenses sales and of 2.8% increase in contact lenses sales.

France presented an increase of 3% in sales of corrective glasses and lenses, category which covers almost 60% of the total sales of optical products.

The situation in Italy proved favourable, registering increases of approximately 5% in sales on all categories of optical products.

According to GFK study, in Europe, during the first half of 2016, the corrective glasses and lenses had an 80% weight from the total of optical products' market.

The consumer behaviour in relation to the image of the optical products store comprises the most important attributes defining an optometric and optical goods store.

The specific product offer in an optometric and optical goods store includes corrective glasses, corrective lenses, sunglasses, contact lenses, associated products for maintenance and protection and other accessories. The corrective lenses represent semi-finished goods, while the corrective glasses, sunglasses, contact lenses and accessories are finished goods. The finished goods can be displayed and tried by consumers within the stores, while the semi-finished goods, i.e. the corrective glasses, will be mounted by the optician on the spectacle frames chosen by the customer, based on their optometric prescription. The consumers evaluate in their purchasing decision the quality of the products, the variety of choices, the post-purchase warranties, as well as other elements.

The offer of services in the optometric and optical sector comprises services such as the optometric examination for correction and prescription of the IOE (individual optical equipment), counselling on purchasing the required optical products (corrective lenses, corrective glasses and sunglasses, etc.), the warranty and the post-warranty service. The consumers are influenced in their purchasing decision by the quality of the services provided by the optician, optometrist or ophthalmologist, the methods employed for building consumer loyalty, the store design and its displays, the conditions for returning purchased products, credit policies, post-purchase services.

The current furnishing, the store's architecture, the display of the products, the existent medical equipment and its high performance and novelty, the environmental aspect, and also the store's placement, timetable, parking options, etc. represent elements that may influence consumer behaviour on their optical products purchase. The ophthalmologist's office comprises the medical equipment needed for identifying refractive errors, such as: autorefractor, optotypes, vision testers and the related lenses, optical biometer, etc. The eyewear boutiques are furnished with specific display cases for all optical products, also offering adjacent spaces for the consulting of the customer on choosing the spectacle frames, the corrective lenses, sunglasses or contact lenses.

The image of the store and the trust given by its customers represent an element which can greatly influence the consumers' purchasing decision.

The main types of optical and optometric goods stores can be: an area in a non-specialised store selling also other types of products, where optical products are accessories, stores which sell

only one category of optical products (for example, only sunglasses). Other categories of sale points may include the eye care stores without an optical lab or an eye clinic facility, or without both. The most important category of store is represented by the specialised visual care stores or ophthalmologic centres, comprising all types of optical and optometric products and services. This type of store is usually divided in three main areas: the eye care clinic, the eyewear boutique and the optical labs for corrective lenses fitting and production of the end product – the corrective glasses (Saracin, 2014, page 9).

As for the Luxottica market study on consumer behaviour, the observations obtained in the Sunglass Hut stores include:

- a part of the individuals entering the store purchased optical products, while others only wanted information;
- upon entering the store, the first thing they did was to try on a pair of sunglasses, and then they requested additional information from the optometrist on the chosen product;
- most individuals came together with their family or friends and their suggestions were taken into account in the purchasing decision;
- when asked why do they buy sunglasses from a retail store and not from an online store, the majority responded that trying the actual glasses is an essential part in their purchasing decision.

The consumer's lifestyle perspective nowadays shows us that a large part of the individuals lead a sedentary life, characterised by predominantly indoor activities and less outdoor experiences, therefore their eyesight focusing especially on short distances. The modern lifestyle implies **use of digital devices**. A study conducted in 2016 by ESSILOR, the largest manufacturer of corrective lenses, emphasises the fact that over 90% of persons aged between 20 to 65 use daily digital devices changing on average four different devices, and 89% of users already feel visual discomfort and ocular migraines (ESSILOR, 2017). By using simultaneously several mobile screens, the individuals strain their eyes to additional efforts in order to adapt, and this behaviour generates visual fatigue associated to migraines, ocular itching, pain, blurred vision.

According to Dr. Marcus Safady, ophthalmologist and president of Ophthalmological Society in Brazil (ESSILOR, 2017), the use of digital devices affects both persons already having visual problems and healthy individuals in no need of visual correction, generating asthenopia (or eye strain) associated with migraines, double vision syndrome, concentration problems, etc.

When using mobile devices, our eyes are affected by **a massive emission of blue light** generated by the high number of screen equipped with LED lighting or compact fluorescence. While a part of the blue light (blue-turquoise) is harmless to us because it regulates the biological clock, the other part (violet-blue) negatively impacts our eyes causing macular degeneration, because it penetrates our eyes at profound levels to the other part of the retina, and affects the macula.

In order to protect our eyes of the harmful blue light and to reduce visual fatigue, we need to set the screen to the lowest level of lighting, keep it clean, increase the font size, decrease the environmental lighting, blink as frequent as possible to avoid the dry eye syndrome, and limit the time spent using a digital device.

Also, wearing glasses with special lenses can help the eyes to adapt more easily to the intermediary distance between objects, such as computer screens. ESSILOR recommends wearing the Essilor's Crizal®Prevenia® lenses which help in protecting the eyes against harmful wavelengths.

IV. Conclusions

The consumer behaviour is dynamic and unpredictable. The buyers are influenced in their purchasing decision for optical goods by the current fashion trends, appreciating especially the

design and the name of the brands when it comes to corrective glasses and sunglasses, by the promotional activities, the product offer and the image of the store, the prices set by the distributors and the post-purchase services, preferring to buy their corrective glasses and sunglasses from actual stores where they can try them and evaluate the way they look and the level of comfort. As for the optical services market (ophthalmological examination and specialised counselling), the consumers are influenced by the recommendations of the ophthalmologist and optometrist.

Nowadays, over 90% of the individuals use daily digital devices, confronting ocular problems that can be remedied by changing their lifestyle and acquiring optical devices that can diminish the harmful effect of the blue light emitted by mobile devices.

In a high competitive market, the manufacturers and retailers playing a role in the optometric and optical goods and services sector invest in market researches in order to study consumer behaviour aiming at satisfying at a high level the consumers' needs and implicitly building a profitable business.

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Understanding Voluntary Simplifiers in Bulgaria

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Abstract

The notion of voluntary simplicity reflecting the rejection of growing consumerism and materialism of our society and the orientation towards personal growth, ecological awareness and material simplicity instead gains more and more popularity in scientific literature. Even though in developed economies the first manifestations of this lifestyle date back to the 70s of the last decay, it is quite new to consumers in catching up countries like Bulgaria. The different economic and cultural background of these markets is a prerequisite for diverse motivational and behavioral models. Through qualitative research the current article examines the grounds for the adoption of voluntary simplicity values in Bulgaria and studies the changes in consumer behavior. The results from this study reveal important insights for marketers targeting this growing segment.

Key words: Voluntary simplicity, consumer behavior, anti-consumerism.

JEL classification: D12, M31.

1. Introduction

For many years the constant strive of humankind to achieve a better living fuels the pace of economic growth but ironically instead of satisfaction, it has brought a variety of concerns such as unequal distribution of world's wealth leading to social tension and boycotts, overconsumption and its environmental footprint, and an increasing number of diseases caused by stress or pollution. According to the latest Global Consumer Trends survey about 60% of people around the world are worried about climate change and more than 65% declare to be trying to have a positive impact on the environment (Holmes, 2016). In response to these global problems, many individual consumers are choosing to leave the "rat race" and live a less stressful, simpler and environmentally conscious life. This social movement known as voluntary simplicity started growing in the USA during the 70s of the XXth century and today an increasing number of people are influenced by its ideas (Goldberg, 1995, Peyer et al., 2017). Although there is an extensive body of literature on voluntary simplicity, the majority of studies covers affluent markets such as the USA (Elgin and Mitchell, 1977, Leonard-Barton and Rogers, 1980, Etzioni, 1998, Zavestoski, 2002, Huneke, 2005), the UK (Shaw and Newholm, 2002, Shaw and Moraes, 2009, Moraes et al., 2012) and Australia (Hamilton and Mail, 2003, Alexander and Ussher, 2012) and only a few give insights to less developed countries such as Poland (Zralek, 2016), Czech Republic (Kala et al., 2016) and Turkey (Erdođmuş and Karapýnar, 2015). It is not surprising as voluntary simplicity is seen as a movement primarily of the well-off (Huneke, 2005, Etzioni, 1998, Craig-Lees and Hill, 2002). Anyway, recent studies refute this view and empirically prove that downshifting occurs across the income spectrum and might include low-income and blue-collar households (Zavestoski, 2002, Hamilton and Mail, 2003, Huneke, 2005). This raises grounds for testing the adoption of this lifestyle even in less developed countries where this phenomenon might be manifested far before reaching the point of material affluence. Given the limited research on this topic in catch-up countries, the aim of this paper is to examine the profile and the motivations of voluntary simplifiers in Bulgaria – a post-communist country with the lowest income in the EU. Being the first to tap into this field, the current study, uncovers important insights through in-depth interviews and a review of publically available online information in forums, blogs, and the social media.

2. Previous research on voluntary simplicity

The term “voluntary simplicity” was first introduced by Richard Gregg in 1936 who described it as a mode of psychological hygiene that intends the avoidance of exterior clutter and the organization of life for a purpose (Gregg, 1936). Later it was analyzed and interpreted by numerous authors each one stressing on its different characteristics. Elgin and Mitchell (1977) state that “the essence of voluntary simplicity is living in a way that is outwardly simple and inwardly rich”. Leonard-Barton and Rogers (1980) define it as “the degree to which an individual consciously chooses a way of life intended to maximize the individual's control over his/her own life”. For Etzioni (1998) it is “the choice out of free will (...) to limit expenditures on consumer goods and services, and to cultivate non-materialistic sources of satisfaction and meaning”. Zavestoski (2002) describes the practice of voluntary simplicity as “reducing clutter in one’s life, eliminating burdensome time commitments, and creating peaceful personal space to enjoy life”.

The values central to the movement consistent with cited definitions are: material simplicity, human scale, self-determination, ecological awareness and personal growth (Elgin and Mitchell, 1977). *Material simplicity* is about reducing all frills and luxury but it is not necessarily living cheaply as better quality might be sought. *Human scale* has to do with getting back to basics in living and working environments by focusing on the small things and the individual contribution to the whole. *Self-determination* reflects the desire for greater control over one’s personal destiny manifested through consumption not dependent on any large and complex institutions. The *ecological awareness* acknowledges the interconnectedness and interdependence of people and resources and *personal growth* stands for a striving to clear away external clutter and explore the “inner life”.

Many researches see the adoption of the voluntary simplicity lifestyle on a continuum. Etzioni (1998) observes different intensity in the manifestation of this phenomenon and proposes a typology of three types of voluntary simplicity: downshiffters, strong simplifiers and holistic simplifiers (the Simple Living Movement). The first group is a rather moderate form of voluntary simplicity which according to Etzioni is “practiced by economically well-off and secure people who voluntarily give up some consumer goods (...), but basically maintain their rather rich and consumption-oriented lifestyle”. The strong simplifiers being more dedicated often give up their well-paid jobs and status for less income in order to reduce the stress and have time for more meaningful things. The holistic simplifiers are at the extreme – they adjust their whole life patterns according to the ethos of voluntary simplicity which might include moving to the countryside or joining a community. Elgin and Mitchell (1977) recognize the following distinct categories: full voluntary simplifiers which constitute the active, leading edge of the movement and partial simplifiers which adhere only to some of the basic tenets and sympathizers who does not presently act on their sympathy towards voluntary simplicity. The rest of the population is categorized as indifferent, unaware, or opposed to voluntary simplicity. Other classifications stress on simplifiers’ motivation to change their lifestyle. These might include the three types distinguished by Leonard-Barton and Rogers (1980): conservers for whom frugal behavior is habitual as they have been brought up with a very strong prohibition against waste of all kinds; crusaders who have a strong sense of social responsibility and conformists who engage in voluntary simplicity behaviors for less well-defined reasons as well as the ethical simplifiers (Shaw and Newholm, 2002) and the sustainability-rooted anti-consumption for which voluntary simplicity is central (Seegebarth et al., 2016). Among the motivations of voluntary simplifiers are also environmental concerns, a direction towards healthier life, decluttering and self-sufficiency (Alexander and Ussher, 2012).

3. Methodology for analyzing the voluntary simplicity movement in Bulgaria

The review of popular definitions and classifications of adherents to the voluntary simplicity

movement sets the grounds for analyzing the motivations and the consumer behavior of simplifiers which might be diverse in less affluent countries. It is argued here that even though Bulgaria is the poorest country in the EU, there are a growing number of people that adhere to the voluntary simplicity movement. The different economic backgrounds as well as the historical and societal events which Bulgarians have witnessed though have created altered motivations and consumption patterns that change the profile of the voluntary simplifier.

Trying to understand voluntary simplifiers in Bulgaria, we reviewed publicly available information on the topic in online forums, blogs, groups in the social network, etc. and conducted seven in-depth interviews. We started by googling either translated or transliterated keywords such as “anti-consumption”, “downshifting”, “minimalism”, “simplicity life style”, “self-sufficiency”, etc. It was difficult to translate into Bulgarian the term “voluntary simplicity” and the search revealed that its simple transliteration is not familiar either. In different blogs and forums we found discussions on the practice of downshifting, self-sufficiency, anti-consumerism and minimalism. Several public groups in the social network that gather adherents to these ideas were also found. Other signs that the movement is present among Bulgarians are a number of special TV and radio broadcasts that focused on stories of simplifiers. Indicative is also the fact that the novel “Apparatus” (Georgiev, 2013) – an anti-utopia of consumerist society – won the award “Novel of the Year 2013”.

Using the social media and local communities, we contacted a selection of the most active participants who manifested a voluntary simplicity lifestyle and invited them to contribute to the research. Five out of a dozen reached answered and three of them agreed to be interviewed. Those who took part in the research were further asked to provide contacts of acquaintances that adhere to the values of voluntary simplicity. Thus, using a snowballing approach, we managed to interview four women and three men. The interviews were conducted online or face-to-face where appropriate. Each session continued 60 to 90 minutes. The conversation was held in a semi-structured manner covering the questions of respondents’ motivations to choose a simpler life, their values and day-to-day practices.

4. Findings and discussion

The profile of the participants in the research was quite different (Table 1). Two of them reside in small villages and the rest live in the city. Some of them are unemployed or have modest earnings, but there is also one respondent with a relatively high income. The age span covers the range from 32 to 64 years. Each of the interviewees had their own values toward life and their motivations to simplify varied. Some were guided by concerns for their health and well-being; others by environmental consciousness; still others were convinced that there is a conspiracy against humankind and overconsumption is its manifestation. What was common among them was that they all had realized that to be carried along with the crowd was ruinous and they were trying to reduce their negative impact over nature and the future generations.

Interviewee	Age	Residence	Occupation
Rositsa	32	Village	Housewife, part time translator
Poli	42	City	Housewife, currently studying
Dobromir	42	Village	Unemployed
Dimitar	39	City	Software designer
Tania	53	City	Kindergarten health-officer
Miroslav	47	City	Radio engineer
Zhana	64	City	Teacher, retired

Table 1. Profile of the interviewees

A 32-year-old housewife, for example was pushed to leave the city because she realized that she couldn’t find happiness in the overcrowded city. She has moved to a small village where

she raises her three children with the very modest income of a part-time translator and the help of her husband who runs a hardly dragging business.

Rositsa: "I have chosen to live in the countryside because I want to escape from all the drawbacks of civilization – the pollution, the stress, and the crowds. In the city everybody is rushed, it's like an ant-hill. This doesn't make any sense to me. I feel the health and the safety of my kids are endangered in such an environment. To be happy, you need to stay closer to the nature and to your inner world."

Other respondents also sympathize with the idea of moving out of the city but are held back by the difficulties related to it. Health care might not be provided, the public transport is irregular and it is hard to find a good job in the village and yet as stated by Dobromir, a spiritually devoted middle-aged man "... one still needs earnings to cover the monthly bills". He has always lived in the village house of his parents but he is forced to search for work in the city. Discussing the difficulties that check the movement back to less populated and uncivilized areas, some of the respondents talked about laying the foundations of a whole community where 20 to 50 families can build their own self-sufficient society. Quite idealistically this view revealed the longing for a new social order where people would cultivate their own land, grow vegetables and cattle and live in harmony with the nature. According to Tania, it could be a better solution than an ascetic escape.

Tania: "It is not possible to live totally isolated from society but one can create their own community with people who share the same ideas and goals. There are already a few eco communities like that but they are not functioning quite altruistically. It seems that they just reproduce the feudal systems from the near past."

Another reason to leave the city and create a new community of alternatively thinking people was expressed by Miroslav, who believes that it is the only way to liberate oneself from the chains of capitalism.

Miroslav: "Contemporary capitalism produces consumers, because all it needs is just consumers. It is all planned... the world is planned so that it can generate benefits for a handful of people. We should change this revolutionary by leaving the system, otherwise we are goners."

Common among the interviewees were also the anti-consumerist attitudes. Most of them were strong proponents of reducing our consumption to a level that minimizes our footprint to the environment. There was manifested a marked intolerance to unconscious and uncontrollable consumption which deprives the future generations from natural resources and pollutes the environment.

Poli: "One must be an idiot not to realize that overconsumption is killing us... Each family having at least two cars – this is devastating! All the garbage that is overflowing the containers in the city is a sign of redundancy. We have to change ourselves and our attitude towards the nature."

Coping strategies for reducing consumption and living more healthily may include riding a bike or walking instead of driving, buying environmentally friendly products, analyzing the necessity of an item before purchasing it, etc. Many of the interviewed were ready to invest their time in producing their own vegetables which was opposed to buying organic food because they distrusted retailers.

Zhana: "I won't buy organic food because it is too expensive and I don't believe that it is organic at all – it's just a commercial trick. The only way to eat healthily is to produce your own food. I have a yard in a nearby village where my husband and I grow some vegetables. I love the land and I am happy I have the chance to produce at least some of the food for my family."

Another important aspect of voluntary simplicity values that was approached in the interviews was the ethics of consumption stressed by Shaw and Newholmes (2002). Some of the

respondents were carrying about the abuse of copyright and declared that they are ready to pay more for a product that was produced in an ethical manner.

Dimitar: “Once I watched a video of a special kite that was so much fun. I really liked that kite but it cost 300\$. Before I took the decision to buy it, I asked myself a hundred times whether I really needed it because I hate the clutter in my life. There were similar models that were less expensive but I decided to take the original one because those who invented it had invested a certain amount of resources and research to produce it while others just copied it. It’s a kind of unethical to buy from those cloners.”

The findings from the interviews prove to be consistent with previous research. Among the motivations to live a simpler life that were listed by the respondents were concerns about human impact over nature, spirituality, disagreement with the values of modern society, a desire to liberate the self from institutional and corporate hegemony, dissatisfaction with one’s life and a search of inner growth, etc. A point of difference though is the fact that all of the interviewees declare to have always lived simply. None of them reported a real shift because they have never reached a peak from which to push themselves back. Some of them have intentionally moved to a simpler life but they can’t really be described as downshifter like many simplifiers in more affluent countries. Even more it can be argued that the lack of financial resources has contributed to the formation of their simplicity values. Here is what one of the interviewees with currently high income shared:

Dimitar: “Probably my attitude to life is a consequence of living modestly as a child. When I was a boy I didn’t have many toys and I really valued them. Pampered kids on the contrary can’t take pleasure of all their belongings because they get bored very quickly. The act of acquiring something new has a very quick emotional effect and they want to experience it again and again. They get addicted to that feeling... I have never been tempting for glossy and expensive things. They are so demanding – you need to use them all the time, to watch them over and take care. It’s like in that old song “...the things you own, own you...” I think poverty has protected me from that all.”

An interesting point to mention is also that none of the respondents were aware of the voluntary simplicity movement. They were even surprised but quite happy to know that a lot of people are turning to these ideas as it gives them hope that things will change. They declared to be sharing their beliefs with friends and acquaintances on every occasion as well.

4. Conclusions

The current article presents the results from a study of voluntary simplifiers in Bulgaria. What we argue based on these results is that voluntary simplicity is a state of the mind and it is not limited to the well-offs only. Voluntary simplicity is a personal choice which guides the individual through their life – whether to pursue a high-paid and high-status carrier and show off by means of consumption or to live simply with a modest income and more enriching relationships. All of the participants in the present study have declared that they have never been wealthy but, more importantly, they have never wanted to be. Instead, they have always been headed towards building their small world where love for their children and the entire nature matters most. Even if voluntary simplifiers intentionally reduce their consumption, they do not exit the market but only change the consumption pattern. A better understanding of their motivations and behavior in less explored low-income countries is important thus as they constitute an attractive target group for ecological products and alternative consumption options such as sharing (Peyer et al., 2017).

Being the first to examine voluntary simplifiers in Bulgaria, the present study reveals important insights to their profile and motivations but it also has some limitations. The qualitative

approach that was undertaken allows the researcher to draw conclusions on a very restricted number of interviews that might bias the understanding of the phenomena under study. Another limitation stemming from the sample is that the simplifiers included were selected by snowballing which might also impose some bias.

Future empirical research may attempt to evaluate the adoption of the voluntary simplicity movement in Bulgaria and in other low-income countries. Quantitative research might be undertaken on the purchasing behavior of voluntary simplifiers as well as on different levels of adoption which might be compared with those in developed countries. A longitudinal approach that reveals the changes in the practice of simplicity lifestyles might also be valuable.

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CSR disclosure in Large Bulgarian Companies

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Abstract

Communicating and reporting information about socially responsible business practices is a relevant issue for contemporary organizations. They can use different means for non-financial information disclosure related to their corporate sustainability and responsible behavior. This paper presents results from surveying the practices in social accountability used by the one hundred largest Bulgarian companies ranked according to the size of their revenues. An analysis of their CSR disclosure is made using three sources of information. The first one is based on the published social reports of the companies; the second one is CSR information disclosed as part of their annual reports. The third source of information includes CSR practices announced on the company websites. The publicly presented non-financial information on companies' socially responsible practices has been analyzed from several viewpoints – according to the way of structuring the information in the report/section of the company website; reference to the main groups of stakeholders; classification of the published socially responsible business practices and the degree of detailing of the presented information. In the paper first the theoretical assumptions in CSR information disclosure are explained. After that, the methodical issues concerning the process of searching and evaluating the social accountability practices of large Bulgarian companies are outlined. Last, the basic tendencies of CSR disclosure in large Bulgarian companies are made and some guidelines for improving them are given.

Key words: Corporate Social Responsibility (CSR), CSR disclosure, Social accounting, Social reports, Non-financial information disclosure.

JEL classification: M14.

1. Introduction

Social accounting and CSR disclosure have been the object of even growing interest in the academic and business circles in the last decades. They are the means through which companies disclose non-financial information that characterizes their operations as differentiated from the traditionally published annual reports in mandatory financial reporting. Most often social accounting is a voluntary act on behalf of the business organizations irrespective of the fact that some countries and regions are mandating it for listed companies or those above a certain size (Baron, 2014). The necessity for corporations to announce non-financial information about their activities reflects the idea of defending not only shareholders' (owners') interests, but also those of other stakeholders. Through social accounting companies demonstrate their attitude and influence on various interested parties, including respect of their consumer and human rights, provision of safe and healthy conditions of labor and life, keeping the resources of the planet and providing opportunities for long-term growth and development. This behavior corresponds with the modern understanding based on the *Stakeholder theory*, which claims that success in business depends on the expectations and actions of all stakeholders. One of the means for satisfying their various interests is the application of socially responsible practices and accordingly social accounting as a way to announce them.

The content of social accounting today encompasses information that reflects two aspects – corporate social responsibility (CSR) and companies' efforts for sustainable development. Irrespective of the fact that the above-mentioned two concepts emerged in different historical periods and for different reasons, today their content and orientation are identical, even the terms CSR and corporate sustainability are accepted by some scholars and practitioners as synonyms (Baron, 2014, p. 6; GRI). That is why we think that the modern notions of social accounting refer to the efforts for accounting simultaneously the socially responsible and

sustainable practices of business organizations.

2. Theoretical assumptions of Social accounting and CSR Disclosure

The discussion about the responsibility of business towards society started in the beginning of 20C (*Carnegie, 1900; Sheldon, 1923*). Decades later the concept of social responsibility was introduced (*Bowen, 1953*) and the thesis that CSR comes from the power and social influence that business has in society (*Davis, 1960*). In the following centuries a heated debate started on the issues raised by Bowen and Davis. Some scholars accept their ideas and develop them further (*Eels and Walton, 1961; McGuire, 1963; Sethi, 1975; Carroll et al, 1979*). While others, supporting the so-called rational-economic concept of business responsibilities, argue their notions and suggest various interpretations (*Levitt, 1958; Friedman, 1962*).

For the objectives of this paper, the main understanding and use of the term CSR includes: (1) making actions that reflect not only the economic and legal responsibilities of companies, but also their involvement in being responsible for protecting and improving the welfare of society as a whole; (2) voluntary sticking to socially responsible business behavior (without social or lawful constraint), which meets the ethical norms of society; (3) taking full responsibility for the impact (direct or indirect) of companies on owners, employees, suppliers, environment, social groups, communities and everybody else who is interested in their activities (*Drucker, 1992*); companies being socially involved is a guarantee for the efforts of management to provide long-term growth which is accepted as a source of opportunities, innovations and competitive advantages (*Porter and Kramer, 2006*).

Initially, the conception of sustainable development (*Meadows et al, 1968*) was focused on the ecological dimensions of business aimed for achieving environmental sustainability. Later there became more important the issues of social inequality and social aspects in the concept of sustainable development (*Brundtland Commission, 1987*), and in the beginning of XXI C they had the same level of significance as the environmental and economic ones. Today accepting the principle of equality of the economic, social and environmental dimensions is presented in both concepts – CSR and sustainable development (European Commission, UNIDO, GRI).

Historically, the idea of social accounting of business, like the notions of CSR, also dates back to XX C. In this respect they often quote *J.M. Clark*, who pointed out in *the Journal of Political Economy* in 1916 that “if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not” (*Clark, 1916*). He is considered to be one of the first scholars who focused the attention on the necessity of transparency in business, understood as a requirement for companies to disclose publicly and honestly information about their activities and their influence on society and the groups of people involved.

A more detailed discussion of the issues of social accounting and disclosing information about CSR in a theoretical aspect dates back to the 1940s when Theodore Kreps (1939) introduced the term social audit as a concept for measuring the social performance of business. Initially Kreps focused on the socially responsible practices influencing employment, production, payroll, dividends and interests, which are closely linked to the economic dimensions of business. Later he added to them accounting of the larger social influence of business organizations on social issues like health, education and international peace (*Coombs and Holladay, 2012*).

The issues of social accounting were viewed within the context of the Agency theory (*Ross 1973; Mitnick 1975*) and Corporate Governance, associated with the problem of the *information asymmetry* between the principal and agents of business. Another theoretical ground on which modern notions of CSR and social accounting are built is the *Stakeholder theory* (*Freeman 1984; Donaldson & Preston 1995; Mitchel et al, 1997*). Today the

interrelation between CSR and influence on stakeholders is studied not only in business circles but in the public sector as well, including socially responsible assignment of public procurement contracts (Blagoycheva, 2013). Some studies suggest measuring social responsibility in health institutions such as public hospitals from the perception of various stakeholders (Lopez-Salazar et al. 2016). Other contemporary issues are related to the use of CSR and Corporate governance to enhance relations with stakeholders (Chan et al. 2014), and the efforts to analyze how secondary stakeholders influence managerial decision-making on CSR disclosure (Thijssens et al. 2015). Social accounting is related also to the *Legitimacy theory* (Rejc, 2006) – CSR is the price paid by corporations for receiving social recognition from the public. Contemporary issue on this topic includes the research on the motivation for voluntary CSR disclosure (Van der Laan, 2009) and the advantages and disadvantages of Legitimacy through CSR disclosures (Bachmann et al. 2016).

At the same time, stakeholders require more and more information on the way business functions. After the 1960s there is a growing public interest in the activity of certain industries “notorious” for creating harmful goods, e.g. traditionally criticized manufacturers of tobacco, alcohol, weapons, etc. (Morsing and Schultz 2006). In the last decades the set of issues about which the public expect to receive more company information has been enlarged in new spheres. Such are child labour, working conditions in some Asian and African subcontracting companies, labor discrimination, unclear labeling of goods and misleading advertisement, harmful fast food, the use of additives in food, the use of hormones and antibiotics in raising animals used in food industry, etc.

That is why today disclosing non-financial information refers to the broader understanding that social accounting, social auditing and social reporting were developed to provide a richer picture of a business’ responsible and irresponsible behavior (Coombs and Holladay, 2012).

The voluntary character of social reports and the lack of regulation allow the existence of various opinions both in respect to the criteria for measuring and the ways for accounting socially responsible and sustainable practices and in respect to the terms used to do this. There are used terms like social accounting, sustainable accounting and socially responsible accounting; corporate social reporting, non-financial reporting, triple bottom line reporting, corporate social responsibility (CSR) reporting; CSR disclosure; sustainable reporting and sustainability reporting; Environment, Health and Safety reporting; Environment, Social and Governance (ESG) disclosure; Disclosure of Nonfinancial Performance Measures; Sustainability and Social Responsibility Performance Criteria; Sustainability and Social Responsibility Measurement; Corporate Impact Assessment and Management.

For the goals of this paper the term *social accounting* is accepted from a larger and broader point of view because it includes reporting not only CSR, but also corporate sustainability and can be presented as a process of measuring, assessing and reporting socially responsible practices and sustainable development of business organizations before their internal and external interested parties. The term *CSR disclosure* is accepted from a narrower viewpoint because it is clearly focused only on reporting companies’ socially responsible practices – which is, actually, the subject of this paper.

CSR disclosure is presented as a process through which (1) a company reports the achieved social and environmental results and explains how it can improve them; (2) the organization’s social influence and ethical behavior is assessed in respect to its goals and those of its stakeholders; (3) the degree is defined to which the organization virtually achieves the publicly announced goals and declared values.

3. Methodical issues concerning the process of searching and evaluating companies’ CSR disclosure

The practices of social accounting and CSR disclosure become even more popular among business organizations worldwide. According to data of KPMG 73% of the top 100 companies

in 45 countries in 2015 published their social reports compared to 64% in 2011 and 53% in 2008 (KPMG, 2015, p. 30). Meanwhile, there are applied various ways and forms of CSR disclosure, structuring information and the degree of detail and depth in presenting socially responsible practices. There is an ongoing discussion of the necessity to ensure the credibility of information presented in social reports (for ex. through verifying by an external auditor). But the most essential debatable issue still refers to the content of social reports.

In the last decades the number of published manuals and standards for social reporting has been growing. Some of them are specifically written with the purpose to create reports for social accounting (GRI standards, The AA1000 Framework Standard). Other standards and indicators can be used as major providers of social accounting guidance, like for ex. International Standards for social responsibility SA 8000 and ISO 26000, OECD Guidelines for Multinational Enterprises, The United Nations Global Compact's reporting framework (the so called Communication on Progress – COP), some indicators used by rating agencies (Accountability Rating) or social indices for SRI (the Dow Jones sustainability Index and FTSE4Good Index). Despite the great variety of existing standards and indicators for CSR and social accounting, one sees that some international institutions strive to have these processes unified (EC, Global Compact, BSCI and others).

The unsolved problems in applying social accounting in practice lead to creating specialized institutions that develop standards and measurers for evaluating the socio-ethical aspects of companies' activities, as well as rules for accrediting social auditors. Such is *The Institute of Social and Ethical Accountability (ISEA)*, founded in London in 1996. In 1999 r. ISEA developed the standard Social Accountability AA1000 as a system for internal and external non-financial audit. The standard was revised twice and has two new issues – in 2003 and 2008; today it is known under the name the AA1000 Assurance Standard (AA1000AS). It was developed on the ground of the concept *Triple Bottom Line (Elkington and Zadek, 1997)*, also known as *TBL, 3BL and PPP*. In this concept business activities are evaluated with three types of criteria – economic, environmental and social, defining the impact of business on each of the three dimensions – overall economic background, environment and society, respectively for these one can use the terms *profit, planet and people (PPP)*.

This idea of social accounting was further developed by the Global Reporting Initiative (GRI) created in 1997 in Boston by the non-governmental organization *Coalition for Environmentally Responsible Economies* in cooperation with the UN ecological program UNEP. Presently GRI's G4 Sustainability Reporting Guidelines, last updated in 2015, are the most popular and commonly used rules for writing social reports. According to data of GRI, "93% of the world's largest 250 corporations report on their sustainability performance and 82% of these use GRI's Standards to do so" (GRI, 2017). GRI's initial general indicators for sustainability reporting are presented in Table 1.

№	Group	Indicators
1	Environment	Materials, energy, water, biodiversity, harmful emissions and waste, products and services, compliance, transport
2	Human rights	Discrimination is inadmissible, freedom of association, child labor, coercive or compulsory labor, measures for working safety, investment practices
3	Labor practices	Legal labor relations, relations employees - authorities, healthcare and labor protection, training and education, diversity and equal opportunities
4	Society	Community, corruption practices, public policies, negotiations between competitors
5	Responsibility for products	Health and safety of consumers, written information on products and services, marketing communication and others
6	Economy	Economic indicators, presence on the market, indirect economic impact

Table 1. GRI's general indicators for sustainability reporting

Source: www.globalreporting.org

As a ground for social accounting and CSR disclosure some companies use the indicators of the International Standards for social responsibility such as *SA 8000* and *ISO 26000*. The most commonly used international standard for certifying socially responsible companies is *SA 8000 (SocialAccountability 8000)*, published in 1997. It has 9 main sections: child labour, coercive labour, safe and healthy working conditions, freedom of association, discrimination, disciplinary measures, working time, remuneration, system of CSR management, each of these being specified through particular criteria and indicators (www.sa-intl.org).

Irrespective of the fact that ISO 26000 is a guidance standard instead of a certifiable system, it can be used as a provider of social accounting guidance. *ISO 26000 Social responsibility guidance standard* was launched by the International Organization for Standardization in 2010. The core subjects of social responsibility of ISO 26000 include: Organizational governance, Human rights, Labour practices, The environment, Fair operating practices, Consumer issues and Community involvement and development (ISO, 2015).

Internationally a ranking of corporations in respect to their practices for social accounting is made by various companies. One of these is the rating agency and specialized consultant in the field of CSR for Central and Eastern Europe *Braun&Partners Network*, which started to make such classification in 2004 under the name “Accountability Rating”. Selecting the companies, subject of analysis is done on the ground of the Fortune magazine ranking of the 100 largest business organizations according to their total revenues (Fortune Global 100). Such studies are also carried out on the level of separate regions and separate countries. In Bulgaria a similar ranking of the 50 largest Bulgarian companies, assessed with “Accountability Ranking”, was first made in 2008. This study can serve as a methodological ground for comparing the results from our study of social accounting practices in Bulgaria.

The basic aspects of CSR, evaluated in “Accountability Rating” (www.accountabilityrating.com), are:

- strategy – there is an assessment of the company efforts for integrating the basic social, environmental and economic issues in the thorough business strategy;
- management and corporate guidance – there is an assessment of the efforts for disclosing information (financial and non-financial) before all stakeholders, as well as the degree of their integration in the internal managerial system, standard procedures, indicators and criteria for measuring the accomplishment of the formulated goals;
- involvement – is the company involved in a dialogue with the different stakeholders; is there public disclosure of the reports on achieved social and environmental results which are guaranteed by independent assessors;
- impact – there is an assessment of the impact of the company strategy and managerial systems on various social and environmental spheres of interaction.

In Bulgaria the survey encompasses the 50 largest companies functioning in the country, selected in the annual ranking of the “Capital” newspaper for the largest Bulgarian companies according to total revenues.

For the objectives of our study we classify the various existing practices in social accounting and CSR disclosure according to the following principles:

- forms of information disclosure – a social report made specifically for the objective of the CSR announcement, publishing the information on CSR as part of the company annual reports or disclosure of CSR information on the company site;
- ways for gathering and processing the information on CSR disclosure – through using external experts and specialized auditing companies or through the company staff;
- structuring the information – using the guidance of international organizations and/or standards such as GRI, AA1000AS, SA8000, ISO26000, OECD Guidelines for Multinational Enterprises, The UN Global Compact's Communication on Progress or standards that are made independently without a specific form;

- number of stakeholders to whom the information is directed;
- degree of details and depth in presenting the socially responsible practices;
- degree of analysis and prognostication – presence of current facts only and analysis of the present situation or outlined guidelines for future perfection of the CSR policies;
- regularity of CSR disclosure – annually, at different intervals or only once so far.

In order to make a comparative analysis and assessment of the structure of the presented information in CSR disclosure of the large Bulgarian companies, we made a model of the study which encompasses 5 basic spheres, each one being explained with specific indicators (Table 2).

№	Spheres and indicators for analyzing and assessing disclosed information
<i>Sphere 1: Environment and products/markets</i>	
1	Company information about management of raw materials and waste in compliance with legal regulations or standards
2	Application of environment-friendly technologies
3	Decrease of the harmful emissions discharged in air and water
4	Decrease of noise
5	Less usage of all disposable plastics in the company
6	Taking part in actions for protecting national natural resources or supporting international environmental initiatives
7	Analysis of the potential effect on the environment due to company activity and disclosed environmental policy
8	Disclosed information about Product and service labeling, Product health and safety or Customer health and safety
9	Means for effective feedback from clients, suppliers and other stakeholders, Customer complaints handling procedure
<i>Sphere 2: Human rights and working conditions</i>	
10	Extra social packages including free food for staff, additional voluntary retirement insurance, free preventive medical examination, supporting staff for vacation in recreation facilities
11	Additional insurance for staff: insurance “Workplace accident”, medical insurance, Life insurance
12	Opportunities for employees to share their opinion on debatable issues or to submit objection in case of disagreement with certain decisions, relations with labor unions
13	Opportunities for employees to take leave of absence for taking care of children or additional financial stimulation for pregnant women and mothers
14	Measures for non-admission of discrimination in recruiting, paying, career advancement, terminating contracts or retiring.
15	Publicly disclosed and implemented policy for “equal opportunities”, including (1) more than 10% senior managerial positions taken by women in the company and (2) the share of female managers or managers from minority groups should be more than 2/5 of the total number of managers in the company
16	Opportunities for flexible working time
17	Ensured safe working conditions
18	Organizing cultural, sport and tourist events for staff
19	Statistical information and coefficients of workplace accidents in the organization disclosed publicly
<i>Sphere 3: Communities, social development and charity</i>	
20	Support for national campaigns like for ex. “Bulgarian Christmas”, “SOS children’s villages” or international initiatives for protecting peace, healthcare, education
21	Taking part in events for stimulating the education of local communities
22	Taking part in events of local communities for stimulating culture
23	Taking part in events of local communities for stimulating healthcare
24	Taking part in events for improving local infrastructure
25	Taking part in charity donation campaigns
26	Stimulating company staff to participate in charity donation campaigns
<i>Sphere 4: Measures against corruption</i>	
27	Actions against all forms of corruption which affect company activity. Policy for decent behavior and denouncing acts of corruption in the activity of the personnel of the business organization
28	Information on the company market behavior in respect to maintaining loyal competition, avoiding conflict of interest

<i>Sphere 5: Management practices and documentation</i>	
29	Publicly disclosed principles of ethical behavior and company value system in a Code of conduct, an Ethical code or a Mission statement
30	Stimulating customers, suppliers, distributors and business partners to comply with the company principles of ethical behavior
31	Membership in an international organization promoting the implementation of CSR (IBLF, GC, BSCI, etc.)
32	Company employees who work particularly on CSR issues
33	Trainings for staff concerning the principles of behavior and the company value system or the socially responsible initiatives of the business organization
34	Publicly disclosed social report/sustainability report
35	A special plan/strategy about the involvement of the business organization in socially responsible practices
36	A Social report verified by an independent social auditor
37	Lack of sanctions against the business organization for polluting the environment, working conditions and other similar social requirements
38	CSR awards or other awards concerning the environment, staff, working conditions, donation, etc.
39	Certificate for social responsibility standard SA8000 or ISO 26000
40	Certificates for standards concerning quality management ISO 9001, environment ISO 14001, working conditions BS OHSAS 18001 or specific standards for different sectors (such as ISO 5001, ISO 20000, ISO 27001, etc.)

Table 2. Spheres and indicators in studying and assessing practices in CSR disclosure of large Bulgarian companies

4. Research and assessment of CSR disclosure practices in Large Bulgarian Companies

Our study covers the 100 largest Bulgarian companies ranked according to the size of their revenues in the classification “Top 100” which is made annually by the “Capital” newspaper (Capital Top 100, 2016). The practices of these companies in CSR disclosure are analyzed, compared and assessed on the ground of the indicators presented in Table 2. Three sources of information on CSR disclosure are used in the study – (1) a separate social, sustainability or environmental report published by the companies, (2) published CSR information as part of the annual reports or (3) disclosed CSR information in the company web-site.

The analysis of the practices in CSR disclosure shows that large Bulgarian companies prefer to do this independently, instead of using the services of auditing companies. Two thirds of the companies do not make social reports; instead they publish CSR information on their company web-sites only. Almost one fourth of the companies in the study publish CSR information simultaneously in their web-site and as part of their annual report. A very small part of the social reports were verified by an independent social auditor (out of 24 social reports only 6 were verified by an auditor).

24 of the surveyed 100 companies have published a social report, 16 of these reports are GRI-based, and in 3 of them *the UN COP* is used as a provider of social accounting guidance. In trying to compare the Bulgarian practice in social accounting with the good international practices, as basic information we use the one from the quoted study of KPMG (2015) showing that in 2015 73% of the top 100 companies in 45 countries worldwide published social reports. It is evident that in Bulgaria the share of the companies that have published social reports (24%) is thrice smaller compared to the share (73%) of the corresponding 100 top companies included in the KPMG study.

In GRI-based reports the information presented by companies complies with most of the criteria for evaluating CSR which are used in our survey. Logically in them one can find more elements of social responsibility presented in detail, together with specific measurers in the separate areas because they use GRI guidance concerning the content of social reports. Part of the companies that disclose CSR information only in the web-sites cover their socially responsible practices one-sidedly by emphasizing on some of the following aspects – ecology

(17%), consumers (8%) or charity (12%). In other cases the CSR information disclosed in the company web-site only is presented too descriptively, without any specifics and explanation of particular examples or facts about the company activity.

Accepting as a basis 40 indicators (100%), as shown in Table 2, we try to calculate the relative general performance of the studied Bulgarian companies in respect to the aspects of CSR information disclosed. The average estimate assessment of social accountability of the 100 largest Bulgarian companies shows 42% coverage of the indicators for CSR accounting used in our study. In trying to evaluate the progress of Bulgarian companies in the field of social accounting we use as a basis of comparison the information of the already quoted similar study carried out in 2008 by *Braun&Partners Network*. The general assessment of the Bulgarian performance in 2008 is 14.6 out of aggregate possibility 100. In other words, there is correspondence with only 14.6% of all indicators which are defined by the rating agency for evaluating the general performance of companies in respect to the CSR disclosure practices accepted by them. The financial sector had the best general performance in Bulgaria 9 years ago, its total assessment being 17.24. The ranking in Bulgaria for 2008 is headed by “Overgas”, its average total result being 32.3, followed by “Petrof” and DSK bank (www.accountabilityrating.eu/index.php).

The sector with the best general performance in our study of CSR disclosure in Bulgaria is telecommunications – large mobile operators have published GRI-based social reports; that is why the average assessment of CSR disclosure in the sector is very high – there is correspondence with 84% of all indicators presented in Table 2. The ranking of Bulgarian companies concerning social accounting is headed by a company from this sector – *Vivacom*. Traditionally the financial sector in our country is characterized by high level of social accounting (at the moment the average estimate assessment is 42%). However, in this study the companies in the sector “food and drinks” perform better – the average assessment is 52, with *Coca Cola HBC* and *Nestle Bulgaria* having the best practices of social accounting.

The companies which disclose more detailed information on CSR, including through a social report, usually have more awards that directly or indirectly concern the implementation of responsible or sustainable business practices. Some companies (*Aurubis, CEZ Bulgaria, Sacs, Coca Cola HBC Bulgaria, Vivacom, Mobiltel, Telenor, Solvey Sodi*) have won several awards in competitions per year, like for ex. “socially responsible enterprise of the year”, “the top green industrial enterprise”, “corporate donor of the year”, “award for the best employer with exceptional achievement in safety and health at work”, “investor in environment”, “investor in human capital”, “cause-related marketing” and others. A similar principle is observed also in respect to the membership of the surveyed companies in international organizations promoting CSR, like for ex. IBLF, Global Compact and BSCI. The companies which publish social reports are members of at least one of these organizations, some of them being members of two – mostly IBLF and GC.

A more detailed analysis of CSR disclosure shows that the most information is published in the field of environmental practices. More than two thirds of the surveyed companies announce information on management of raw materials and waste, in compliance with the legal requirements and standards. 64% of the companies disclose information concerning the application of environmentally friendly technologies and 49% comment on their efforts for reducing harmful emissions in the air. Fewer companies disclose information on noise reduction (18%) and banning all disposable plastics at work (8%).

In analyzing the information aimed for various stakeholders, one sees the comparatively large share of the companies (63%) that provide funds for effective feedback from clients, suppliers or other stakeholders. Approximately the same large part of the companies (59%) discloses information on the availability of a special procedure for response in product return or complaints from clients.

The disclosure of information on human rights and working conditions is relatively less compared to the aspects of CSR disclosure discussed above. Companies rarely make comments on providing freedom of speech and expression of opinion by employers (14%), as well as on their cooperation with labor unions (28%). Some of them provide information about opportunities for flexible working time, additional stimulation for staff in cases of pregnancy and maternity, and non-admission of discrimination.

Researching the issue of giving equal opportunities to all employees, in our survey we accepted the criteria of some specialized stock-exchange indices for evaluating responsible practices in this field. According to them one can accept as a criterion for good practice in respect to the lack of discrimination against women in career advancement the presence of more than 10% executive positions taken by women. Likewise these indices define as a criterion for good practice in respect to equal opportunities in taking managerial positions by principle, the presence of more than 2/5 female managers or managers from minority groups (www.ftse.com/Indices/FTSE4Good_Index_Series). Such information is available only in some GRI-based reports where the number of women in boards of directors is shown. Thus, for ex., in the Corporate Responsibility Report 2012-2013 of *Coca Cola HBC Bulgaria* it is pointed out that 2 of 9 members (22.2%) of the board of directors are women.

In disclosing information in the field “Communities, social development and charity” most often companies present the charity campaigns they support or organize themselves; such campaigns are aimed for local communities, healthcare, sport initiatives, culture, education or support for people in unequal social position. It is rarely that the surveyed companies share information that they stimulate their employees to take part in such campaigns.

From all analyzed aspects of CSR disclosure the surveyed Bulgarian companies announce the least information concerning their practices for fighting corruption. This issue is discussed in the social reports of 15% of the companies.

5. Conclusions

In the period 2008-2017 the practices for social accounting in Bulgaria have gone through significant development. An even growing number of companies disclose information on CSR on their web-sites or as part of their annual reports. More Bulgarian companies publish social reports, including ones written in compliance with the guidance of GRI. However, the practices of CSR disclosure in Bulgaria are still significantly less compared to the good international practices in this sphere.

One clearly observes the tendency that GRI-based reports cover the most aspects of the applied CSR practices; they are aimed for the most stakeholders and contain the most detailed information on corporate sustainability and responsibility. When using their own style for CSR disclosure corporations often present the information more descriptively or emphasize on some aspects of their practices, while disclosing no information on others at all.

CSR disclosure in the prevailing part of companies (74%) encompasses only the report of achieved results and covers the current situation in respect to the social, environmental and economic impact of the company. This means that the reports lack the element of prognosis and disclosure of the actions planned and the future intentions for improving CSR. That is why companies need to work on making whole CSR strategy as an element of the process of strategic planning. Thus the focus is shifted from disclosing CSR information to making a strategy for CSR and efforts for its constant improvement, which will be the subject of our future research.

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Rebranding in the Banking Industry Following Mergers and Acquisitions on the Polish Market

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Abstract

The aim of the paper is to examine how banking groups on Polish market for corporate control manage their corporate branding in the context of mergers and acquisitions. It also identifies the factors that differentiate the used strategies. The article analyses 50 transactions carried out on the Polish market for corporate control throughout the years 2000–2016 and identifies used rebranding strategies, as well as components that influence the choice of options for rebranding. The main rebranding strategy of banking groups on the Polish market is to retain the acquiring bank name. The main factors that differentiate the used strategies are: the brand value of participants acquisitions and the nature of the investor (strategic or financial investor).

Key words: banking industry, mergers and acquisitions, rebranding strategy.

JEL classification: M10, M31, G21.

1. Introduction

Ever since the system changes that took place in 1989, the Polish banking sector has been constantly evolving. Mergers and acquisitions have played a key role in the process of its reconstruction. Initially they had reparative character and served the sole purpose of strengthening and arranging the system. In the following years they were to reinforce banks' market position and expand their business areas (Buszko, 2005). From the year 2000 they were to strengthen national or cross-border consolidations, which would allow them to achieve cost synergies and economies of scale, and consequently improve efficiency (Ramotowski, 2015), maximise or maintain the value of an enterprise in the face of increased competitive pressures (Jones and Critchfield, 2005).

Today we can observe the growth of transaction processes related to the departure of investors from the Polish market, who failed to raise the appropriate scale and efficiency. Disinvestments are made by large foreign banks, thereby increasing their capital position. This is not left unnoticed by smaller, capital-strong entities, which perceive the acquisitions as an opportunity to build a scale effect. This situation is conducive to the strategy of repolonisation of the banking sector, which has been announced and implemented by the Polish Government.

Conducting a merger or acquisition involves identifying the manner, extent and degree of the integration of merging entities (Oberg and Tarba, 2013). An important issue which requires attention is the name and logo under which the combined companies are to operate. Transactional managers must decide whether they want to continue to use their current company names, change them to the name of the new owner, create a joint name, or perhaps a new one (Lambkin and Muzellec, 2008).

2. A review of literature on rebranding strategies in mergers and acquisitions

Enterprise's resources are a key factor in determining how it operates. The quantity, quality and structure of assets, both tangible and intangible, determine the operational and strategic potential of the organisation, the level of competitiveness and the potential for growth and development (Suszyński, 2013). Over the years, the world economy has observed the declining role of material assets in the process of creating the value of companies, which is replaced by the brands and trademarks equity and by the human capital. In S&P 500 index companies, the share of intangible assets in 2015 was 87%, while in 1975 it was only 17% (Ocean Tomo,

2015). Similar regularities were also observed in companies listed on the Warsaw Stock Exchange; in 2013 the value of intangible assets amounted to 63% of market value (Corpus, 2016), which confirms that they are significant generators of market value.

One of the components of intangible assets is a brand, often associated with a trademark. According to the definition given by the American Marketing Association a brand is “a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers” (The American Marketing Association Dictionary). A strong brand is one of a company's most important assets, and its cumulative value is a collection of all of the tangible and intangible assets that bring market benefits to the brand owner (Upshaw, 1995).

Along with the development of the company, the expansion or change of the business profile, organisational changes and ownership structure, the company's management may face the need to refresh an outdated image, reposition the product or change its name (Johann, 2013). The process of changing a brand's perception by modifying certain elements through which the company communicates with the recipient is referred to as rebranding. This category includes a change of the name, trademark, symbol, pattern or combination thereof (Muzellec and Lambkin, 2006).

“Rebranding can occur at three distinct levels in an organization: (1) corporate; (2) strategic business unit; and (3) product level” (Lambkin and Muzellec, 2008, p. 331). Corporate-level rebranding means scheduled and coordinated actions aimed at increasing, transferring, acquiring and/or restoring corporate brand equity (Muzellec and Lambkin, 2006). It often involves renaming the entire entity, meaning repositioning the product, or introducing a significant change in strategy. Rebranding of strategic business units takes place when a subsidiary or branch of a large corporation receives a unique name in order to create an individual identity apart from the parent company. “Rebranding of individual products also occurs, sometimes as a tactical move driven by the desire to brand globally, to derive economies of scale in marketing communications and to benefit from spillovers in brand awareness across geographic borders” (Lambkin and Muzellec 2008, p. 332).

International corporations have dozens, even hundreds of brands that should be structured in such a way, as to ensure the effectiveness of the entire portfolio management. In this process, the architecture of brands (brand structure) plays a vital role, which should best support the company in achieving its strategic goals (Skorek, 2013). The branding process involves taking into account the brand image, the company's corporate reputation, the product's share in the company's turnover or its competition's actions (Witek-Hajduk, 2001).

An important part of an enterprise strategy and a key success factor in building a long-term competitive advantage is the proper management of the brand portfolio. Research confirms an existing correlation between the financial results of a company and the portfolio of brands at its disposal (Wiles, Morgan and Rego, 2012). Each company should therefore have an individually designed brand portfolio structure.

The literature on this particular subject distinguishes two strategies of brand portfolio management: (1) “branded house” – the corporate brand is an umbrella for all brands of its businesses and products; (2) “house of brands” – a collection of independent, individual brands with different names of business units and products, concentrated in the company structure (Aaker and Joachimstaler, 2000).

Another classification of brand architecture is presented by Kapferer (2012) by distinguishing six strategies: product's brand strategy, maker's brand strategy, endorsing brand strategy, source brand strategy, master brand strategy and umbrella brand strategy.

The brand management strategy is particularly important in the context of mergers and acquisitions, and is critical to the future market success of the merging entities. The different

integration strategies and solutions in the organisational structures of merged entities determine corporate brand decisions.

A number of proposals for rebranding the merging entities can be found in literature on this subject. Knowles, Dinner and Mizik (2011) present three main types of corporate brand strategies in mergers and acquisitions. They are:

- (1) assimilations – the organisation keeps the name and logo of one of the companies (the acquirer's or the target's company);
- (2) "business as usual" – each company retains its name and logo;
- (3) fusion – after merging, branding elements of both companies are retained, either by merging two names or by adopting one company's name and logo.

The authors also point out a fourth possibility, namely the creation of a completely new name, which in their opinion, is in practice a rare strategy used in mergers.

Basu (2006) outlines four possibilities for similar rebranding options applicable to mergers and acquisitions:

- (1) one brand, usually that of the acquirer (Firm A);
- (2) a joint brand, where the names of the acquirer and the acquired are combined (A–B);
- (3) a flexible brand, where both brands are kept and used selectively (A&B);
- (4) a new brand, where both previous brands are dropped in favor of an entirely new one (C).

R. Ettenson and J. Knowles, based on studies of all mergers and acquisitions completed since 1995 with a transaction value exceeding \$250 million (sample size: 207 mergers), have indicated 10 strategies that can be grouped into four main categories:

- (1) "backing the stronger horse" – the deal is a merger where the stronger brand is adopted;
- (2) "best of both" – the deal is merger and the best of both brands is adopted;
- (3) "different in kind" – the deal is transformational merger and a new brand is created;
- (4) "business as usual" – the deal is simply a portfolio transaction and no brand changes occur.

This research revealed that two strategies are dominant: either the target brand disappears altogether or both companies' brands continue to exist independently in an unchanged form. These two options account for nearly two-thirds of the deals studied.

Based on the literature analysis of the subject (Altunbas and Marques, 2008; Berger, Demsetz and Strahan, 1999; Hannan and Pilloff, 2009; Jones and Critchfield, 2005; Korzeb, 2010; Walkner and Raes, 2005) it can be shown that important factors influencing the strategy of corporate rebranding in mergers and acquisitions are, among others:

- (1) the size and market power of the merging companies;
- (2) the brand value of the acquisition participants;
- (3) the type of transaction (merger or acquisition);
- (4) the type of an investor (strategic or financial),
- (5) the type of products and services,
- (6) geographic distance.

3. Methodology of research

The above considerations have become the basis for research aimed at determining which rebranding options are used by commercial banks and financial investors in the context of ongoing mergers and acquisitions on the Polish market.

The following research hypotheses were formulated on the basis of the review of literature, as well as personal observations concerning the specifics of transactions implemented in the Polish pharmaceutical sector:

H1: The dominating strategy of rebranding used by banks in Poland is the preservation of the acquirer's brand. Other strategies are used less frequently.

H2: The chosen rebranding option depends on the brand value of the banks participating in the transaction. Changing the name of the acquired/attached bank is more likely when its brand value is low. A high value of the acquired brand influences the decision to preserve it.

H3: The used rebranding option depends on the type of transaction: the merger resulting from integration within the capital group in the country or abroad, or the acquisition by a new investor. Changing the name of the acquired bank is more likely to happen when it is taken over by a new investor, than in the case of a friendly merger of two banks.

H4: The used rebranding option depends on the type of investor involved in the transaction. Creating a new bank's name is more probable in the case of acquisition by financial investors. Strategic investors will more likely change the name of the acquired bank to the brand of the acquirer or create a name referring to the names of the merging companies.

In order to verify the formulated research hypotheses, a detailed analysis of the transactions has been carried out on the Polish market for corporate control, involving the participation of commercial banks and financial investors. The analysis covered 50 acquisitions made in 2000–2016.

4. Analysis of research results

4.1. Identified rebranding strategies

Based on the conducted research, the following types of rebranding were used by banks conducting M&A transactions in Poland (Figure 1):

- preserving only the brand of the acquirer (A) – in 30 transactions;
- creating a joint brand through combining the name of the acquirer and the target company (AB) – in 6 mergers;
- preserving the brand of the target of the acquisition and supplementing it with the name of the group to which it will belong after the acquisition (B^A) – in 2 acquisitions;
- maintaining independent brands (A&B) – in 5 transactions;
- creating a new brand, replacing the previous name (C) – in 3 acquisitions;
- creating a new brand with its name referring to the acquirer (C^A) – in 4 mergers

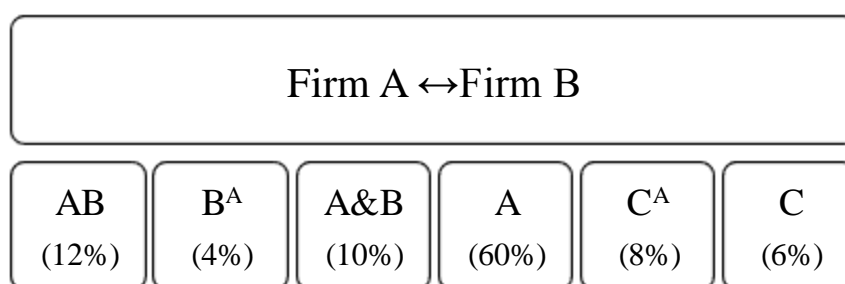


Figure 1. Strategy of rebranding in banking in Poland

Source: own study.

The dominating mergers & acquisitions rebranding strategy used by banks on the Polish banking market between 2000 and 2006 was to retain only the brand of the acquirer (A). Such a regularity was noted in 60% of the examined transactions. Two further strategies: the creation of a joint brand resulting from merging the name of the acquirer and the target entity (AB) and the maintenance of the independent brands (A&B), applied to 12% and 10% of transactions. The least used rebranding options were: creating a new brand (C^A) whose name referred to that of the acquirer (8% of transactions), creating a new brand (C), which replaced the previous names (6% of transactions) as well as retaining the brand of the acquisition's target (B^A) and supplementing it with the name of the capital group that it belongs to after the acquisition (4% of transactions). This means that the first hypothesis (H1) has been positively verified.

4.2. The option of rebranding and the value of the brands of banks involved in the transaction

When attempting to verify the second hypothesis (H2), an effort was made in order to identify the value of the banks' brands participating in the analysed transactions. Due to the unavailability of such data for the entire research sample in the analysed period, the brand values were determined only for the largest banks on the basis of the research done for Polish brands in the top 500 banking brands” and “TOP10 of Polish financial brands”. It has been assumed that the brands of banks that are not included in the above rankings are considered to be of lower value in comparison to the main competitors.

The results of the analysis (Table 1) suggest that the rebranding carried out in the transactions that were aimed at acquiring valuable banks was based on the creation of a common brand (AB) resulting from the merger of the acquirer and the target entity (Getin Noble Bank SA, PNB Paribas Fortis Bank SA), or retaining the brand of the acquisition's target and supplementing it with the name of the capital group (B^A), that it belongs to after the acquisition (Bank BPH SA Grupa GE Capital, Bank Zachodni WBK SA Grupa Santander). The creation of a common brand resulting from merging the name of the acquirer and the target entity (Citibank Handlowy SA, BZ WBK SA, Raiffeisen Polbank SA, Bank BGŻ BNP Paribas SA) also took place when the acquired brand was not as high up in rank as the ones previously mentioned, but for the buyer, its value was significant, due to its high market awareness. The decision to continue the development of the bank under the acquired brand (BIG Bank Gdanski SA, Lukas SA, Euro Bank SA) was also undertaken by foreign investors, whose brands were poorly recognisable in Poland, as opposed to acquired brands.

Option of rebranding	Number of transactions	Number of transactions in which the brand of the acquired bank was of high value for the buyer	Number of transactions in which the brand of the acquired bank was not of a high value for the buyer
AB	6	6	
B ^A	2	2	
A&B	5	3	2
A	30		30
C ^A	4		4
C	3		3
Total	50	11	39

Table 1. The options for rebranding and the values of brands of banks involved in the transactions

Source: own study.

Also worth mentioning are the transactions in which the buyer did not change the name of the acquired bank (Spółem SA, BGŻ SA) for a reason other than the value of the acquired brands. In both cases the acquired assets were to be the subject of subsequent M&A transactions, so rebranding after the first transaction would have appeared to be purposeless.

For other transactions, the acquirer changed the name of the acquired bank to their own brand (A) or created a new brand (C), including the name of the acquirer (C^A). It seems that the second hypothesis (H2) has been verified positively on the basis of the analysis, which means that a high value of the acquired brand influences the buyer's decision to preserve it.

1.3. Options of rebranding in accordance with the type of transaction – merger or acquisition

The mergers that occurred on the Polish banking market were a result of the consolidation policy of the majority shareholder of both entities, the next stage of banks' integration on the international market or the acquisition of the company by a new domestic or foreign investor

(Table 2).

Option of rebranding	Number of transactions	Integration of entities in one capital group in Poland	Integration of entities in Poland following the integration of banks in the international market	Control acquisition by a new domestic or foreign investor
AB	6	2	1	3
B ^A	2			2
A&B	5			5
A	30	11	4	15
C ^A	4	1		3
C	3			3
Total	50	14	5	31

Table 2. Rebranding options in accordance with the type of transaction

Source: own study.

Research shows that the dominating strategy of rebranding has been the renaming of the acquired bank. There is no reason to believe that a change in the name of an acquired bank is more likely to occur when it is acquired by a new domestic or foreign investor, than when two banks are merged into one group.

1.4. The options of rebranding and the type of investor – strategic or financial

A completely new name of a bank (Euro Bank SA, Meritum Bank ICB SA, Nest Bank SA) was created as a result of only three transactions. In all of these cases, the subject that made the final decision was the financial investor (Table 3).

Rebranding options	Number of transactions	Strategic investor	Financial investor
AB	6	6	
B ^A	2	2	
A&B	5	4	1
A	30	30	
C ^A	4	4	
C	3		3
Total	50	46	4

Table 3. The options of rebranding and the type of investor

Source: own study.

In most cases, strategic investors changed the name of the acquired bank to their own (in 30 transactions) or combined both banks' names (in 6 mergers). In four acquisitions, they decided to create a new name which clearly referred to the brand of the acquiring bank (Dominet Bank SA, Santander Consumer Bank SA, GE Money Bank SA, Getin Bank SA), in two, they chose to leave the name of the acquired bank and expand it with the name of the whole group (Bank BPH SA, GE Capital Group, Bank Zachodni WBK SA Santander Group), and in the four cases to remain unchanged names of the acquired company (BIG Bank Gdański SA, Lukas Bank SA, Euro Bank SA and BGŻ SA). Such results of the analysis allow one to validate positively the fourth hypothesis (H4).

Conclusions

One can point out, on the basis of the above literature analysis, a correlation between the issues of rebranding, mergers and acquisitions. It appears that demonstrating this dependency in the case of the banking sector, and in the financial sector in general, is of particular importance, given that the issue of brand management in this sector has been treated marginally for a long time (Urbanek 2012). Corporate rebranding plays a critical role in communicating strategic

intent. The branding decision provides the opportunity to leverage both firms' corporate brands, setting forth a new and compelling vision for the combined entity (Ettenson and Knowles, 2006).

Empirical studies have confirmed that the dominating strategy of rebranding used in mergers and acquisitions by banks in the Polish banking market between 2000 and 2006 was to preserve the brand of the acquirer (A). They also allow for the conclusion that the used rebranding option depends on the brand value of the banks participating in the acquisition and on the type of investor (strategic or financial). There is no evidence that the rebranding option depends on the type of transaction – merger or acquisition.

The following conclusions can be drawn on the basis of the analysis of the transactions:

- changing the name of the acquired/attached bank is more likely when the value of its brand is low;
- the high value of the acquired brand to the buyer influences the decision to preserve it;
- creating a completely new bank name is more likely in case of acquisition by financial investors;
- strategic investors are more likely to change the name of the acquired bank to the brand of the acquiring entity or to create a name referring to the names of the merging companies.

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Neuromarketing Research and its Application in Marketing Activities. Some Examples

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Abstract

The following questions were my inspiration to literature study and empirical research in this article in order to offer optimal marketing solutions and to show how neuromarketing research is applied in Poland depending on marketing needs: How to examine deeply hidden emotions? How to reach the human subconsciousness? How to recognize processes happening in the brain in certain situations (particularly under marketing stimulants)? The aim of this article is to explain the basic methods of neuromarketing research and to present the research results due to their applications in different areas of marketing activities on the Polish market. At first, under current environmental factors which induce to apply neuromarketing research for the sake of effective marketing activities, the definition of them and the systematics were described in this article. Then, the methods such as: eyetracking, electromyography, voice analysis, reaction time, functional magnetic resonance imaging, electroencephalography and galvanic skin response were characterized. Neuromarketing research enable to reach the human subconsciousness and also it is very helpful in the process of optimization of varied marketing tools, such as advertising, packaging, the web interface. The author's intention was to introduce neuromarketing research for marketing activities, to show the usefulness of the discussed methods, to recognize the Polish market of neuromarketing research and to describe examples of their application in Poland.

Key words: neuromarketing research for marketing activities, methods of neuromarketing research, Polish market of neuromarketing research, examples.

JEL classification: M31.

1. Introduction

Neuromarketing and its area – neuromarketing research – have their origins in the United States and it is generally adopted that the beginning of professional activities in this domain dates back to the 1990s (Bradley, 2013, p. 8; Bridget, 2015, p. 11; Woźniak, 2013, p. 12).

Present day marketing activities are particularly marked by neuromarketing practices generally targeting central nervous system and its core element: the human brain (see more in: Bradley, 2013, p. 165, Dooley, 2015, pp. 9–299; Renvoise, Morin, 2007, pp. 5–10; Świda, Kabaja, 2013, s. 26–30; Woźniak, 2012, pp. 12–28; Wrona, 2014, pp. 194–195). In particular, it covers: specific methodologies of research, creation of communication message as provided for by the neuroscience, and uses the neuro-techniques to support marketing activities, including the sales process.

In general, neuromarketing research can be identified by means of specialist tools, methodologies and measuring procedures, as well as complex IT applications for the purposes of data analysis for information collected on human neurological reactions (see more in: Bridget, 2015, pp. 89–153; Bulska, 2014, pp. 60–63; Davidson, Bergley, 2013, pp. 54–58; Feinberg, Kinnear, Taylor, 2013, pp. 110–111; Mostafa, 2013, pp. 343–344; Ohme, Matukin, Wolińska, 2011, pp. 3–5; Szymusiak, 2012, pp. 137–408). This type of research includes, *inter alia*, biometric research (Mościchowska, Rogoś-Turek, p. 337) based on observation of neurophysiological processes triggered in human body by various stimuli.

Current marketing conditionalities, such as hypercompetition, the development of marketing tools, methodologies and procedures and the supporting activities, prompt the marketers to opt for solutions targeting increasingly deep layers of human brain. This is due to the results of researchers' work in the areas of neurology and psychology, which have contributed to formation of a new paradigm in management (see more in: Szymusiak, 2012, pp. 21–42). In

short, there appeared a need to incorporate in the marketing and management activities emotions as well as conscious and unconscious thinking processes which shape human behaviour.

This study focusses on the following question: How can we study carefully guarded emotions, how can the human subconsciousness be accessed, what are the methods of detection of the processes taking place in an individual's brain in a specific situational context, in particular when triggered by marketing stimuli – in order to offer optimal marketing solutions. For this purpose, it is worth using neuromarketing research, and the subsequent part of the study shall aim at its presentation.

2. Definition and instruments of neuromarketing research for effective marketing activities

Detailed description of neurobiological techniques used in business in general is provided by Szymusiak (2012, pp. 137–408), who makes the following distinction: neuroimaging techniques (pp. 137–173), techniques based on measurements of the brain electric and magnet activity (pp. 174–210), eye tracking (pp. 211–286), techniques based on measurements of psychophysiological reactions (pp. 137–173), and biometric techniques (pp. 346–411).

In turn, Mościchowska and Rogoś-Turek (2016, p. 338) list the following objects for observation of neurophysiological processes: brain activity, muscle reflexes, skin reactions, eye tracking, and breath and blood pressure.

Finally Smyczek and Turek (2011, pp. 68–70) mention the need to use the methodology of medical diagnostics for the diagnostics of internal mechanisms directing the process of formulation of consumer preferences, adapting information coming from the market or governing the emotions and motives shaping individual purchasing decisions. They specify the methods such as electroencephalography, encephalography, functional magnetic resonance, electrocardiography, voice stress analysis, measurement of galvanic skin response, oculography, electromyography, electrogastrography, or laboratory research.

This article focusses on presentation of selected neuromarketing research applied for the purposes of effective marketing activities.

Neuromarketing research methods	Description
eye tracking (ET)	the measurement of distribution of visual attention; it allows for eyeball movement tracking by means of a special device (eyetracker); it visualises changes in the diameter of pupil, gaze direction and sequence, number and duration; it shows the objects recorded visually by the person, how long his or her attention is focussed on the object and the frequency of gazes directed at the object; numerous marketers use this method in design of web content, product display, packaging, advertising campaigns etc.; the results can feed into so called visual scan paths or heatmaps
electromyography (EMG)	the method for diagnosis and analysis of emotions triggered by a marketing stimulus, reflected by facial muscles movements, so called microexpressions; most often the technique covers basis emotions, such as joy, fear, repulsion, anger, sadness and surprise; neurone network trained on the basis of thousands of faces provides a means for measurement of emotion level in response to images, sounds, and other neurostimuli
vocal analysis	registration and analysis of timbre offers a useful indication of a person emotional state
reaction time	the method aims at supra-declarative measurement of attitudes, the shorter reaction time the stronger link between the image attribute and the analysed stimulus, such as logo, packaging or a person; analysis of reaction time leads to determination of the image attributes which are attached to the analysed brand and the ones attached to the competitive brand, and whether, and which image attributes are in equal measure attached to the analysed and the competitive brand

functional magnetic resonance imaging (fMRI)	in general, the technique consists in an analysis of blood flow in the brain in its most active area (assessment of reaction to stimulus); it offers a means for accurate observation of activation in specific brain areas (e.g. related to body functions or emotions); the technique is based on the assumption that measuring the blood flow and volume in the vessels can lead to conclusions over the activation of the nervous tissue, since active neurons use more oxygen obtained from capillary vessels, and as a consequence the brain directs more of it to these areas; this is a so called haemodynamic response – a change in blood supply and the resulting concentration of arterial blood is observed with a delay of several seconds (approx. 5 sec.) after the raised activation of the neurons
electroencephalography (EEG)	register of brain hemispheric activation; it allows for registration of electrical activity in cerebral cortex; observation and analysis of brain waves shows which stimuli in an advertisement trigger a positive or negative emotional reaction; moreover, it is possible to observe the degree of attention of the person in real time, and the changes in emotional engagement in each second of the watched advertisement
galvanic skin reaction (GSR)	by means of registration of perspiration reaction in response to a stimulus (which is controlled by human nervous system) the level of engagement, excitement, as well as fear, can be assessed

Table 1. Characteristics of basic neuromarketing research

Source: own analysis based on literature sources indicated in the article.

Table 1. presents basic methods of neuromarketing research, however, it should be stressed that in practice their mix is often used for the purposes of marketing activities. For example, electroencephalography is supplemented by additional biometric measurements, such as a GSR test and pulse, which provide more accurate information on human emotional reaction activated by marketing stimuli (compare with Wąsikowska, 2015, p. 149). As far as the electromyography is concerned, it is often performed along with eye tracking, giving a quite accurate indication as to the emotional reaction triggered by each specific element of the analysed material (Stasiuk, Maison, 2015, p. 75).

According to practitioners, classic research reveals customer opinions and attitudes, while neuromarketing research provides an insight into emotions experienced by them when confronted with marketing stimuli, e.g. an advertisement. For an entrepreneur it is important to use the expertise of specialists who perform such tests and analyses.

3. Neuromarketing research services market in Poland and examples of use

In Poland, R. Ohme, creator of the LABoratory&Co., is regarded as a founding father of neuromarketing. One of the largest Polish companies from the analysed sector – Institute of Sensory Analysis – has been established by P. Soluch: not an expert in marketing studies, but a doctor of medical science from the Medical University of Warsaw specialising in brain imaging (Ohme, Matukin, Wolińska, 2011, p. 4). Other selected representatives of the sector are: Institute of Sensory Analysis, Brain Tracking, Neuroidea, Sage, and Neuro Innovations.

Neuromarketing in Poland and in the world is a domain pursued by experts from various fields of science – neurology, medical study, psychology, marketing, sociology, cultural studies, as well as research companies, media houses, scientists, advertising agencies, and many other market entities associated with contemporary marketing activities.

Neuromarketing research can be applied in a variety of marketing activities (see more in Booth, Freeman, 2014, pp. 177–189; Mostafa, 2013, pp. 343–372). For example, at the NeuroConnections conference four case study sessions have taken place: 1) NeuroAds with a focus on the question of how a consumer brain reacts to advertisements of beer; 2) NeuroMedia with results of studies on human consciousness and subconsciousness; 3) NeuroShowbiz with results of tests on MTV clips, in the direction which can very well become a real hit, and 4) NeuroPolitics – what is hidden in the politician's brain. Neuromarketing practice requires the research on and setting out of: neuroperspectives, advantages and disadvantages of these activities, inventing new ways of accessing the subconsciousness and gaining knowledge of intuition, or a skilful holistic approach, incorporating the achievements of neuroscience.

Neuromarketing research used in the process of design of advertisements or video materials (due to the analysis of respondents' brain waves) may lead to (Ohme, Matukin, Wolińska, 2011, p. 5): description of consumer engagement in the marketing message with an accuracy to a fraction of a second; indication of the scenes with the strongest emotional attraction and most energising; description of the reaction to image, audio track, expressed words, special effects applied; selection of the best version of the soundtrack which optimally strengthens the message conveyed by the image; selection of the best way for exposition of logo and packaging, the most convincing version of narration or the most engaging product demo version; specifying if the opening scene has the potential to single the advertisement out from the block; making the decision which version of the ending will most effectively stimulate the pro-purchasing behaviour; analysis of the communication carried out to date with a view to find new inspirations.

Very interesting examples of application of neuromarketing research by Neuro Innovations with respect to currently presented advertisements of well known brands (Bakoma 7 cereals Men, Warka Radler, EB, Volkswagen Passat, Subaru) can be accessed online (<http://www.neuro-innovations.pl/>; <https://www.youtube.com/watch?v=JMDKz9ICTLs&index=3&list=PLzfUx30ER9I0WrEmJUQTDcIJ5Ly6VyWd6>; https://www.youtube.com/watch?v=_ubHwQmToiA&list=PLzfUx30ER9I0WrEmJUQTDcIJ5Ly6VyWd6&index=4, 7.05.2017). IT application used by Neuro Innovations provides an opportunity to analyse both the EEG signal (status of the user attention) and the eye tracking method, which shows the moments of strongest visual concentration of the user on the components of the advertising spot. The agency offers also studies on efficiency of advertising content with an option of measurement of indicators: the respondent's mental effort, knowledge, relaxation, and attention.

Another research project which applied neuromethodologies was performed by NeuroHM for the purposes of rebranding of the Virgin mobile brand. Its objectives comprised a selection of the brand's face and appropriate expression of the characters. Thirty nine photographs of models in various poses, with various face expression, hair arrangements and outfits were analysed in view of their best tuning for the brand target market. In the process of neuroscience research, a woman and a man were selected who inspired the most positive involvement of the young targeted recipients and stirred their readiness for action. The research revealed that the creation of the brand personification should be „intensive” and „crazy”. And that in the marketing communication products – bearing in mind the target market – singles and not couples should be presented. Finally, the slogan „I feel, therefore I am” was decided upon, and the most advantageous position was tested for the logo, prices and online advertisements.

For the purposes of the social campaign „Stop violence”, NeuroHM tested three photographs of a small boy's face looking sadly down; in the second of these photos there was additionally a trace of blood flowing from the nose towards the boy's lips, and in the third a trickle of blood flew from the nose towards the lips and the chin, dripping down from the boy's face (the most drastic one). Neuroresearch performed on forty four representatives of the target market allowed for monitoring the emotional (EEG+GSR) and visual (ET) involvement. The best variant proved to be the least drastic one, which appealed to imagination but let the observers notice the advertising slogan. It aroused the highest level of compassion and high involvement which results in the highest degree of memorisation of the message. Similar examples confirm high usability of neuroresearch in various marketing activities.

Conclusions

Neuromarketing has already gained recognition throughout the world and is increasingly appreciated in Poland. Neuroresearch is particularly useful in the process of optimisation of various marketing tools (advertisements, packaging, website features, etc.). Their effectiveness is conditioned by the measuring instruments and special applications used for meticulous analysis. In the current market conditions, the marketers more and more often use tools which stimulate right hemisphere of the human brain, and in particular the senses. The number of

research on the ways of analysis of customer's subconsciousness has been growing, as 95% of human processes and behaviour is said to take place without conscious control (Dooley, 2015, pp. 17–18; Zaltman, 2003, p. 5). According to Weinschenk (2011, p. 21), 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. Important benefits generated by neuroresearch include: increased effectiveness of the communicated content, optimisation of production, or objectivisation of marketing activities. Neuroscience research raises the value of the results, since it allows for accessing the brain and reading directly the signals originating from it and the occurring reactions, which however raises justified ethical and moral doubts. Knowledge of purchasers' behaviour shows that the persons who are the subjects of research not always present their true opinions in their responses. Moreover, as discovered by the scientists, in real purchasing decisions they are most often directed by subconscious choices and the consumer is not aware that his or her choice is determined by a controlled choice. What is more, asking the customer directly what are his or her needs is useless, because they may be unrealised, and the contemporary entrepreneur should therefore "access" the purchaser's brain to obtain this knowledge.

In general, marketers make an effort to obtain knowledge on the processes taking place in human brain upon application of various marketing stimuli. There is a growing need to use qualitative marketing research with a focus on neuroresearch, as well as special methodologies which combine various methods.

Results of neuroresearch, such as eye tracking, provide valuable information on, among other: the elements which attract the respondent's attention and the time needed for such a reaction; which of the elements attract attention for the longest time; what are the features which maintain the respondent's interest; which elements are returned to; what is the model and direction of the space scanning sequence; do the users feel lost or is their interest maintained. The resulting heatmaps show the distribution of attention directed at the analysed element, allowing for separation of the elements noticed and omitted during the visual scan; they facilitate understanding why a given element is perceived in the specific way.

In turn the functional magnetic resonance offers the opportunity to study neurophysiological phenomena in the human body (see more in: Mostafa, 2013, pp. 343–372). It is accurate, thorough, and non-invasive. Knowledge gained in the process raises doubts, as it may lead to unethical behaviour of marketers who prioritise pursuit of profit over human good (a desire to steer human behaviour). fMRI is a complicated and expensive method which requires immense expenditure in terms of financial, human, analytical, and scientific effort, etc. Further doubts are raised by the conditions in which the purchasers are observed, significantly different from the real ones.

Neuroresearch attracts an immense interest, but also lead to many doubts (difficulties with interpretation of results, costs, ethical and moral aspects, risks of excessive interference with functioning of human body). They are perfected and increasingly often used due to their practical benefits. In the era of holistic marketing (spanning the purchaser's heart, mind and spirit), neuroresearch seems to be highly useful if not indispensable. The more so as they can be applied by means of mobile devices (smartphone, tablet, etc.) and the Internet.

The effectiveness of the neuroresearch process is determined by interdisciplinary expertise, application of expensive and complex apparatus, as well as limitations in scientific mapping of the brain functioning – but the benefits outweigh the risks.

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Typology of Polish Consumers in Regard to their Sustainable Behaviour

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Abstract

The article discusses some aspects of the theoretical and methodological problems of measurement and analysis of sustainable consumer behaviour in Polish conditions. It makes an attempt to identify consumer groups representing similar behaviours in this area. The author focuses on environmental, health-related, legal and local dimensions. All the four dimensions are represented by the same number of indicators – items in a Likert scale. The presented results refer to two models of confirmatory factor analysis, with attention given to 4 latent variables. A model which fits the data well is the one with 8 indicators. The use of a model with 12 indicators does not bring fully satisfactory results. The use of a model with 12 indicators does not bring fully satisfactory results. In order to isolate the homogeneous groups of consumers, k-means cluster analysis was performed three times - twice the arithmetic means obtained for each of the four dimensions were used (they were calculated on the basis of three or two observable variables), the third analysis took into account principal components. Eight observable variables were reduced to four continuous variables. In the next step, relatively homogeneous clusters were identified. Each time two clusters were obtained which differentiate all the 4 variables (at the level of at least $p < 0.005$). A detailed description is presented of typology obtained on the basis of the model fitted the data best, and the manner of identifying homogenous groups, based on raw data. Polish consumers can be divided into two groups: "socially responsible" and "uncommitted". Two out of 6 analysed demographic variables show statistically significant differences: professional status and declared financial condition. The identified groups differentiate some behaviours in the area of recycling, and 6 out of 10 Schwartz basic values.

Key words: sustainable behaviour, typology, measurement scale, principal component analysis, confirmatory factor analysis.

JEL classification: A13, F18, M14, M31.

1. Introduction

It is not easy to define the idea of socially responsible or widely sustainable consumption. A number of authors have proposed various definitions. Bray, Johns and Kilburn (2011, p. 597) point to biased assessments and the circumstances out of a researcher's control, as well the fact that the concept comprises various areas of consumer activities. Literature most frequently refers to a definition proposed by Roberts. It states that a socially responsible consumer is "one who purchases products and services perceived to have a positive (or less negative) influence on the environment or who patronizes businesses that attempt to effect related positive social change" (Roberts 1993, p. 140). The above definition refers to the environmental and social aspect of SRC. Every year, the whole world records an increasing number of consumers who are inclined to pay more for products and services offered by social- and environment-oriented companies (Ethical Consumer Market Report, 2012; Nielsen, 2014). However, such concepts as Fair Trade are not given much attention in Poland (Janoś-Kresło 2014, Sprzedaż produktów Sprawiedliwego Handlu, <http://www.fairtrade.org.pl/sprawiedliwy-handel/sprzedaz-produktow-sprawiedliwego-handlu>). Until the market of socially responsible products is well developed (which is certainly the case of Poland), it is advisable not to research consumers' behaviour in this context, but rather their willingness to carry out specific activities. This statement can be justified by a number of publications which point to differences between consumers' attitudes and their actual behaviour. Sparks and Shepherd (1992), Shaw and Clerke (1999), and Vermeir and Verbeke (2006) claim that the existing gap can be due to the limited availability of products which support the concepts of sustainable development and socially responsible consumption. The objective of research studies presented in the paper is not to

develop an original scale for measuring behaviour, but to present a typology of Polish consumers, based on solutions proposed by other authors, and to discuss the theoretical and methodological aspects of measuring and analysing socially responsible consumer behaviour in the Polish environment.

2. Measuring tools proposed in literature for analysing socially responsible behaviour

Measuring tools presented in literature for analysing responsible consumption behaviour comprise various issues. A good understanding of this area can be gained by analysing measurement scales and particular indicators presented in literature. Roberts was the first researcher to propose a broad ethical perspective (1993, 1995, 1996), identifying two factors. He referred to the first one as ecologically conscious consumer behaviour (ECCB), and the second one - socially conscious consumer behaviour (SCCB) (Roberts, 1995, p. 104; 1996, p. 223). He developed a scale which originally comprised 40 items, and later reduced to 18 items. Some of the items lost their validity in the course of time, but the proposed scale is still a starting point for research on socially responsible consumer behaviour.

Webb, Mohr and Harris (2008, p. 94) propose a three-dimensional solution. The recommended Socially Responsible Purchase and Disposal (SRPD) scale comprises the following: (1) purchasing based on firms' corporate social responsibility (CSR) performance, (2) recycling; and (3) avoidance and use reduction of products based on their environmental impact.

Most authors propose five-dimensional scales. The structure proposed by Francois-Lecompte includes such factors as (1) the firm's behaviour; (2) buying cause-related products; (3) the desire to help small businesses; (4) taking account of the geographical origin of products; (5) reducing the volume of consumption, which is confirmed by Gonzales et al. (2009, p. 32). Samavatyan et al. (2014, p. 85) present tool referred to as Consumers' Social Responsibility Index (CSRI), which comprises the following factors: environmental, health, cultural-national, legal and ethical. Sudbury-Riley and Kohlbacher (2016, p. 2704) developed a tool referred to as the Ethically Minded Consumer Behaviour (EMCB) scale. They focus on the following factors: (1) ECOBAY (the choice of ecological products); (2) ECOBOYCOTT (the rejection to purchase products for ecological reasons); (3) RECYCLE (the purchase of products is related to recycling), (4) CSRBOYCOTT (the rejection to purchase products for social reasons), and (5) PAYMORE (the willingness to pay a higher price for ethical products).

One of the most extensive scales is proposed by Durif et al. (2011, p. 215). They consider 8 dimensions: (1) citizenship behaviour; (2) behaviour focused on the environment protection; (3) recycling behaviour; (4) composting behaviour; (5) local consumption behaviour; (6) behaviour with respect to animal protection; (7) de-consumption behaviour; (8) sustainable transport behaviour.

An in-depth analysis of the above presented scales leads to the following conclusions:

- 1) authors use different terms to name the same areas;
- 2) the particular dimensions (latent variables) are described by a different number of observable variables; sometimes factor loadings are so low that attributing a given item to a specific dimension is not justified;
- 3) satisfactory solutions (when the data fit the model well) are achieved in those cases in which one dimension is described by 2-3 items (Gonzales et al., 2009; Sudbury-Riley and Kohlbacher, 2016);
- 4) adopted measuring tools should take into account the specific conditions in which consumer make their purchases (their knowledge and market maturity).

3. Methodology

The designing of a scale for measuring Polish consumers' socially responsible behaviour gives consideration to a wide spectrum of issues discussed by various authors. Six aspects are taken into account: environmental, health, legal, cultural, local, and ethical. The scale included in the questionnaire contains 30 indicators (observable variables) – the items of a Likert scale. Each

aspect describes five items. The particular items are assessed by respondents in a 7-point scale – ranging from "totally agree" to "totally disagree", with a point in the middle "hard to say". The survey was conducted in the second half of 2016 in the voivodeship of Małopolska with the use of **direct survey method**. It was based on **quota sampling**, with consideration given to gender (two categories) and age (three categories), and the data published by Urząd Statystyczny w Krakowie (2015, p. 99). The below presented analyses are based on 202 responses.

The questionnaire considers 4 demographic variables and 8 variables related to recycling behaviour. The inclusion of the *Schwartz Value Survey (SVS)* in the study (Schwartz, 2012) allowed for identifying the values which have an impact of respondents' lives. The importance of each of the 10 base values is assessed in a 10-point scale.

The analysis comprises the following stages:

- 1) preliminary analysis of the original scale and determination of the number of dimensions for adequate analysis;
- 2) assessment of the factorial validity and reliability of particular variants of the scale;
- 3) selection of an appropriate factor model on the basis of relevant criteria;
- 4) identification of homogenous groups in terms of socially responsible behaviour based on various methodological approaches;
- 5) presentation of the typology of Polish consumers based on the model which fits the data well.

A preliminary analysis indicates that two dimensions (cultural and ethical) pose difficulties to respondents. It is confirmed by a large number of answers "hard to say" to some questions, as well as a low correlation, as compared with other dimensions, between scale items. For this reason, the typology of consumers takes account of the four remaining dimensions. Simultaneously, a principal component analysis (PCA) carried out with a priori four factors revealed that all the planned scale items loaded only the health, legal and local dimensions. In the case of the environmental dimension it is possible to identify only 3 observable variables, on which factor loadings exceed 0.6. Therefore, the first of the tested models comprises a set of 12 items presented in Table 1. Thus, all the latent variables are represented in the same way.

Dimension	Scale item	Item symbol
1	2	3
Environmental	I try to buy products which do not destroy natural resources.	X ₁
	Making a choice between two similar products, I pick the one that can be recycled.	X ₂
	I get acquainted with the impact of purchased products on the environment, and I choose safer products.	X ₃
Health	I try to purchase products which do not contain conservatives, additives and artificial dyes, or those with a low content of such substances.	X ₄
	When making a buying decision, I check and consider product ingredients and standard labelling.	X ₅
	I try to buy natural products, avoiding those based on chemicals.	X ₆
Legal	I do not buy illegally imported (smuggled) products.	X ₇
	Reporting the cases of prohibited or smuggled products is a citizen's obligation – not whistle-blowing.	X ₈
	I am concerned about the losses incurred by my country as a result of the sales of fake or smuggled goods.	X ₉
Local	I buy handicraft (handmade) products to observe traditions and prevent the disappearance of some professions.	X ₁₀
	I buy goods in a bazar to support small manufacturers.	X ₁₁
	I try to buy locally manufactured products.	X ₁₂

Table 1. Scale items showing socially responsible consumer behaviour, based on 4 dimensions

Two models of confirmatory factor analysis are tested: model 1, containing 12 indicators (presented in Fig. 1), and model 2 – a 4-factor model with 8 indicators, recommended by Sudbury-Riley and Kohlbacher (2016, p. 2704). Model 2 does not take account of the last observable variable presented in Table 1 for the analysed aspect (indicators marked "x3, x6, x9, x12" are eliminated).

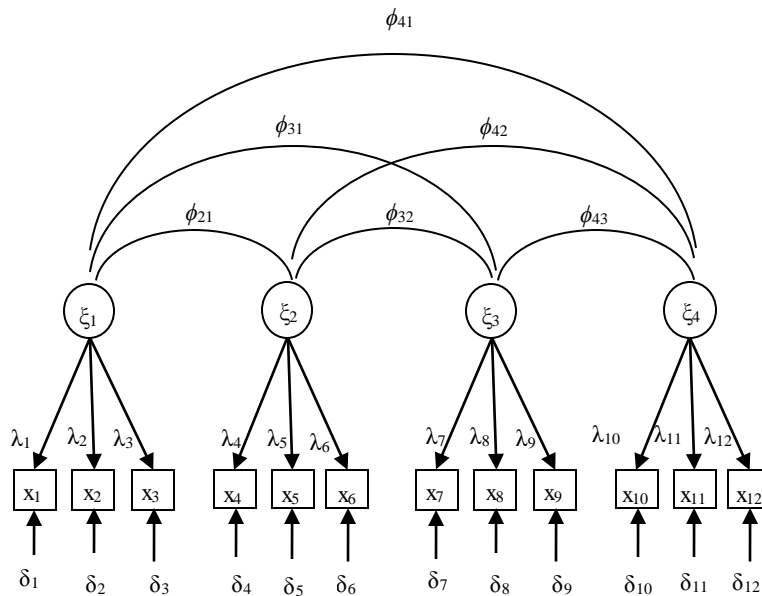


Figure 1. A model of confirmatory factor analysis for four latent variables and twelve indicators (model 1)

4. Data Analysis and Discussion

Firstly, the adequacy of the sample for the factor analysis was checked. Recommended measures for this purpose are KMO and Bartlett's Test of Sphericity. The world-over accepted value for KMO is over 0.6. The result of the Bartlett's Test of Sphericity must be less than 0.05. The values of KMO (0.798 for model 1 and 0.737 for model 2) and of the Bartlett's Test of Sphericity ($p=0.000$ for both models) justify the factor analysis. Table 2 presents the results of the analysis of reliability of particular dimensions of consumer social responsibility, indicating two measures: Dillon-Goldstein's (or Jöreskog's) rho (composite reliability) and Cronbach's alpha (internal consistency). Additionally, the Table 2 presents the *average inter-correlation* among the items – depending on the number of adopted scale items per one dimension.

The principal component analysis with varimax rotation allowed to confirm the theoretical factor structure of both models. Table 3 presents the obtained fit indices for the particular models of confirmatory factor analysis. High levels of fitness to data are confirmed, among others, by the following statistics: $p>0.05$ for Chi-square; $Ch^2/df < 2$; RMSEA below 0.5; GFI and AGFI close to 0.95; and value 1 for Bentler-Bonett normed index and Bentler-Bonett non-normed index (Rencher and Christensen, 2012, pp. 489-191). The data fitted the model 2 (taking account of two indicators for each latent variable) well, the model 1 (with 3 indicators) - reasonably. Correlation coefficients between legal and local dimensions turn out to be statistically insignificant. The highest correlation for model 2 is recorded for environmental and health dimensions (0.650) and health and local dimensions (0.615).

Number of indicators describing one dimension	Statistical characteristics of the model	Dimension			
		Environmental	Health	Legal	Local
1	2	3	5	5	6
Three	RHO	0.7753	0.8176	0.8055	0.7487
	<i>Cronbach's alpha</i>	0.7762	0.8000	0.7625	0.8257
	The average inter-correlation among the items	0.5403	0.5815	0.6196	0.6188
Two	RHO	0.7597	0.8113	0.7751	0.8178
	<i>Cronbach's alpha</i>	0.7364	0.8107	0.7793	0.8127
	The average inter-correlation among the items	0.5841	0.6819	0.6402	0.6904

Table 2. The reliability of consumer social responsibility dimensions considered in the analysis, depending on the number of indicators

Convergent and discriminant validity is confirmed by relevant correlation matrices. Both types of validity are confirmed for model 2. In the case of model 1, the only doubt is aroused by the health dimension. The item marked in Table 1 as x_6 has higher correlation with x_1 (Pearson's correlation coefficient 0.522) from the environmental dimension than with x_4 (Pearson's correlation coefficient 0.421), belonging to the same dimension.

Specification	Number of indicators describing one dimension	
	three (model 1)	two (model 2)
1	3	4
Chi ²	125.520	23.090
df	48	14
p	0.000	0.059
Chi ² /df	2.62	1.65
RMSEA	0.086	0.057
GFI	0.910	0.972
AGFI	0.853	0.928
Bentler-Bonett Normed Fit Index (NFI)	0.886	0.963
<i>Bentler-Bonett Nonnormed Fit Index (BBNFI)</i>	0.897	0.969

Table 3. Fit indices values of four-dimensional models with different numbers of observable variables

The next step of the analysis aims to calculate average values for each dimension and model. It is justified by the high inter-correlation of theoretical dimensions (Table 1), as well as the recorded convergent and divergent validity. Using the new variables obtained in this way, the k-means cluster analysis was performed twice to achieve homogeneous groups with similar behaviors considered socially responsible. As few as two clusters bring satisfying results. *Analysis of variance* indicates that new variables differentiate the obtained clusters at the level $p=0.000001$.

Groups representing relatively high values in the assessment of particular dimensions are referred to as Responsible, while those with much lower values - Uncommitted. In model 1, 41% of respondents are Responsible, and 59% - Uncommitted. In the case of interpretation based on model 2, Responsible respondents account for approx. 50% of the total number of respondents, while Uncommitted ones represent the other half. Additionally, an analysis is carried out – based on 8 observable variables (model 2) – of the principal components, which

identifies 4 factors (uncorrelated continuous variables) corresponding to the theoretical dimensions. All together explain 83.3% of the total variance, and the last of them 10.0%. K-means clustering analysis based on these factors also identifies two homogenous groups (the variables differentiate the obtained clusters at the level $p=0.005$). In this case, Responsible consumers account for 62% of respondents (the remaining ones represent 38%). The charts of mean values for particular dimensions, based on raw data for the identified clusters, are presented in Fig. 2. The groups are marked in the following way:

- G1/3 – first cluster identified on the basis of model 1 (Uncommitted);
- G2/3 – second cluster identified on the basis of model 1 (Responsible);
- G1/2 – first cluster identified on the basis of model 2 (Uncommitted);
- G2/2 – second cluster identified on the basis of model 2 (Responsible);
- G1/PCA – second cluster identified on the basis of continuous variables determined by an analysis of the principal components (two indicators for one dimension - Uncommitted);
- G2/PCA – first cluster identified on the basis of continuous variables determined by an analysis of the principal components (two indicators for one dimension - Responsible).

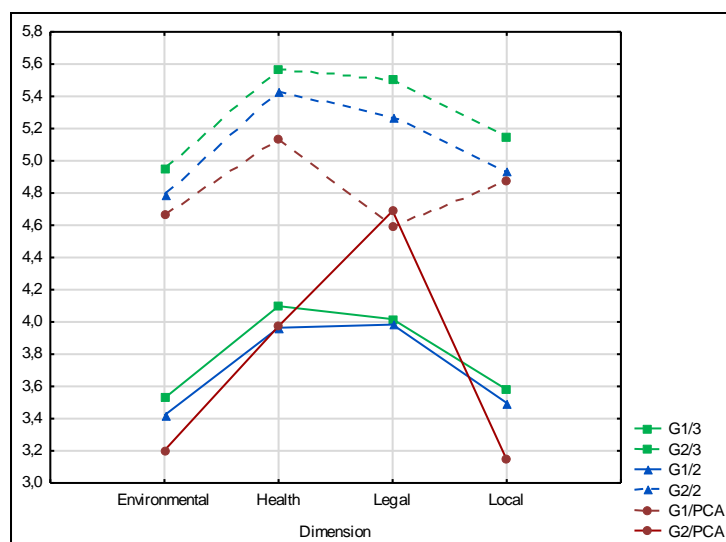


Figure 2. Charts of mean values calculated for the individual dimensions of socially responsible behaviour and each cluster

An analysis of data presented in Fig. 2 indicates that similar charts corresponds to those cases in which cluster analysis is carried out on the basis of data collected in a similar way. The use of two or three indicators describing a single dimension for this studies is of no significance. Taking account of data obtained from the principal component analysis leads to different results, especially in the case of the legal dimension, which can be surprising. In future research studies this dimension will deserve special attention, especially in the Polish environment.

The identification of the profiles of particular homogenous groups is facilitated by testing hypotheses about the lack of association between cluster membership and selected profile variables with the use of a *chi-squared* test for independence. Four demographic variables are considered, and 8 variables related to recycling. Table 4 only shows the results that confirm the association between two categorical variables at the level of $\alpha = 0.05$ in at least one of the analyzed cases.

The tested null hypothesis about the lack of association between identified clusters and:	Table size	Probability value for clusters obtained on the basis of		
		model 1	model 2	
		Average values on raw data	Average values on raw data	Artificial continuous data
1	2	3	4	5
Gender	2x2	p=0.0006	p=0.0923	p=0.8922
Professional status	2x3	p=0.0205	p=0.0170	p=0.0002
Declared financial condition	2x2	p=0.9729	p=0.0020	p=0.0037
Participation in the recycling of plastics	2x3	p=0.0338	p=0.0012	p=0.2549
Participation in collecting plastic bottle tops	2x3	p=0.0097	p=0.0280	p=0.9776
Delivery of used equipment to recycling centres	2x3	p=0.0002	p=0.0033	p=0.0003
The use of shopping bags made of fabric	2x3	p=0.0000	p=0.0128	p=0.0003

Table 4. Results of the verification of null hypotheses about the lack of association between cluster membership and selected profile variables

In the case of clusters identified in model 1, statistically significant differences are recorded for 4 variables (table 4, row 3), including one demographic variable - gender. An analysis of clusters identified in model 2 (table 4, row 4) identifies 6 similar cases. Two of them refer to demographic variables: professional status and perceived financial condition. In the third case (clusters identified on the basis of continuous variables obtained from the analysis of the principal components according to model 2, row 5) statistically significant differences are recorded for 4 variables, including two demographic variables – professional status and perceived financial condition.

The analysis also aims to describe those consumer values that differentiate the identified clusters. A t-test is carried out for independent groups. Null hypotheses about the lack of differences between relevant mean values are tested. The obtained results are presented in Table 5.

The basic Schwartz values	Symbol of a Group*					
	G1/3 Uncommitted	G2/3 Responsible	G1/2 Uncommitted	G2/2 Responsible	G1/PCA Uncommitted	G2/PCA Responsible
	N=119	N=83	N=100	N=102	N=76	N=126
1	2	3	4	5	6	7
Benevolence	8.68	9.34	8.83	9.07	9.13	8.84
Universalism	7.41	8.58	7.51	8.26	7.71	8.00
Self-Direction	7.84	8.77	8.00	8.44	8.13	8.28
Stimulation	6.26	6.41	6.17	6.47	5.61	6.75
Hedonism	6.23	6.27	6.22	6.26	5.67	6.59
Achievement	7.82	7.55	7.76	7.66	7.72	7.70
Power	5.40	4.73	5.48	4.78	5.09	5.15
Security	8.53	9.17	8.82	8.76	8.91	8.72
Conformity	7.61	8.53	7.47	8.50	7.59	8.23
Tradition	6.45	7.77	6.53	7.45	6.64	7.21

* Markings of groups are as in Fig. 2.

Table 5. Mean values obtained for basic Schwartz values

Statistically significant differences are marked. Results in rows 2-3, and 4-5 seem to be more logical than in the case of the use of PCA (rows 6-7).

The typology of Polish consumers is based on the model which fits the data best (model 2). Table 6 presents data characterising two types of Polish consumers: Responsible and Uncommitted. The group of socially responsible consumers is represented by approx. 67% of white collar workers. Unfortunately, the share of students in this group is low as compared with the group of Uncommitted consumers. Responsible consumers declare more frequently that their financial condition is good or very good (61% and 39%, respectively). 69% of the members of this group regularly recycle plastics. Responsible consumers (as a matter of principle) collect plastic bottle tops and deliver used equipment to recycling centres. Also, they carry their own shopping bags made of fabric (62%). The identified groups of consumers in the field of recycling are best characterized by the activities which they never engage in: Uncommitted consumers (29%) never collect bottle tops to raise funds for children with disabilities, they do not deliver used equipment to recycling centres (34%), and they do not use their own shopping bags made of fabric (34%).

Profile variable	Group	
	G1/2 - Uncommitted	Group G2/2 - Responsible
Professional status		
High school/college student	31.46%	16.49%
White collar worker	47.19%	67.01%
Blue collar worker	21.35%	16.49%
Declared financial condition		
Average	61.00%	39.22%
Good or very good	39.00%	60.78%
Recycling of plastics		
From time to time	54.00%	31.37%
Yes, always	46.00%	68.63%
Collection of plastic bottle tops		
No	29.00%	13.73%
Yes, from time to time	28.00%	31.37%
Yes, always	43.00%	54.90%
Delivery of used equipment to recycling centres		
No	34.00%	13.73%
Yes, from time to time	24.00%	31.37%
Yes, always	42.00%	54.90%
The use of shopping bags made of fabric		
No	34.00%	20.59%
Yes, from time to time	33.00%	26.47%
Yes, always	37.93%	62.07%

Table 6. Polish consumer profiles with regard to socially responsible behaviour

Neither group of consumers is well-informed. 52% of Uncommitted consumers are not familiar with the concept of Fair Trade (48% of Responsible consumers). The Fair Trade label is recognised by 5% of Uncommitted and 15% of Responsible consumers.

Conclusions

The paper aims to present a typology of Polish consumers with regard to their socially responsible behaviour. The adopted measuring scale comprises 4 narrowly defined dimensions: environmental, health, legal and local. The model which fits the data best is a basis for identifying two types of respondents: Responsible and Uncommitted. Responsible consumers are more active and inclined to make an effort. The fact that Responsible consumers are more concerned with other people's interests is also confirmed by their respect for such values as universalism, conformity and tradition, unlike power. Special attention should be given in the future to the legal aspect of the discussed issues (which turns out to be significant in the context of results of the principal component analysis) and ethical dimension. It is worth noting that

scale items of the legal dimension focus on consumers' acceptance of the cases of law breaking. This information is of key significance to marketing managers, as well as social and consumer organizations and politicians. Undoubtedly, the deficiency of the presented data results from a small sample of respondents. Work in this area is continued, and it can be hoped that it will lead to a more detailed typology of Polish consumers and a better understanding of the factors which affect socially responsible decisions.

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Measuring Sustainable Development. Challenges and Solutions

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Abstract

In this paper, the authors present a framework for defining the term 'Corporate Sustainability Performance' (CSP) and a method for measuring it. In this framework, which is based on RobecoSAM's methodology and the Dow Jones Sustainability Index, CSP is a multidimensional construct that has three dimensions - economic, social and environmental. Each dimension comprises a number of factors (91 in total) that should be measured. These factors have various weights and some of them are industry-specific. Based on data collected from RobecoSAM (2015, 2016a), the authors created a database with the 59 industries represented in DJSI, and calculated the importance of each factor, according to its average weight for all industries combined (AV). Then, based on the set of factors that are specific to each industry, the authors calculated the weight of each of the three CSP dimensions for each industry. These weighting factors are used as parameters in the equation that the authors propose for the measurement of CSP.

Key words: Corporate Sustainability (CS), Corporate Sustainability Performance (CSP), Dow Jones Sustainability Index DJSI).

JEL classification: M10, M14, Q50, Q56.

1. Introduction

For more than 25 years, researchers have been studying the relationship between the 'corporate sustainability performance' of a firm (CSP) and its financial performance. Some researchers have found a positive relationship and others have found a negative relationship. However, others found no relationship at all. The fact is that scholars who have attempted to measure the 'CSP' concept have heterogeneous backgrounds, including management, sociology, environmental sciences, social work, etc. Each of them measured this concept by using one or more metrics with which he or she was most familiar. Accordingly, they use different frameworks, constructs and variables, and obtained contradictory results. These contradictory results can be explained by "a low construct validity of the models" (Orlitzky et al., 2011, p. 16) and "a serious problem that has plagued researchers to date: the problem of measuring" (Waddock and Graves, 1997, p. 304). This paper discusses these specific weaknesses in the academic literature in management and proposes a broad conceptual framework for the measurement of CSP, which is based on RobecoSAM's methodology and the Dow Jones Sustainability Index. Launched in 1999 and now in its 18th year, DJSI uses RobecoSAM's methodology, which has proved to be a credible measurement tool of corporate sustainability. Our framework combines the extensive knowledge of index-based concepts of the S&P Dow Jones Indices with the resources and capabilities for sustainable investment of the RobecoSAM organization.

2. Literature review

This Section presents the basic concepts related to corporate sustainability and emphasizes the main controversies and debates over the definitions of the concepts and the various ways to measure them.

The term 'Corporate Sustainability' (CS) emerged in the early 1990s, suggesting that

companies should develop strategies that make their local and short-term goals consistent with society's global and long-term goals (Costanza, 1991). The set of the 'three pillars of sustainability' at the corporate level (the economic, social and environmental dimensions of the CS) is termed 'Triple Bottom Line' and refers to all strategic initiatives of a firm that are designed to improve its corporate sustainability performance (CSP) and to reduce the related costs of its products and processes (Dyllick & Hockerts, 2002). Table 1 presents some of the CSP constructs that have been proposed by the authors of 186 empirical or theoretical articles that are reviewed in this paper.

Economic factors
<ul style="list-style-type: none"> ▪ Innovation capacity, product stewardship and product differentiation (e.g., McWilliams and Siegel, 2001; Mackey et al., 2007; Hart, 1995; McWilliams et al., 2006; Barin Cruz and Boehe, 2010) ▪ Good governance systems and stakeholder management - including employees' satisfaction, shareholder activism and protection of minority shareholders (e.g., Barnett, 2007; Jansson, 2005) ▪ Firm's reputation – firm's rank in Forbes List (e.g., Hart, 1995; Orlitzky, 2001) ▪ Good practices in Supply Chain Management (Searcy, 2009; Porter and Kramer, 2006) ▪ Social Investment, including socially conscious investors (Clarkson, 1995; Mackey et al., 2007) ▪ The economic value created by the firm (Dyllick and Hockerts, 2002) ▪ Business ethics and code of ethics (e.g., Andriof and Waddock, 2002; Porter et Kramer, 2006) ▪ Risk Management process (e.g., Castello Branco and Rodrigues, 2007) ▪ Financial reporting with emphasis on sustainable development (e.g., Porter and Kramer, 2006)
Environmental factors
<ul style="list-style-type: none"> ▪ Eco-efficiency (e.g., Wagner, 2005; Qian, 2012) ▪ Water and energy consumption-(e.g., Hart, 1995; Andriof and Waddock, 2002) ▪ The effects of pollution (e.g., Qian, 2012; Stanwick and Stanwick, 1998) ▪ Waste management, including recycling and disposal (e.g., Hart, 1995) ▪ Environmental ratings and environmental audit (e.g., Ambec and Lanoie, 2008). ▪ Intensity of green innovation (e.g., Aguilera-Caracuel and Ortiz-de-Mandojana, 2013)
Social factors
<ul style="list-style-type: none"> ▪ Training and continuing education (e.g., Porter and Kramer, 2006; Clarkson, 1995) ▪ Employee retention rate and career planning (Clarkson, 1995) ▪ Management compensation program based on SD indicators (e.g., Porter and Kramer, 2006) ▪ Unfair dismissal proceedings (e.g., Clarkson, 1995; Porter and Kramer, 2006) ▪ Discriminatory vs non-discriminatory policies (e.g., Hillman and Keim, 2001) ▪ Presence of women on steering committees (Porter & Kramer, 2006) ▪ Workplace safety - workplace accident rate (e.g., Abowd et al., 1990; Porter and Kramer, 2006) ▪ Philanthropic contributions -amount per dollar of sale or of net profit (e.g., Branco and Rodrigues, 2007; Orlitzky, 2001; Clarkson, 1995; Andriof and Waddock, 2002). ▪ Reduction of social exclusion (e.g., Andriof and Waddock, 2002; Hillman and Keim, 2001) ▪ Social reporting - number of social initiatives reported by the firm and others (e.g., Orlitzky, 2011)

Table 1. Various CSP metrics proposed by researchers: a review of 186 academic articles

Source: the authors

Table 1 shows that researchers did not reach a consensus on the components of each pillar (Dumitriu, 2017). For instance, the economic pillar can be the "product and process stewardship" (Hart, 1995), the economic value created by the firm (Dyllick and Hockerts, 2002), or the competitive advantage that a company could acquire by environmental and social differentiation (Barin Cruz and Boehe, 2010). The same lack of consensus amongst researchers is revealed by the academic articles that focus on the social pillar of the CS (Dumitriu, 2017). For example, according to Steurer et al. (2005), research on this pillar should focus on the relationship between the company's Board of Directors and its stakeholders. However, according to Dyllick and Hockerts (2002), this pillar is about the enhancement of social wellbeing through corporate philanthropy.

Figure 1 is a symbolic representation of the research undertaken by scholars for measuring CSP with the goal of studying the relationship between corporate sustainability performance (CSP)

and financial performance (CFP).

CSP (Corporate Sustainability Performance)

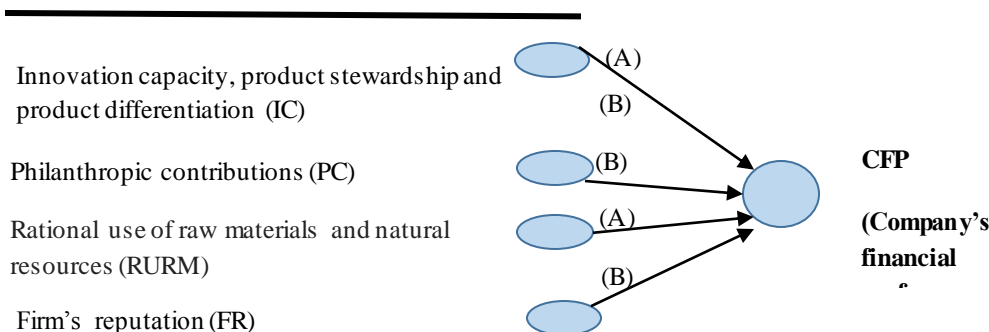


Figure 1. The state of CSP research: A symbolic representation

Source: the authors

In this figure, a hypothetical researcher “A” assumes that CSP is a combination of two factors, IC (an economic factor) and RURM (an environmental factor). With this assumption, researcher “A” measures CSP and CFP for each firm in his sample. He then tests the hypothesis that “CSP is correlated positively with financial performance (CFP)”. He then finds a positive relationship. However, for researcher “B”, sustainability is a synonym for the firm’s philanthropic actions (PC), its reputation (FR) and its capacity for innovation (IC). He conducts the same test as researcher “A”, but uses different constructs than those used by A (namely, PC, FR, and IC). Then, he translates these constructs into variables that he measures. He finds a negative relationship between CSP and CFP. Moreover, for the measurement of IC, researcher “A” uses the R & D expense to develop eco-responsible products, whereas researcher “B” uses the number of patents in the field obtained by the firms in the sample. Each researcher has measured a different multidimensional construct, which, in his mind, is a synonym for CSP.

There are four main reasons why researchers obtained contradictory results. They are that: (a) there is a lack of consensus on the definition of this concept, (b) they measure only some CSP factors and ignore others, (c) those researchers who use a multidimensional construct to measure CSP assume that its components have equal weights (i.e., they are equally important) and (d) most of them used multi-industry firms in their sample, by assuming that the relationship CSP-CFP does depend on the industry. The fact is that “measurement problems in the literature may be at least as severe as the data analysis weaknesses” (Orlitzky et al., 2011, p. 16). Moreover, “it is impossible to measure what we cannot define and, as long as we use different definitions, we will get empirical results that cannot reliably be compared” (McWilliams et al., 2006, p.10).

3. Research Framework

In this article, the authors propose a framework for measuring the CSP, which is rooted in RobecoSAM’s methodology and the S&P Dow Jones Indices (Figure 2). DJSI methodology has proved its validity as the index has been used since 1999. Moreover, “because ‘What gets measured, gets done,’ the managers will be motivated to increase long-term shareholder value by integrating economic, environmental and social factors in their business strategies (SAM Indexes GmbH., 2015). This index comprises 1994 companies in 59 industries and 91 criteria to assess CSP (RobecoSAM, 2015; 2016a). In this framework, CSP is a multidimensional construct that is measured by a composite indicator, which has three dimensions (economic, social, and environmental). A composite indicator or synthetic index is “an aggregate of all dimensions, individual indicators and variables used to measure them” (OCDE, 2008, p.51).

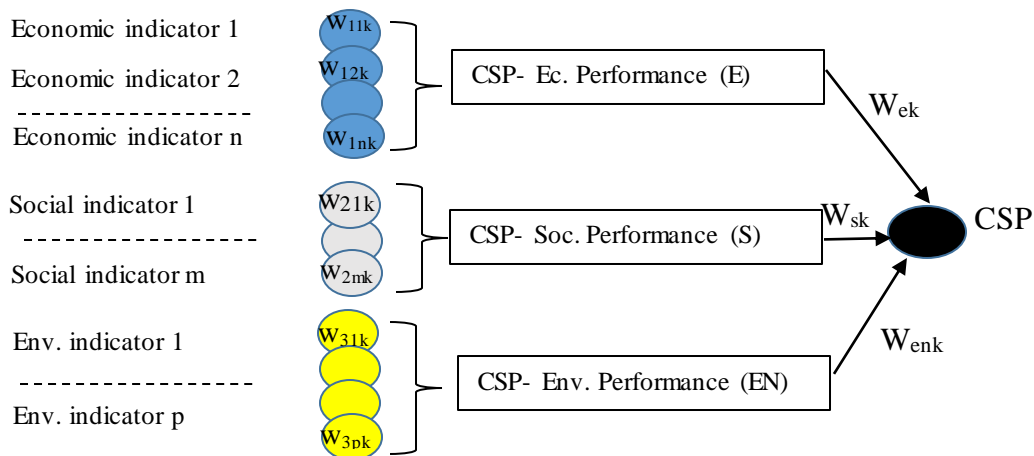


Figure 2. A Framework for measuring CSP

Each dimension of this framework is composed of a certain number of individual indicators (called factors), which provide the basis of evaluation of that dimension. The problem with such a composite index consists in deciding whether a specific factor should be included in the overall composite index and, if included, with which weight. Is this indicator equally important, more important or less important than another individual indicator that also is qualified for inclusion in the CSP composite index? Also, how many individual indicators should be included in each dimension? For instance, in Figure 1, which provides a few examples of the state of research in the field, one can question the decision of researchers A and B to include only two and three individual indicators respectively in the measurement of CSP. Do these indicators have sufficient explanatory power?

In our framework, n is the number of individual economic indicators, m is the number of social indicators and p is the number of environmental indicators. Once the representative indicators have been selected, a weight must be assigned to each (w_{ijk}). The weight of a certain factor represents its “importance” and is called “importance coefficient” (OCDE, 2008).

4. Database design, Sample and Equations Used

The framework in Figure 2 was used for collection of raw data from DJSI & RobecoSAM (2015; 2016a). The sample includes the 59 industries that are represented in the DJSI. Table 2 shows the structure of the database that we have created. The data collected for each industry includes: (a) the number of DJSI companies in that industry, (b) the list of DJSI individual indicators to be included in each dimension (in total, there are 91 individual indicators, of which 37 are economic factors, 27 are social factors and 27 are environmental factors), and; (c) the importance coefficient of each of the individual indicators for each industry (w_{ijk}).

Based on this data, the authors have calculated: (a) the weight of each industry, W_k (the number of companies in that industry divided by the total number of companies in DJSI); (b) the weight of each dimension - economic, social and environmental - for each industry k (W_{ek} , W_{sk} , and W_{enk}) and; (b) the weighted average AV for each of the 91 individual indicators (of all industries combined).

Industry (number of companies listed) and individual indicators (factors)	Industry 1 N1	Industry 2 N2	k Nk	Industry 59 N59	Weighted average (all industries combined): to be calculated
Economic factor 1.1	W_{111}	W_{112}	W_{11k}	W_{11-59}	AV_{11}
Economic factor 1.2	W_{121}	W_{122}	W_{12k}	W_{12-59}	AV_{12}
.....					
Economic factor 1.n	W_{1n1}	W_{1n2}	W_{1nk}	W_{1n-59}	AV_{1n}
The weight of the econ. dim. in each industry (to be calculated)	We_1	We_2	We_k	We_{59}	
Social factor 2.1	W_{211}	W_{212}	W_{21k}	W_{21-59}	AV_{21}
Social factor 2.2	W_{221}	W_{222}	W_{22k}	W_{22-59}	AV_{22}
.....	
Social factor 2.m	W_{2m1}	W_{2m2}	W_{2mk}	W_{2m-59}	AV_{2m}
The weight of the social dim. in each industry (to be calculated)	Ws_1	Ws_2	Ws_k	Ws_{59}	
Environmental factor 3.1	W_{311}	W_{312}	W_{31k}	W_{31-59}	AV_{31}
Environmental factor 3.2	W_{321}	W_{322}	W_{32k}	W_{32-59}	AV_{32}
.....	
Environmental factor 3.p	W_{3p1}	W_{3p2}	W_{3pk}	W_{3p-59}	AV_{3p}
The weight of the env. dim. in each industry (to be calculated)	W_{en1}	W_{en2}	W_{enk}	W_{en59}	
TOTAL ($W_{ek} + W_{sk} + W_{enk}$)	100	100	100	100	

Table 1. Database design (© Camelia Dumitriu)

Equation 1 represent the CSP construct to be measured.

(1) $CSP_F = W_{ek} * E_F + W_{enk} * ENV_F + W_{sk} * S_F$, where:

$$(2) \begin{cases} E_F = W_{11k} * E_{1F} + W_{12k} * E_{2F} + \dots + W_{1nk} * E_{nF} \\ S_F = W_{21k} * S_{1F} + W_{22k} * S_{2F} + \dots + W_{2mk} * S_{mF} \\ ENV_F = W_{31k} * E_{n1F} + W_{32k} * E_{n2F} + \dots + W_{3pk} * E_{npF} \end{cases}$$

• W_{ek} , W_{enk} , and W_{sk} are the weights that apply to industry k

• w_{ijk} is the weight of the individual indicator [j] that is part of dimension [i] for a given industry [k];

• i varies from 1 to 3 (1 stands for “economic dimension,”; 2 designates “social dimension” and 3 represents

E_F is the aggregated economic score of the firm [F] and is related to its economic sustainable initiatives. These initiatives (E_1, E_2, \dots, E_n) are called “economic factors.” Each has a specific weight for a given industry k ($w_{11k}, w_{12k}, \dots, w_{1nk}$).

S_F is the aggregated social score of the firm [F] and is related to its social initiatives. These initiatives (S_1, S_2, \dots, S_m) are called “social factors.” Each has a specific weight for a given industry k ($w_{21k}, w_{22k}, \dots, w_{2mk}$).

ENV_F is the environmental score of the firm [F] and is related to its environmental sustainable initiatives. These initiatives ($E_{n1}, E_{n2}, \dots, E_{np}$) are called “environmental factors.” Each has a specific weight for a given industry k ($w_{31k}, w_{32k}, \dots, w_{3pk}$).

There are, in total, 91 factors (“individual indicators”). However, some of them are representative for the CSP of the firms in a certain industry, but not for those in other industries. For example, of the 37 economic factors, only a few will be significant for a given industry k. The following notations are used in our model:

- n_k is the number of economic factors that are relevant for the CSP of firms in industry k. It varies from 6 to 11, depending on the industry.
- m_k is the number of social factors that are relevant for the CSP of firms in industry k. It varies from 6 to 11, depending on the industry.

- p_k is the number of environmental factors that are relevant for the CSP of firms in industry k . It varies from 3 to 9, depending on the industry.
- Equations (3), (4) and (5) were used to calculate the weight of each of the three dimensions of CSP for each of the 59 industries in the DJSI (namely, W_{ek} , W_{sk} and W_{en}).

$$(3) \left\{ \begin{array}{l} w_{e1} = \sum_{j=1}^{n1} w_{1j1} \\ w_{e2} = \sum_{j=1}^{n2} w_{1j2} \\ \dots \end{array} \right. \quad (4) \left\{ \begin{array}{l} w_{s1} = \sum_{j=1}^{m1} w_{2j1} \\ w_{s2} = \sum_{j=1}^{m2} w_{2j2} \\ \dots \end{array} \right. \quad (5) \left\{ \begin{array}{l} w_{en1} = \sum_{j=1}^{p1} w_{3j1} \\ w_{en2} = \sum_{j=1}^{p2} w_{3j2} \\ \dots \end{array} \right.$$

The set of equations (6) was used to calculate a weighted average for each of the 91 individual indicators

$$(6) \left\{ \begin{array}{l} AV_{11} = \sum_{k=1}^{59} (W_k * W_{11k}) \\ AV_{12} = \sum_{k=1}^{59} (W_k * W_{12k}) \\ \dots \end{array} \right. \left\{ \begin{array}{l} AV_{21} = \sum_{k=1}^{59} (W_k * W_{21k}) \\ AV_{22} = \sum_{k=1}^{59} (W_k * W_{22k}) \\ \dots \end{array} \right. \left\{ \begin{array}{l} AV_{31} = \sum_{k=1}^{59} (W_k * W_{31k}) \\ AV_{32} = \sum_{k=1}^{59} (W_k * W_{32k}) \\ \dots \end{array} \right.$$

In equations (6), the following notations have been used:

- W_k ($k = 1, 2, \dots, 59$) is the weight of each industry and it has been calculated by dividing the number of companies in each DJSI industry by the total number of DJSI companies. This weight varies between 0.2% and 6.32%, with $\sum_{j=1}^{59} k_j = 100\%$.
- AV_{1j} is the weighted average of the j -th individual indicator of the economic dimension across all industries (w_k are the weighting factors; $k=1\dots 59$; $n = 1\dots 37$).
- AV_{2j} is the weighted average of the j -th individual indicator of the social dimension across all industries; (w_k are the weighting factors; $k=1\dots 59$; $m = 1\dots 27$).
- AV_{3j} is the weighted average of the j -th individual indicator of the environmental dimension across all industries (w_k are the weighting factors; $k=1\dots 59$; $p = 1\dots 27$).

5. Results and discussion

Since the weight of each individual indicator that was collected from RobecoSam (2015) varies by industry, the weight of each dimension in the measure of CSP will depend on the industry. Table 2 presents a selection of data in our database for two industries. Seven economic factors are representative (non- null) for the CSP measure of the companies that operate in the aluminum industry, whereas ten factors are representative for banks' CSP. According to the data in Table 2, there is a total of 20 factors for companies in the aluminum industry that determine CSP ($n_A = 7$, $m_A = 8$, and $p_A = 5$) and 23 factors for banks ($n_B = 10$, $m_B = 9$ and $p_B = 4$). Some factors in each of the three dimensions are common to both of these two industries (e.g., CCC, SI and ER), whereas others are specific to each industry (e.g., FSSR applies to the banking sector, but not to the aluminum industry). Even if a certain factor is considered to be representative in measuring CSP, it does not necessarily mean that it is equally important for all companies in all industries. In fact, its weight depends on the industry. For example, human capital development (HCD), which is part of the social dimension of CSP, has a weight of 6% for a bank, but only 4% for an aluminum producer. According to our theoretical model in Table 1, one can say that, according to data collected from RobecoSam (2015), $w_{211} = 4\%$ and $w_{212} = 6\%$.

		Aluminum (k=1)	Banks (k=2)
Econ. (i=1)	1.1 Anti-crime Policy/Measures (ACM)	DNA	4%
	1.2 Brand Management (BM)	DNA	3%
	1.3 Financial Stability and Systemic Risk (FSSR)	DNA	4%
	1.4 Codes of Conduct; Compliance; Corruption (CCC)	5%	7%
	1.5 Corporate Governance (CG)	4%	7%
	1.6 Customer Relationship Management (CRM)	4%	6%
	1.7 Payment Transparency (PT)	3%	DNA
	1.8 Business Risks and Opportunities (BRO)	DNA	9%
	1.9 Risk & Crisis Management (RCM)	4%	6%
	1.10 Supply Chain Management(SCM)	3%	2%
	1.11 Tax Strategy- aggressive taxation policies (TS)	2%	2%
	Economic Dimension (Total)	25%	50%
Social (i=2)	2.1 Human Capital Development (HCD)	4 %	6 %
	2.2 Labor Practice Indicators and Human Rights(LP)	4 %	5 %
	2.3 Occupational Health and Safety(OHS)	9 %	3 %
	2.4 Financial Inclusion(FI)	DNA	3 %
	2.5 Controversial Issues in Lending / Financing(CI)	DNA	4 %
	2.6 Social Impacts on Communities (SI)	6 %	DNA
	2.7 Social Reporting(SR)	5 %	4 %
	2.8 Stakeholder Engagement(SM)	6 %	2 %
	2.9 Talent Attraction & Retention(TAR)	3 %	6 %
	2.10 Corporate Citizenship and Philanthropy(CP)	4 %	3 %
	Social Dimension (Total)	41%	36%
Env. (i=3)	3.1 Water Related Risks(WR) (j=1)	5 %	0 %
	3.2 Climate Strategy (CS)	9 %	4 %
	3.3 Environmental Reporting(ER)	5 %	4 %
	3.4 Environmental Policy/Management System(EP)	6 %	3 %
	3.5 Operational Eco-Efficiency(OEE)	9 %	3 %
	Environmental Dimension (Total)	34%	14%
TOTAL (Economic + Social + Env.)		100%	100%

Table 2. An example of raw data that was collected in our database

Source: Data collected from RobecoSAM (2015) and authors' calculations for the weight of each dimension

As the data in Table 2 show, 25 percent of the total number of factors that determine CSP in the aluminum industry are economic factors, 41 percent of them are social factors and 34% of them are environmental factors. However, in the banking sector, the contributions of these three CSP dimensions are 50 %, 36% and 14% respectively. According to these results, the CSP of a given firm F in the aluminum industry should be calculated with equation (7), but that of a bank, with equation (8).

$$(7) \text{ CSP}_F = 0.25 * E_F + 0.41 * S_F + 0.34 * E_{nF} = (0.05 * CCC_F + \dots + 0.02 * TS_F) + (0.04 * HCD_F + \dots + 0.04 * CP_F) + (0.05 * WR_F + \dots + 0.09 * OEE_F)$$

$$(8) \text{ CSP}_B = 0.5 * E_B + 0.36 * S_B + 0.14 * E_{nB} = (0.03 * ACM_B + \dots + 0.02 * TS_B) + (0.06 * HCD_B + \dots + 0.03 * CP_B) + (0.04 * CS_B + \dots + 0.093 * OEE_B)$$

The most significant factors for each dimension (all industries combined) and which have been calculated with the set of equations (6), appear in Table 3. The results for all of the 59 industries, which were calculated with equations (3), (4) and (5) are shown in Table 4.

Economic factors (all industries combined) : AV_{1j}		Environmental factors (all industries combined) : AV_{3j}		Social factors (all industries combined): AV_{2j}	
Corporate Governance	5.61%	Operational Eco-eff.	6.51%	Talent management	5.58%
Codes of Conduct	5.37%	Env. Management	4.56%	Labor Practices and Human Rights	5.56%
Risk & Crisis Management	5.22%	Env. Reporting	4.25%	Human Capital Dev.	5.20%
Supply Chain Management	4.58%	Climate Strategy	3.81%	Health and Safety	5.19%
CRM	4.53%	Product Stewardship	1.97%	Social Reporting	3.86%
Innovation Management	2.59%	Water Related Risks	1.10%	Stakeholder Man.	3.37%
Tax Strategy	1.98%	Biodiversity	0.59%	Corporate Citizenship and Philanthropy	3.19%
Strategy for Em.Markets	0.92%	Environmental Risks and Opportunities	0.44%	Social Impact on Communities	0.78%
Privacy Protection	0.54%	Building Materials	0.37%	Health Contribution	0.29%
Marketing Practices	0.47%	Electricity Generation	0.34%	Controversial Issues Lending / Financing	0.14%
Others- less than 0.47% each	6.17%	Others- less than 0.34% each	2.87%	Others- less than 0.14% each	2.04%
Ec. Dimension: weight	37.98%	Env. Dimension: weight	26.81%	Social Dimension: weight	35.20%

Table 3. The top 10 factors in each dimension and their respective weights (all industries combined).

Source: authors' calculations

6. Conclusions

In this paper, the authors present a framework for measuring the CSP that is based on RobecoSAM's methodology (2015; 2016a) and the Dow Jones Sustainability Index. CSP is a multidimensional construct that has three dimensions (economic, social and environmental), each of which has a specific weight in the final measurement of CSP. Moreover, the weight of each dimension varies by industry.

We found that the weight of the economic dimension ranges from 23% (the coal and fuel industries, the linear aggregation method and the metal and mining industry) to 51% (Software, IT services, and Internet services), with a weighted average of 37.98% for all industries combined. The weight of the environmental dimension ranges from 10% (the pharmaceutical and biotechnology industries and healthcare equipment and supplies) to 40% (electric utilities and water services sectors), with a weighted average of 26.81% for all industries combined. Finally, the weight of the social dimension ranges from 25% (the semiconductor industry) to 51% (hotels, tourist resorts and cruise lines), with a weighted average of 35.2% for all industries combined. Each dimension is measured by a specific number of individual indicators or factors whose weights were collected from RobecoSam (2015). In total, there are 91 factors (37 economic factors, 27 social factors and 27 environmental factors) that must be measured. Their number and respective weights vary by industry. The top ten factors in each dimension (all industries combined) and their average weights are presented in Table 3. The scholars who wish to use this framework, should measure each indicator score (or variable) for firms in their sample and then make a transformation of data by using normalization methods, additive aggregation methods or an ordinal scale.

Usually, researchers use non-homogeneous samples (composed by firms that operate in different industries) to study the relationship between CSP and CFP. They cannot use raw data from RobecoSam. Instead, they could use the average importance coefficient of each factor, as calculated by the authors (weighted average, AV, see example in Table 3) and our equations to calculate the value of each CSP dimension. The authors will provide, on request, to all

researchers, the full set of values from which a sample is presented in Table 3. Alternatively, researchers who are able to directly assess the economic, social and environmental components of the CSP for companies composing their respective samples, could use our results in Table 4 and our equations to calculate CSP. Moreover, as our results show, any attempt to quantify CSP on the basis of arbitrary measures, without taking into account these specific factors for each industry and their weights, will produce biased results. Consequently, the specific sections of our database, for specific industries, can be obtained on request by a researcher who wishes to use a homogeneous sample.

This research is a work in progress and continues to evolve. The authors are working presently to put this framework to the test by using a sample of Nord-American firms in a specific industry. For each firm in this sample, the data for the measurement of the CSP have been collected by using this framework. The collected data will then be used to study the relationship between CSP and CFP.

Weights (in percentage)	We	Wen	Ws	Weights (in percentage)	We	Wen	Ws	Weights (in percentage)	We	Wen	Ws
AIR: Airlines	44	26	30	GAS: Gas Utilities	36	36	28	TCD Trade & Distribution	43	19	38
ALU: Aluminum	25	34	41	HEA: HealthCare Providers	38	14	48	TEX Textiles, Apparel & Luxury	38	21	41
ARO: Aerospace & Defense	41	24	35	HOM: Homebuilding	30	36	34	THQ Computers & Peripherals	41	30	29
ATX: Auto Components	27	37	36	HOU: Household Products	48	20	32	TLS Telecommunication Services	44	21	35
AUT: Automobiles	34	31	35	ICS: Commercial Services	35	26	39	TOB Tobacco	41	23	36
BLD Building Products	38	32	30	IDD: Industrial Conglomerates	39	31	30	TRA Transportation and infrastructure	29	28	43
BNK: Banks	41	23	36	IEQ: Machinery and El. Equipment	39	30	31	TRT Hotels, Resorts & Cruise	26	23	51
BTC: Biotechnology	46	10	44	IF: Life Sciences Tools & Services	45	10	45	TSV IT & Internet services	51	21	28
BVG: Beverages	46	26	28	INS: Insurance	35	26	39	FRP Paper & Forest Products	27	38	35
CHM: Chemicals	36	32	32	ITC: Electronic Equipment	39	31	30				
CMT: Communications Equip.	40	31	29	LEG: Leisure/ Consumer Electronics	41	30	29				
CNO: Casinos & Gaming	43	16	41	MINX: Metals & Mining	23	36	41				
COL: Coal & Consumable Fuels	23	36	41	MTC: Health Care Equipment	48	10	42				
COM: Construction Materials	32	36	32	MUW: Multi and Water Utilities	32	40	28				
CON: Construction & Eng.	30	38	32	OIE: Energy Equipment & Services	33	27	40				
COS: Personal Products	48	20	32	OIX: Oil & Gas	37	30	33				
CSV: Diversified Consumer Serv.	48	17	35	PIP: Oil & Gas Transportation	34	28	38				
CTR: Containers & Packaging	36	32	32	PRO: Professional Services	41	19	40				
DHP: Household Durables	46	25	29	PUB: Media	45	15	40				
DRG: Pharmaceutical and biotech.	45	10	45	REA: Real Estate	25	39	36				
ELC: Electric Utilities	32	40	28	REX: Restaurants & Leisure	36	19	45				
ELQ: Electrical Comp. & Equip.	38	31	31	RTS: Retailing	47	24	29				
FBN: Diversified Financial Serv.	41	23	36	SEM: Semiconductors	40	35	25				
FDR: Food & Staples Retailing	37	32	31	SOF: Software & related services	51	21	28				
FOA: Food Products	41	29	30	STL: Steel	26	34	40				

Table 4. The importance coefficient (the weight) of each dimension of the CSP, for each industry
Source: authors' calculations based on RobecoSam methodology (2015; 2016 a, b)

Acknowledgments/ Co-authorship

Camelia Dumitriu wrote the article, made the conception and design of the study and database, and designed the equations. Rachid Moustaqim conducted a review of the literature on the subject, collected the data, realized the database, and performed the calculations based on the predetermined equations - as part of his doctoral thesis (in progress). Both authors contributed to the analysis and interpretation of the data, and agreed on the final version of the manuscript.

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The Balanced Scorecard for Sustainability

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Abstract

Robert Kaplan and David Norton (1992), professors at Harvard Business School, were among the first researchers to emphasize that a firm's performance does not rely exclusively on financial measures. Their "Balanced Scorecard" (1992) includes financial measures and some operational measures related to customer satisfaction, innovation and other non-financial issues. After 2000, researchers and professionals became interested in other non-financial performance measures, such as the sustainability performance of the firm. This paper presents a balanced scorecard for sustainability (BSS) that provides senior executives with a set of measures for assessing the environmental and social performance of the firm. In order to design the BSS, the case study method (Yin, 2003) has been used. Data were collected from Danone Group's "Sustainability reports" for a ten year period (2006-2015). This Group is a champion of sustainable development, according to its "Dow Jones Sustainability Index" score. The BSS comprises 121 indicators and their metrics. These metrics are grouped into the seven following categories: (a) corporate governance and compliance, (b) eco-efficiency, (c) supply chain management, (d) involvement in the community, (e) human capital management, (f) product stewardship and customers, and (g) sustainability-related costs and financial performance. These indicators, their metrics and the merits and limitations of the BSS are discussed in the article.

Key words: Sustainable Development (SD), Balance Scorecard for Sustainability (BSS), Corporate Sustainability (CS), Corporate Sustainability Performance (CSP), Danone.

JEL classification: M10, M14, Q50, Q56.

1. Introduction

A survey by the Conference Board of Canada shows that companies' Boards of Directors are becoming increasingly interested in sustainability issues (Singer, 2012). It also reveals that almost 50% of the companies that were surveyed assigned specific responsibilities for the oversight of sustainability performance to the Board of Directors or one of its committees. These bodies must develop "mechanisms for tracking sustainability metrics," establish "targets to track performance against those metrics," and propose an executive compensation system that is based on both financial performance and sustainability performance (Singer, 2012).

This article presents a balance scorecard for sustainability (BSS) that enables managers to look at the business from seven different perspectives. They are: (a) corporate governance and compliance, (b) environmental management, (c) supply chain management, (d) involvement in the community (e) human capital management, (f) product stewardship and customers, and (g) sustainability-related costs and financial performance. Each of these perspectives involves specific indicators and their metrics. In total, 121 non-industry specific metrics are proposed in this article for the seven perspectives of the BSS.

2. Literature review

The term 'Corporate Sustainability' (CS) emerged in the early 1990s. It suggests that companies should develop strategies for responding to their stakeholders' present needs, while protecting and enhancing human and natural resources for the future (Steurer et al., 2005). Many scholars approach the topic of CS through the lens of the stakeholder management theory. The company's Board of Directors should improve the relationships with stakeholders

by an adequate processes of corporate governance (Steurer et al., 2005). According to Orlitzky (2011) and Clarkson (1995), stakeholder satisfaction contributes to the improvement of a firm's reputation and financial viability (Orlitzky, 2011). The competitive advantage that a firm could eventually gain by engaging repeatedly with its stakeholders "on the basis of mutual trust and cooperation" comes from reductions in agency costs, joint-production costs, and liability costs (Barnett, 2007; McWilliams et al., 2006). However, many issues of the stakeholder management theory remain unclear. How many stakeholder categories should a firm consider and how frequently should the Board of Directors engage with each of them, as such an initiative leads to higher transactions costs and higher complexity costs? Accordingly, to use the stakeholder model in management practices "it is important to have a clear idea of what we mean by stakeholders" (Jasson, 2005, p. 5). According to Freeman (2010), a stakeholder is any group or individual who (a) could benefit from, or be harmed by, the firm's actions, (b) may have specific claims against the firm, and (c) whose rights should be respected by the company. Moreover, according to this author, all stakeholder categories are equally important and "the management should keep the relationships among stakeholders in balance." However Fassin (2008) suggests that one should differentiate between stakeholders in the firm's immediate business environment (e.g., shareholders, employees, suppliers and customers) and those in the broader environment. Accordingly, the relationships with the various stakeholder groups should not be equally important, but should be tailored to the company's specific interests in each of them.

One important shareholder group is that of the firm's employees. Based on 92 empirical studies that examined the relationship between human resources policies and firm's financial performance, Bernstein and Beeferman (2015) conclude that "there is sufficient evidence of human capital materiality to financial performance." In this regard, Clarkson (1995) suggests that companies that invest in the development of training programs, career planning, occupational health and safety, employment equity and non-discriminatory policies, will gain a competitive advantage. However, Bernstein and Beeferman (2015, p.22) show that "some or even a significant number of companies might lose more than they gain from training programs," because training is expensive, the training programs are not always aligned with firm's strategy, and the employees do not necessarily utilize the knowledge that they acquired in the work that they perform.

The sustainable compliance programs represent the second important link between corporate governance and sustainability. These programs are triggered "by regulatory requirements and by how well businesses manage regulatory risks" (Kaminski et al., 2017). Some of these regulatory risks concern product safety, shareholder rights and occupational health and safety (Clarkson 1995).

For some other scholars, a high CSP is the result of a strategy of "product and process stewardship" that provides a means to improve a firm's reputation and reduce its liability (Hart, 1995). According to this approach to sustainability, products and processes that are designed with the intention of minimizing their environmental and social impact, can gain a differentiation-based advantage for the firm. This type of competitive advantage is defined in Porter (1985). However, Barin Cruz et al. (2015) extended the concept of differentiation from the product level to the firm level. Thus, a firm can differentiate itself from competitors through specific social and environmental initiatives "that are valued by its stakeholders." Examples include involvement in specific social projects for local communities. Branco and Rodrigues (2006, p. 123) argue that firms that "build community ties and become socially integrated" gain a competitive advantage.

With regard to environmental issues, the researchers agree on the main environmental initiatives that a firm should take, such as reducing pollution, recycling, and minimizing emissions and waste. Some scholars argue that firms that are able to build specific capabilities

in eco-efficiency could gain a competitive advantage (Hart, 1995; McWilliams et al., 2006). Most scholars do not appear to be interested in the topic of ‘cost-benefit analysis’ of sustainability-related initiatives. However, some critics argue that social ratings lack transparency (Chatterji et al., 2009) and that, “after more than thirty years of research, we cannot conclude whether a one-dollar investment in social initiatives returns more or less than one dollar in benefit to the shareholder” (Barnett 2007, p. 794).

3. Research Design

This study seeks to answer the following research question: “What are the relevant indicators for measuring sustainability and what metrics should a firm use to measure and monitor sustainability performance?” This research question must be operationalized into nominal categories of sustainability indicators and their metrics, for subsequent integration into the BSS. A balance scorecard is a tool that “provides senior executives with a comprehensive view of the business” and “a set of measures” to assess various dimensions of the firm’s performance (Kaplan and Norton, 1992). To design their balanced scorecard, Kaplan and Norton (1992) used the multiple-case study method, and collected data on the operational performance indicators monitored by twelve firms (e.g., innovation and customer relationship management). Following a similar research protocol, we used the case study method (Yin, 2003) and collected data from Danone’s sustainability reports, social reports and financial annual reports for a ten-year period (2006 to 2015). Danone has four divisions that operate in distinct business sectors, as follows: the “Fresh Dairy” division (49% of Danone’s sales in 2016), Danone Waters (23%), “Early Life Nutrition” (21%), and “Medical Nutrition” (7%) (Danone Annual Report, 2016). Danone can be considered to be a paradigmatic case. A case is said to be paradigmatic when it is the most representative one (“the exemplar”) for a certain class (Palys, 2008, p. 697). Danone released its first annual social and environmental responsibility report in 1998 and, for many consecutive years, has been a leader in sustainable development, according to the Dow Jones Sustainability Index scores, and various NYSE Euronext Vigeo indices.

During the pilot stage, the research design was descriptive (working through the text according to pre-established categories). Data has been collected and classified according to the research protocol into five nominal categories, which arose from the review of the literature: (a) corporate governance and stakeholder management, (b) environmental issues, (c) product and process stewardship, (d) human resource management, and (e) the community.

Both authors used the same research protocol and worked independently to collect data, using the Quantitative Content Analysis (QCA) method (Altheide, 1987). This method is recommended when the concepts “yield enumerative data for purposes of measurement” and are used to “verify or confirm hypothesized relationships” (Altheide, 1987, p. 68). After comparing their respective memos, the authors concluded that the QCA method helped greatly to capture the quantitative data, but not the relevant contextual data. Consequently, in the second stage of the process, an exploratory research design was adopted (an inductive approach for new category and sub-category development). Altheide’s (1987) Ethnographic Content Analysis method (ECA) was used to collect numerical and narrative data. This method permits the comparison of relevant “situations, settings, meanings and nuances” in order to obtain “categorical and unique data for every case studied” (Altheide, 1987, p.68). Accordingly, it was decided to not limit the collection of data to the initial pre-established categories, but to use a coding process that permitted new sub-categories to emerge. The final sample was a saturation sample. Seven core categories (main topics), 34 sub-categories or factors (grouped according to seven core categories) and 121 SD indicators and their metrics were discovered.

4. Results and discussion

4.1 The Balance Scorecard for Sustainability

Figure 1 presents the Balance Scorecard for Sustainability (BSS).

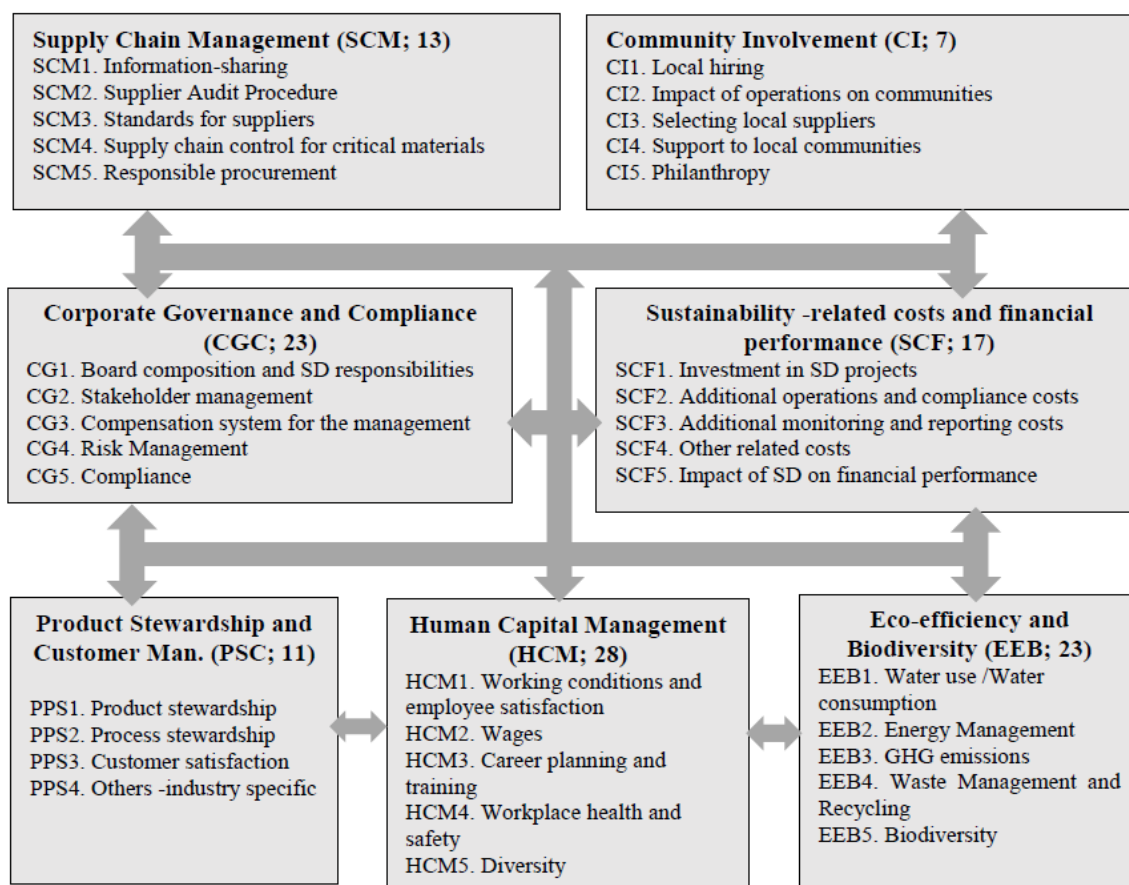


Figure 1. The Balanced Scorecard for Sustainability

Figures 2 to 4 present the 121 SD indicators and their metrics.

Corporate Governance and Compliance (CGC)	Supply Chain Management (SCM)
<p>CG1. The Board and its specific responsibilities</p> <p>1.1 Existence of a SD Committee, and clear responsibilities of its members 1.2 Clear statements of mission or values relevant to SD 1.3 Number of meetings per year 1.4 Number of reports produced per year 1.5 Number of projects monitored per year 1.6 Monitoring conflicts of interest and corruption: number of suspected and proven cases 1.7 Code of conduct and business ethics rules: number of issues addressed</p> <p>CG2. Stakeholder management</p> <p>2.1 Existence of a list comprising the stakeholder groups 2.2 Number of stakeholder groups and priorities assigned 2.3 Frequency of the relationships</p> <p>CG3. Compensation system for the management</p> <p>3.1 Linking rewards to financial, social and environmental performance measures 3.2 Number of variables measured, and their respective weights (importance) 3.3 Evaluation of each business units: number of criteria used, their relevance and their respective weights in the final score of the business unit</p> <p>CG4. Risk Management</p> <p>4.1 Existence of a Risk Committee 4.2 Percentage of business units analyzed for potential risks every year 4.3 Number of risk audits of internal units</p> <p>CG5. Compliance with...</p> <p>5.1 Environmental laws: number of fines and non-monetary sanctions, and value 5.2 Financial contribution to political parties and related institutions, by country: value 5.3 Product safety legislation: number of incidents of non-compliance with regulations 5.4 Product and service information and labeling: total number of incidents 5.5 Advertising and promotion legislation: total number of incidents 5.6 Data security regulation (privacy policy): total number of incidents (confidential data lost or stolen, or other security breaches) 5.7 Market and competition regulations - total number of legal actions and fines (\$)</p>	<p>SCM1. Information-sharing concerning social, environmental and ethical issues</p> <p>1.1 Number of self-declarations by suppliers concerning their SD related issues, exchanged annually through an information-sharing platform</p> <p>SCM2. Supplier Audit Procedure</p> <p>2.1 Percentage of suppliers that have undergone screening (audits) 2.2 Number of screening criteria and their relevance 2.3 Non-compliance issues found (percentage of total issues verified)</p> <p>SCM3. Standards for suppliers</p> <p>3.1 Environmental standards and number of incidents of non-compliance (preservation of resources; chemicals; climate change & greenhouse gases emissions; environmental management; animal testing) 3.2 Health and safety standards: number of incidents 3.3 Human rights standards (child labor; forced labor; discrimination; working hours): number of incidents 3.4 Business Ethics standards, including corruption and bribery: number of incidents</p> <p>SCM4. Supply chain control (chain-of-custody) for critical materials</p> <p>4.1 Number of critical resources 4.2 Industry specific indicators related to each critical resource</p> <p>SCM5. Responsible procurement</p> <p>5.1 Environmental and social issues associated with suppliers' intrinsic characteristics and origin 5.2 Number of responsible procurement criteria 5.3 Number of commitments or priority product categories</p>

Figure 2. CSP Metrics. CGC (23 metrics) and SCM (13 metrics)
 Source: the authors

Eco-efficiency and Biodiversity (EEB)**EEB1. Water use /Water consumption**

- 1.1 Water consumption: [volume of water removed from nature] minus [volume of water incorporated into products] (in thousands of m³)
- 1.2 Water use intensity in the production process (m³/ton of product)
- 1.3 Number of water sources that are significantly affected by firm's activity
- 1.4 Percentage and total volume of water recycled and reused, and;
- 1.5 Percentage of total industrial sites that are recycling used waters
- 1.6 Water treatment (DCO Milligram per liter of water)

EEB2. Energy Management

- 2.1 Direct energy consumption (in MWh) by primary energy source (natural gas, coal, thermal energy consumption (with steam))
- 2.2 Indirect energy consumption by primary source: electricity and thermal energy (with steam) (in MWh)
- 2.3 Energy consumption's intensity (in KWh/metric ton of product)
- 2.4 Number of initiatives to reduce indirect energy consumption
- 2.5 Energy saved due to these initiatives (in MWh, percentage of total)

EEB3. GHG emissions

- 3.1 SCOPE 1: direct and indirect greenhouse gas emissions (t CO₂ eq)
- 3.2 SCOPE 1, 2 and 3 (carbon footprint): ratio of total emissions t CO₂ equivalent per ton of production (market-based ratio)
- 3.3 Number of "SCOPE 3" initiatives
- 3.4 Number of external audits on GHG emissions

EEB4. Waste Management and Recycling

- 4.1 Number of categories of hazardous and non-hazardous industrial waste (number of triage and recycle centers; number of reports on waste data that were produced)
- 4.2 Materials used: by weight or volume and per 1000 tons of production
- 4.3 Percentage of materials used that are recycled input materials
- 4.4 Percentage of materials used that are sustainable resources
- 4.5 Packaging consumption: tonnage and monetary value
- 4.6 Total waste: kg per kg of production
- 4.7 Waste reduction (elimination): percentage
- 4.8 Recycling/Waste recovery rate: average per plant

EEB5. Biodiversity (Industry specific metrics)**Product Stewardship and Customer Management (PSC)****PSC1. Product stewardship**

- 1.1 Number of new energy-efficient or renewable energy-based products
- 1.2 Number of projects for the development of eco-responsible products
- 1.3 Number of projects for the development of social-responsible products

PSC2. Process stewardship

- 2.1 Number of eco-certified sites (percentage of total)
- 2.2 Rate of coverage of sites reporting data
- 2.3 Amounts invested in eco-responsible processes (energy-efficient or renewable energy, reducing the carbon footprint, resource consumption, etc.)
- 2.4 Quality management certifications and scores: ISO 9000 and ISO 22000 norms, DJSI score, etc.
- 2.5 Environmental certifications: ISO 14001 certification; GREEN environmental risk audits, etc.

PSC3. Customer satisfaction

- 3.1 Results of surveys measuring customer satisfaction
- 3.2 Number of customer complaints
- 3.3 Number of initiatives to improve product safety and product traceability, number of product recalls and recall costs

PSC5. Others: Industry-specific**Community Involvement (CI)****CI1. Local hiring**

- 1.1 Proportion of senior management hired from the local community

CI2. Impacts of firm's operations on communities

- 2.1 Total number of incidents or violations
- 2.2 Others: industry-specific metrics

CI3. Local suppliers

- 3.1 Locally-based suppliers as percentage of total suppliers
- 3.2 Proportion of spending on locally-based suppliers for a given activity

CI4. Support to local communities

- 4.1 Number of initiatives and monetary value

CI5. Philanthropy

- 5.1 Number of initiatives and monetary value

Figure 3. CSP Metrics. EEB (23 metrics), PSC (11 metrics) and CI (7 metrics).
Source: the authors

Human Capital Management (HCM)**HCM1. General working conditions and employee satisfaction**

- 1.1 Long-term vs short-term and temporary contracts (percentage from total)
- 1.2 Full time vs part time personnel (percentage from total)
- 1.3 Employee turnover: by age group, gender, and region on a comparable structure basis
- 1.4 Net job creation and dismissals (number)
- 1.5 Minimum notice period (number of days)
- 1.6 Percentage of employees covered by collective bargaining agreements
- 1.7 Percentage of workforce represented in formal joint management-worker committees
- 1.8 Average weekly time worked per employee
- 1.9 Average weekly overtime worked per employee
- 1.10 The absenteeism rate
- 1.11 Incentive and profit-sharing plans for employees
- 1.12 Other social benefits: percentage of coverage

HCM2. Wages

- 2.1 Ratios of standard entry level wages compared to local minimum wages (by category)
- 2.2 Ratio of basic salary of men to women by employee category
- 2.3 Employee-management income ratio: annual wage received by a full time employee compared to the median income for all managerial and executive categories

HCM3. Career planning and training

- 3.1 Number of lifelong learning programs and total hours of employee training
- 3.2 Average number of hours of training per year and employee
- 3.3 Percentage of employees receiving training
- 3.4 Percentage of employees receiving regular perf. and career development reviews

HCM4. Workplace health and safety- frequency of workplace accidents:

- 4.1 Number of accidents involving at least one day of absence, per million of hours worked over a twelve-month period
- 4.2 Annual frequency rate of workplace accidents with medical certificate
- 4.3 Annual frequency rate of fatal accidents
- 4.4 Annual frequency rate of occupational diseases

HCM5. Diversity and equal opportunity

- 5.1 Gender diversity: proportion of female managers
- 5.2 Minority membership: proportion of managers from minorities
- 5.3 Rate of integration of people with disabilities
- 5.4 Number of procedures to deal with discriminatory actions
- 5.5 Total number of incidents of discrimination and proportion of solved cases

Figure 4. CSP Metrics. HCM (28 metrics) and SCF (17 metrics).

Source: the authors.

Sustainability - related Costs and Financial Performance (SCF)**SCF1. Investments in projects related to product and process stewardship**

- 1.1. Amounts invested (R&D costs) in eco-responsible products
- 1.2. Amounts invested (R&D costs) in social-responsible products
- 1.3. Return on investment (ROS) of these projects

SCF2. Additional operations and compliance costs

- 2.1 Costs related to compliance with standards; per year; percentage of total costs
- 2.2 Personnel costs: (a) sustainability supervision and reporting, (b) personnel training cost (salaries of the trainers, worktime lost, costs of materials, etc.): per-participant training cost; percentage of total costs
- 2.3 Cost of industrial treatment (waste, water, emissions): per year; percentage of total costs
- 2.4 Cost of recycling and packaging collection/ recycling (net of economies realized)
- 2.5 Cost of obligatory CO₂ emissions trading
- 2.6 Provisions and guarantees for environmental risks

SCF3. Additional monitoring and reporting costs

- 3.1 New management positions and Board Committees created (SD Committee; Risk Man. Committee, Health and safety committees, etc.)

SCF4. Other related costs

- 4.1 Eco taxes
- 4.2 Depreciation costs of the eco-equipment acquired

SCF5. Impact of SD related costs and investments on financial performance

- 5.1 Sales Growth
- 5.2 Gross Profit margin
- 5.3 Net Cash-flow
- 5.4 ROS (Return On Sales ratio)
- 5.5 ROCE (Return On Capital Employed)

Between 2006 and 2015, Danone monitored more than 100 social and environmental indicators at any given time. There were some additions and deletions during those years. Most of these indicators applied to all of the company's divisions and manufacturing units around the world, but Danone did not use a centralized balance scorecard to track performance and corroborate these SD indicators. The responsibilities for monitoring some indicators were assigned to

specialized departments. For other indicators, these responsibilities were integrated into SD programs that Danone introduced at different points in time, and which were managed by various steering committees. Some of these committees reported directly to the Board of Directors, whereas others reported to the specialized SD departments. For example, during the period under study, Danone had an “Environment Department” at the group level that comprised a specific sub-department called “Sustainable Development and Social Responsibility.” This sub-department worked with the Group’s “Human Resources Department” to consolidate social and environmental data that each unit collected from the Group’s production sites and subsidiaries worldwide. Additionally, the “Sustainable Development and Social Responsibility” department developed 20 procedures and specific indicators to use in evaluating and ranking Danone’s subsidiaries each year. The social initiatives were supervised by two different Board Committees, the Social Responsibility Committee and the Social Innovation Committee. The latest was responsible for approving each social innovative project and managing some community-related projects. The Scientific and Regulatory Affairs Department, within the General Secretariat, was responsible for compliance related issues, and a “multi-stakeholder task force” was responsible for managing the relationships with stakeholders. The number of sustainability projects, initiatives, performance indicators and supervision bodies grew every year, and so did the number of internal reports.

Before 2009, Danone produced two distinct reports – an annual report that provided the financial indicators, and a sustainability report. In 2009, Danone added a third report. Thus, between 2009 and 2015, Danone prepared three major reports each year – the annual financial report, the “Sustainability Report” (between 175 and 270 pages), and the “Economic and Social report” (about 35 pages). For this reason, each category of performance indicators appeared to have been managed in a vacuum. With three exceptions (corporate governance, company’s mission and values, and some sustainability-related costs), the company’s sustainability strategy for that period appeared to be disconnected from its business strategy. It also appears that its SD strategy was extremely complex, very standardized, and centrally managed.

4.2 Corporate Governance indicators

Between 2006 and 2015, Danone used a list of stakeholders in which all of them appeared to have equal importance. They were grouped by type of relationship, as follows: (a) the social sphere (employees, consumers and consumer associations); (b) the public sphere (public authorities, social and environmental associations and NGOs, and the media); (c) the economic sphere (the shareholders, the financial community, the social and environmental notation agencies, the distributors, and the suppliers), and; (d) the industrial and scientific sphere (professional organizations and the scientific community). For each of these categories and sub-categories, the company prepared specific procedures for managing the relationship (called “Methods of dialogue”) and established the frequency of contact with each of them (Sustainability report 2006). In 2008, Danone changed the system of bonuses for its managing directors, by linking the bonus to three performance metrics. Each metric accounted for 33% of the final individual performance measure. They were: (a) economic, (b) social and environmental, and (c) business level-related indicators. The economic indicators integrated the turnover growth rate, the profitability and the free cash flow. The social and environmental indicators included employee training, workplace safety, reduction in water consumption and measurement of the carbon footprint. Finally, the business-level-related indicators make references to innovation and management methods (Danone Sustainability Report, 2008).

4.3 Eco-efficiency indicators

Danone’s energy management initiative is driven by long-term plans and quantitative

objectives that have been established for the entire group. According to these objectives (“lean plant” program), during the 2000-2010 period, Danone had to reduce its energy consumption by 20%, its water consumption by 30%, and the packaging weight by 10%. It also had to obtain an 80% recovery rate of manufacturing waste (Danone Sustainability Report, 2010). In 2008, Danone established a goal of reducing its greenhouse gas emissions intensity by 30% over five years, which was exceeded in 2012 (Danone Sustainability Report, 2013).

4.4 Supply Chain Management indicators

Between 2006 and 2015, Danone’s policy for managing relationships with its suppliers focused mainly on sustainable procurement and supplier audits within the “RESPECT” program, which were undertaken to monitor the SD performance of Danone’s major suppliers. This program is based on the Sedex platform, an online information-sharing and pooling platform where those suppliers who register should conduct self-evaluations using specific criteria. For example, thirty one percent of Danone’s suppliers’ non-compliance incidents in 2010 were related to workplace health and safety, versus 49% in 2011. In 2010, 23% of these incidents were related to the failure of the suppliers to respect employees’ working hours, whereas these incidents represented only 15% of all incidents that occurred in 2011.

4.5 Sustainability costs vs financial performance

During the 2010 - 2014 period, the number of sustainability initiatives and indicators that Danone measured continued to grow and Danone’s sustainability performance continued to improve. However, its financial performance deteriorated (Table 1).

Danone : sustainability performance vs financial performance	2009	2010	2011	2012	2013	2014
Danone’s DJSI score	75	74	81	83	87	NA
Operating income margin = Operating Income/Net sales	16.76 %	14.80 %	14.13 %	14.17 %	13.19 %	12.90 %
ROS = Net income from fully consolidated companies / Net sales	9.08 %	11.28 %	9.36 %	8.30 %	5.92 %	5.88 %
ROA = ROS*AT, where AT = Net sales/ Total average assets	5.07 %	6.99 %	6.41 %	5.98 %	4.17 %	4.00 %
ROE = Net Income / Equity attributable to owners of the Company	10.27 %	16.35 %	14.95 %	14.14 %	11.75 %	10.71 %

Table 1. Danone: sustainability vs financial performance

Source: authors’ calculations

In 2015, Danone put into place a revitalization plan. Thus, since January 2016, it no longer produced three distinct reports. Instead, it publishes only its financial report that integrates a separate chapter about “Social, societal and environmental responsibility.” The goal is to integrate SD into its main processes and business activities across the various stages of the value chain, and “develop synergies” between SD and other business activities, such as sales, marketing and research and development (Annual Report, 2016). Moreover, Danone streamlined all of its SD policies by establishing priorities within each of the SD categories that appear in Figures 4.2 to 4.4 In regard to corporate governance-related issues, the list of stakeholders was revised and now makes a clear distinction between shareholders and other stakeholders (“the goal is to create value for shareholders and for all stakeholders”). The annual variable compensation for the management is still based on economic, sustainability and managerial indicators, although the weights (which used to be a third for each) have changed. Now, the economic indicators (organic sales growth, organic operating margin growth and free cash flow generation) account for 60 percent, the managerial indicators for 20 percent, and social performance for the remaining 20 percent.

For SCM, Danone continues to roll out the RESPECT program, but the policy of responsible procurement has become more market-orientated (“Market Risk Management” policy). The latter’s main goal consists of “securing the physical supply and price setting with suppliers and/or financial markets, when they exist, for each raw materials category” (Annual Report, 2016). Danone’s involvement in the community appears lately to be more market-driven and takes the form of social investments that have a positive impact on its economic performance. In terms of environmental performance, Danone appears to focus now on three important issues and the related performance indicators. These are: (a) the efficient use of three categories of resources (milk, plastic and water), (b) the initiative of reducing the carbon intensity of its emissions by 50%, between 2015 and 2030, and; (c) that of reducing water consumption in its factories by 60% by 2020. The number of waste categories that are monitored fell from nine (2010) to four in 2016 (hazardous waste, non-hazardous organic waste, non-hazardous inorganic waste and sludge from water treatment facilities).

In the area of PSC (see Figure 1), Danone appears to have shifted the focus on consumer safety and product recall strategies in order to manage product traceability at all levels of the distribution and marketing stage.

Finally, most of the company’s traditional HCM indicators (see Figure 4) remain in place for now, although Danone appears to focus mainly on three of them: diversity, social dialogue and individual employee development (Annual Report, 2016).

5. Conclusions and recommendations

This article presents a BSS. The case study method (Yin, 2003) was used and data was collected from Danone’s annual reports (financial, sustainability and social reports) for the 2006-2015 period. Danone can be considered to be a paradigmatic case according to Palys’s (2008) definition.

The BSS comprises 121 non-industry specific indicators, which are grouped into seven categories. The merits of our BSS are its general applicability and its comprehensibility. Unlike the balanced scorecard of Kaplan and Norton (1992), which includes only the core categories of indicators for the measurement of financial and operational performance, but not their metrics, the BSS includes all of the indicators for the measurement of the economic, environmental and social performance, and their metrics. It also includes the indicators that a firm should monitor in order to align the costs of SD with its financial performance. The BSS’s limitation is its complexity. The case of “Danone” demonstrated that more indicators, more SD programs and more internal reports on SD are not synonymous with better financial performance. A firm should select those indicators from our BSS that are really relevant to its business strategy and assign clear priorities to them. Companies should also integrate their SD strategies into their business strategies, control the sustainability costs and strike a balance between sustainability performance and financial performance.

Acknowledgments/ Co-authorship

Rachid Moustaqim contributed to the collection of data, analysis and/or interpretation of data, and made suggestions for the final draft of the manuscript. Camelia Dumitriu wrote the article, was responsible for the conception and design of the study, and of the BSS, and made the interpretation of data. The final draft of the manuscript was approved by both authors.

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Market and Competitive Determinants of Strategy in the Process of Strategic Analysis – Toward Comprehensive and Integrated Approach

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Abstract

Key methodological problems, involving the process of analysis and selection strategies, now include: 1) high variability (dynamics) of a macro and microeconomic environment, 2) excess information and the ability to make its proper selection, 3) a large (and growing) number of tools of strategic analysis (including the analysis of markets, industries, competitors and strategic resources), as well as difficulties in selecting the most efficient methods and analysis tools in regard to the nature of the identified problem, 4) a lack of proposals to better integrate the results of various analyses (difficulties in comparing outputs coming from different studies, different methods, different models), 5) a transition of the analyses results regarding the instruments implementing the strategy. The indicated problems concern the crucial areas of the analysis of macro and micro environment, the competitive environment and the market, the company and its resources. The key problem seems to be here as well a lack of comprehensive analysis tools and strategic resources (the rules and criteria for the assessment of resource potential). Although the strategic management (as part of the discipline) has developed a relatively complex method of market and competitors analysis (an assessment of the scale and dynamics of demand, segmentation strategy, customer needs, business life-cycle, M.E. Porter model of industry analysis) these analyses are most often carried out independently and miss methodological proposals on how to connect (and confront) the two main areas of analysis. The aim of the article is to assess the possibilities of conducting a comprehensive analysis of the market and industry in the process of strategic analysis, and to establish general rules for the selection of analysis tools, as well as an assessment of the possibility (or necessity) to connect the results of analyses that come from different areas and models of strategic analysis processes. The considerations in the article are formed on the basis of methodological concepts and are not based on or verified in direct empirical studies (e.g. the use of analysis tools in practice), but rather on the study of literature and the methodology of business analysis (including its mainstream principles, methods and tools). The article at hand is a contribution to further discussions on new trends in light of the development of tools and methods of strategic analysis. It includes an assessment of the possibilities of better utilisation of the already known and widely used methods and tools of business environment analysis.

Key words: strategic analysis, business analysis, market, industry, core competencies.

JEL classification: O43, O32, O33.

1. Introduction

The key methodological problems of the process of analysis and selection of strategies are high variability of macro and microeconomic environments [Krupski 2005; Lowel 2010], as well as excess information and its variability. The company's dynamic environment highlights the importance of innovation and strategy flexibility. A certain answer to these challenges is the growing number of analysis tools [Rigby 2013; Rigby, Bilodeau 2013, 2015], but as a result it is increasingly more difficult to choose the most suitable analysis tools. The general rules of business analysis have also become more complicated and unclear. The question is how to choose the proper tools and how to conduct the analysis process in accordance with the nature of the strategic problem. Another response to the manifestation of more complex and dynamic company's environment appears to be an increasing number of integrated tools, mostly parametric ones, but their application also brings forth methodological limitations of identifying basic causal relationships between different areas of analysis (or factors), especially: a) between macro and micro environments, b) between market and industry dimensions, c) between resources and (market and industry) strategy tools. In most cases, the parametric approach does not allow to recognise even basic causal relationships, let alone those

that are more complex (in which certain resources make the tools of a particular competitive strategy strong). This means that it requires both an integrated and analytic (not parametric or synthetic) approach in order to analyse more complex problems and mechanisms [De Leo 1994; Pierscionek 2011].

The aim of this article is to assess the possibilities of conducting comprehensive analyses of the market and competition in the process of strategic analysis. It also serves the purpose of determining general rules for the selection of analysis tools, an assessment of the possibility (or rather necessity) to connect the results of analyses that come from different models of strategic analysis processes. The analysis in the article is a methodological concept not based on direct empirical studies (e.g. the use of analysis tools in practice), but bases on the analysis of literature and the methodology of business analysis (principles of the analysis, fields of the analysis, methods and tools used to run the process of analysis). In fact, the use of integrated approach is nothing new in the field of strategy research, but is not yet implemented enough in the methodology of business analysis.

The methodological concept for business analysis presented in this article is essentially simple: we do not need an excessive amount of tools for conducting business strategy analyses, nor do they need to be overly complicated. We merely need to emphasise a more complex, comprehensive and analytic approach directed towards recognising important mechanisms [Błaszczuk 2016a]. We also need to focus (much more than in the past) on evolutionary processes of: markets, industries and strategic resources. In the field of market and competitive strategy, this means: 1) as complex analyses as possible (including market and industry, among others); 2) a better understanding of the market and competitive landscape, in the process of analysis (as a complex and integrated approach). The underlying goal of the article is to provoke a discussion on new trends in the development of tools and methods of strategic analysis, as well as an assessment of the possibilities of better utilisation of the already known and widely used methods and tools of business environment analysis [Fleisher, Bensoussan 2007].

2. Fields and methods of strategic analysis – towards integrated approach

A large and increasing number of strategic analysis tools can cause serious difficulties in the proper selection of methods and analysis tools in accordance with the nature of the strategic problem (its identification and solution). It can also bring forth difficulty in understanding how to connect outputs generated from different analysis methods. At this point one can see three problems: 1) perceiving when the business analysis is complex and comprehensive, 2) how to conduct a research in terms of its sequence, 3) how to connect outputs coming from different fields of research. The question on fields and methods which makes analysis complex and comprehensive appears to be important for at least two reasons. The first is that the strategy should be crafted for certain and specific conditions (fully recognizing the context of strategy), and the second confirms that the strategy content should be a complex response for the given and predicted conditions [Błaszczuk 2016, pp. 78, 85].

There are many general and dedicated concepts of strategic analysis, including: 1) portfolio analysis (including related issues, for example market attractiveness comparisons); 2) industry and competitors analysis (including its macroeconomic environment inputs), 3) resources analysis (including related aspects, such as strategy identification and evaluation, competitive profile and competitive advantage analysis) [Porter 1980, 1985; Hill, Johnes 1992; Thompson, Strickland 1999]. Different types of analysis can also be utilised by the use of different approaches, for example synthetic (parametric, usually weighted) or analytic (more cause-related) methods [Pierscionek 2011], using more or less integrated approaches [Gierszewska, Romanowska 2016] (e.g.: SWOT, portfolio-matrix, business canvas model), dedicated or comparative-oriented. More integrated or comparative-oriented approaches are usually (but not

always) implemented by the parametric approach in order to make comparisons between as many different fields of analysis as possible (e.g.: portfolio matrix). However, they do not usually recognise the importance of case-relationships (how the macroeconomic environment determines the specific market and industry landscape and shapes its evolution, how market and competitive conditions interact with one another, which certain resources have the most significant contribution to customer value).

Assuming that strategy content is complex, a strategy is a comprehensive and integrated response to its context (widely recognised, well-defined conditions in which a company exists). The strategy's content can be efficiently defined in many different ways (strategy directions and scopes of strategy, products delivered, markets supported, methods of achieving and sustaining competitive advantage, competitors and partners relationships, developing of resources and their commercialisation, etc.) [Thompson, Strickland 1999; Ireland, Hoskisson, Hitt 2013]. What makes the analysis complex and comprehensive?

Although there are many different ways of classifying strategic analysis methods, there are two of particular significance: 1) based on strategy context (fields of strategic analysis) [Porter 1980; Lisinski 2004; Jurek-Stepien 2007; Gierszerwska, Romanowska 2016], 2) based on strategy content (the levels of strategy and different methods of strategy evaluation and formulation) [Hill, Johnes 1992; Thompson, Strickland 1999; Pierscionek]. Both are oriented towards strategy context and strategy content evaluation, but the goals of analysis, its scope, approaches and the methods proposed (and finally criteria for strategy selection taken into account) seem to be very different in methodology.

The strategy context-oriented approach allows one to classify the analysis tools by the fields of strategy analysis, such as: the external and internal environment, macro- and microeconomic environment, market and industry, the company and its resources (and external resources) analysis (including mission, goals, strategy tools and strategic resources that make the delivery of customer value possible) [Strategor 1995; Grant 2015]. By using this type of method and tool classification, we can also point out the integrated analysis tools, as the SWOT model, business portfolio matrix analysis methods, or business canvas model [Osterwalder, Pigneur 2010], which can combine various parameters or different analysis outputs into one integrated model. The strategy context-oriented approach appears to be the leading model for method and tool classification and can also be used as leading a model for most types of single businesses (industry and market – competitive and marketing strategies). The sequence of the analysis usually comes from the external to internal perspective (from macro and micro environment to the company, its strategy and strategic resources), by the I/O Model [Ireland, Hoskisson, Hitt 2013, p.15]. The methodological problem that appears in this approach is that many companies are diversified and/or internationally oriented in their growth strategies, which means that there are different conditions (external, internal, macro, micro etc.) for strategy formulation in various business fields. This in turn makes any comparative analysis (of strategy or its conditions) difficult or even impossible to accomplish. An analysis showing various conditions and different possibilities is of more importance, than a reasonable combination of different subjects of analysis (different markets, sectors and even strategic segments) into one integrated process of strategy analysis.

The most often discussed approach has been proven to work when the strategic analysis is complex and comprehensive, but does not describe in most concepts how to connect and integrate different analysis outputs, as well as how to approach the basic problem of complexity of the subject/subjects of analysis. The empirical results in many cases of analysis are similar: common competitive and market conditions (even Key Success Factors) for quite different business fields. These processes of business analysis also cause either a more market-based, or a more industry-oriented strategy (which is not integrated enough).

The strategy content-based approach for methodological analysis gives additional opportunity

to understand that process formulations differ on various strategy levels. This is especially visible at corporate and competitive strategy levels (there are different: goals, subject aggregation, scope of analysis and finally tools - despite many similarities and common rules). The main goal for corporate strategy is to define the sources and priorities of the growth, directions for business development, the scope of specialisation or diversification strategies (including many strategy dimensions as products, markets and strategic resources), while the business strategy is more focused on market and industry competitiveness. The goals for corporate strategy formulation also make strategic analysis processes different, especially in regards to its scope and methods for business analysis, as well as strategy formulation. The process is usually much more oriented towards various markets and industries comparisons, so that the analysis enables the identification of alternative choices and helps in defining common (and comparable) criteria for strategy selection. This is usually made possible by the use of parametric methods (such as portfolios and industry/market attractiveness research and comparisons). The corporate strategy should also be more oriented towards the evaluation of strategic resources [Hamel, Prahalad 1990, 1999], which resources should be developed (and in what way), which resources should be acquired or created through M&A's or strategic alliances [Doz, Hamel 1998] (or other cooperative forms, for example open innovation), effectively commercialised or reduced.

A subject of significant importance is that the suggested sequence of strategic analysis may also differ between various authors in the strategy context-oriented and content-oriented approach. The portfolio analyses are classified, as a method of analysis of the competitive or strategic position of the company (by the context-oriented classification) [Gierszewska, Romanowska 2017, p.9], when the sequence of strategy analysis usually goes from the outside to the inside. This makes this particular type of analysis more precise in the whole sequence of business analysis, after micro and macro environment analysis. In the strategy content-oriented approach, the corporate level strategy defines the goals and priorities, so that portfolio analyses are the starting point for strategic analysis, and enables the evaluation and comparison of various options and strategic choices. The general conditions for strategy implementation (market attractiveness, business life cycle, etc.) and understanding corporate priorities, the expectations for strategy growth and its possibilities are much more clear, so the next step is the business analysis (competitive strategy evaluation) of this approach. Striving toward competitive strategy evaluation, formulation and implementation, without being one step ahead of the corporate strategy analyses (usually comparative ones) is seemingly unreasonable, if the company can achieve much more in other areas of business.

Understanding the depth of the context-based and content-based approach to the classification of business analysis methods provides the basis of general rules for strategic analysis sequence: diversified and international companies, as well as corporations should first be analysed on the basis of their strategy level (for corporate level strategy evaluation, verification and redefinition) and next, by their strategy context (for closer market, industry and strategic resources view for single business level competitive strategies analysis), while the smaller, more specialised companies can be analysed just by the strategy context approach for their growth and business strategy evaluation. Both approaches also indicate when the strategic analysis is complex: when strategic analysis provides the basis for growth strategy (priorities, sources of the growth, growth directions, and scope of the business) and the competitive strategy as well. Despite many similarities within the general rules of strategy building, the scope of the analysis, the criteria for decision making process and (in the consequence) the level of integration of two basic perspectives: market and competitive are also different in the process of corporate level and the business level strategy formulation.

Going forward, the analysis process can be also oriented to classic "strategic fit", "industry-based" or "resource-based" perspectives [e.g. Thompson, Strickland 1999; De Wit, Meyer

1998], or in different terms, can be much more “external” or “internal” oriented. Strategy orientation does not mean that the analysis process is limited to a particular perspective, but rather that the strategy choice and strategy content can be much more oriented towards a certain view (for example, the field of specialisation, directions of diversification, types of related diversification and sources of synergy). The approach can also determine the sequence of the analysis process (from the inside to the outside or from the outside to the inside) [Ireland, Hoskisson, Hitt 2013, p.15,17]. From the strategic analysis process perspective, orientation should not affect the scope of the analysis fields, but rather the sequence, priorities and determinants of a chosen strategy. Although this can be seen as a kind of paradox of opposite perspectives priorities, it is not possible to evaluate the importance of the strategic resources (resource-based perspective) without a market and competitive evaluation of its power and potential (impact on customer value and resource substitution possibility, among other criteria) [Błaszczuk 2016a] as well as the market and competitive position (and the competitive advantage and its sources) in the industry, they cannot be comprehensively evaluated without a resource analysis.

Another important aspect of the methodology of strategic analysis is the “resource-based” perspective of the company, which is not (and never should be) synonymous to “internal” perspective, since the competitive advantage can be equally based on internal and external resources, or even mostly based on external resources, e.g. on the intelligent enterprise concept [Quinn 1990, 1993]. The resource analysis should deliver the knowledge to the core-competence strategy and value chain business model in both of the perspectives (external and internal). When identifying and analysing the core competencies (in different perspectives: present and future, internal and external, industrial and diversified), the criteria for resource evaluation and development and acquisition methods are the separate issues of strategic management and strategic analysis methodology, and the outputs of this analysis should also be connected to the market and competitive determinants of strategy. As is the goal of the article, the further considerations strictly concern the market and competitive perspective of strategy, in two basic types of strategic analysis (corporate level and business level strategy).

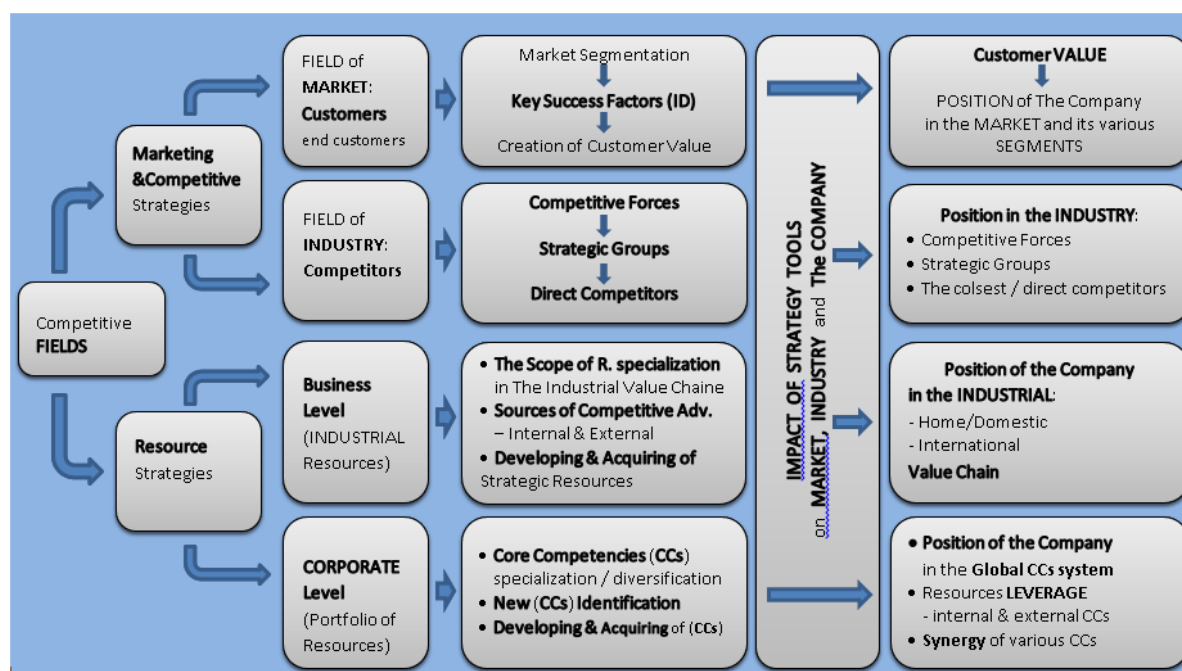


Figure 2.1. Competitive FIELDS, Competitive STRATEGY and Strategy CONTEXT – Mechanisms of Competitive Advantage

Source: Błaszczuk M. *Strategiczne pola konkrowania a strategie konkrowencji*, in: (ed) M. Poniatowska-Jaksch, *Strategiczne pola konkrowania*, SGH, Warsaw 2016, p.78 http://admininstracja.sgh.waw.pl/pl/OWW/publikacje/Documents/Strategiczne_pola_Poniatowska.pdf (click for free download full publication)

3. Market and competitive perspective in strategic analysis process

Even if the macroeconomic conditions and the resources (considered in macro and micro perspective) determine business and competitive processes (usually in long term), the market and competitive analysis helps to better define conditions for strategy design and evaluation, and are the basis of business analysis in most methodological concepts (business life cycle, competitive forces, strategic groups, market segmentation, key success factors, etc.).

The market and competitive perspectives of the strategy are also combined into one microenvironment perspective, in many concepts and by many authors [Porter 1980, p.4; Strategor 1995, pp.25-45; Lisinski 2004, pp.121-160; Gierszewska, Romanowska 2017, pp.23, 75-120]. Combining these two various (different and strongly interacting) dimensions of strategy context without separate analyses (and comparisons) carries the risk that the strategic analysis is not comprehensive, or that both fields of analysis do not have an equal influence on strategy in the strategy building process.

Even though each perspective and its determinants can have a stronger impact on strategy in certain cases, they generally provide a different kind of knowledge on the company's micro environment. Market environment describes and defines the demand, its indicators and determinants, while the competitive perspective describes competitive landscape and determinants of competitive processes in certain company's environment. Although the market-based analysis should describe the market size, the market growth (dynamics), as well as the market structure (and its dynamics) as descriptively as possible, the competitive-based analysis should focus on competitive processes, forces, structure and dynamics. The key problem in the methodology of the strategic analysis seems to be the subject of analysis, especially in the field of the market and competitive structure (as well as its dynamics) research. The main tools of corporate level strategy analysis are the portfolio matrix (e.g. the BCG portfolio model, the McKinsey/market attractiveness matrix, ADL or the Hoffer matrix) and related methods of strategic analysis in this field (e.g. market attractiveness, the life cycle of the business, parametric measures of the competitive strength of the company or its business units) [e.g. Hill, Johnes 1992; De Witt, Meyer 1998; Thompson, Strickland 1999]. For the resources evaluation (on both corporate and business levels) we can additionally use the value chain [Porter 1985] and core competencies concept [Hamel, Prahalad 1990; 1999]. In the classic BCG and ADL/Hoffer matrix concepts, some market conditions are the subject of direct analysis (market size and its dynamics), but the competitive perspective is not analysed directly. One can only state that the competitive determinants are strongly connected to the business life cycle and market potential just by making an assumption (the more market potential, the stronger the impact of competitive forces and their potential). The McKinsey matrix is the only classic portfolio which gives the opportunity to combine direct analysis of market and competitive factors by means of business attractiveness evaluation. Market attractiveness evaluation methods, according to their definition, serve the purpose of identifying and confronting (among others) the market potential and intensity of competition. Market potential and industry competitive forces determine the business profitability [Porter 1980] and growth opportunity, so the criteria of attractiveness evaluation based on these two strongly interacting fields of strategy context seem to be essential in this type of analysis. The parametric tools of analysis used in portfolio matrix have certain limitations, because they do not explain the relationship between the factors of the analysis, even between strongly interacting ones (e.g. the business life cycle concept does this much more efficiently). The McKinsey matrix is also very versatile and can be a very complex method of business attractiveness and portfolio analysis, but the quality and value of such an analysis is based on criteria selected to analysis implementation, and the subject of analysis is of great importance (market and business segmentation).

The criteria selected for market and competitive environment analysis in business

attractiveness evaluation are mostly based on: 1) market size and potential, 2) the intensity of competition, 3) profitability, 4) resources, requirements and entry barriers, 5) synergy with others company businesses and units, 6) the degree of risk, 7) other social, political and regulatory factors [e.g. Thompson, Strickland 1999, p. 249]. A factor of great importance is that the market potential does not rely only on the market's size and growth, as described in main stream of methodology, but rather on market structure and opportunities in order to make the market structure dynamic. Such opportunities may result from companies' competitiveness and innovations (other variable of matrix portfolio analysis), but are also an important characteristic of the industry. There are no equal opportunities of differentiating products and creating new competitive landscapes between various markets and industries, and these opportunities can equally result from the nature of market and industry environment [Kim, Mauborgne 2005], as well as company (and other companies) competitiveness and innovativeness [Hamel, Prahalad, 1990; 1999].

The market structure and opportunity to grow dynamically vary between industries which depend on many factors, e.g.: a) level of standardisation and homogeneity of products and services (by nature of customer needs, product or technology), b) products or services differentiation (by the maturity of the business and business strategies implemented in various companies), c) products, services and strategic resources substitution, d) innovation and technology (or other business processes) intensity. The market structure can be better described by market segmentation (using various criteria based on customer type, customer needs, product features and attributes, technology or other business processes as sources of product differentiation), usually successfully implemented in business level analysis. Marketing approaches usually put more focus on segmentation and customer needs that differ in various segments, than on market (and its structure) dynamics and competitive forces (opposite to "industry-based" and the "strategic portfolio" approach). They determine growth opportunities. Selected, specific features of market structure can be an important component of business attractiveness evaluation, especially in maturing and matured industries with strong competitive environments, in which companies are looking for new sources of strategic growth and differentiation (escaping from direct competitive confrontation in the process of products/services competition and substitution) in both portfolio and single business analysis. The market structure analysis can also be a starting point in selecting new directions of market-related diversification strategy as a source of growth and market synergy.

The issue of market structure is widely implemented in portfolio analysis in subjective scope of analysis (various products and markets evaluation and comparison), but is not implemented as a set of evaluation criteria of business attractiveness (or even market potential) analysis. The structure of most markets and industries varies, which gives growth potential and more competitive possibilities even in matured industries (or is the only source of market growth immature industries). On the other hand, the firm competitiveness and innovativeness of evaluation methodology should also take into account the company's capability of developing products and services (and other strategy tools), as well as using the opportunities (to adopt or to create the new competitive landscape).

Single business analyses are different than portfolio analyses, even though they have many common rules and features. The goal of analysis is to better recognise macro and micro environments, their components and structures, which are specific to the single field of business activity and determine the competitive strategy for a single business unit or a single company. The market and competitive conditions are not compared between various business fields, but analysed for single business competitive strategies. The specific nature of the business can be better described through a structural and cause-relationship analysis, which means there is a need of an analytic, rather than parametric approach.

The competitive strategy can be determined by many strategy inputs, the industry structure

[Porter 1980], the nature of market and customer needs [Kotler 2012], the market innovations [Kim, Mauborgne 2005], the resources and its innovative potential [Hamel, Prahalad 1990; 1999]. By making strategic analysis not just single field oriented, but more complex, more comprehensive and integrated, there is a need to create a cause-relationship independent analysis in major fields (market, industry and strategic resources) first. The market and the industry are the closer company's environment, which determines the opportunities and threats, and they define various ways to achieve and sustain the competitive advantage seen from an external perspective.

The macroeconomic environment seems to be little more distant from a company and its impact on strategy is often evaluated indirectly (through market and industry evolution processes). Macroenvironment can shape important or even essential tendencies in micro perspective, but strategic analysis of macro environment seems to not always be sufficiently connected to market and industry. To make the analysis more integrated in these particular fields, we need to know more about how the macro environment shapes the evolution of markets, industries and strategic resources (in a more general sense), as well as how macro environment shape the closer industry's and market's processes - their structure and dynamics. Having clear goals of macro environment analysis, its implementation (of analysis tools as PEST, Quest, scenario analysis) and outputs can lead to a better connection to a later micro environment analysis (inputs and outputs).

By theory of the Resource-Based View of the firm (RBV), adopting a resource-based perspective changes the priorities of the strategy-making process. This in turn should change the sequence of the strategic analysis, although this is not as simple in practice.

The process of analysing strategic resources (e.g. identifying capabilities, distinctive competencies or core-competencies) is usually presented as "going from the inside out". As a matter of fact, core-competencies identification processes require an evaluation of the impact of resources (its various components and structure) on customer value (its market and competitive impact) and possibilities of resources substitution (the other dimension of competitive impact), so analysing strategic resources does require market-based and competitive-based criteria of core-competencies evaluation. This means that the starting point of strategic resource analysis (core competences identification and evaluation) is not only based on internal or even external resources, but should be strongly connected to the analysis of market and competition. The process of strategic analysis, when approached by a resource-based perspective, has entirely different goals, as the cause-relationship are identified by different sequences which change the process and order of the strategic analysis. The process of analysis should take into account present and future core-competencies, as well as internal and external ones. Connecting the analysis of strategic resources to market and competitive contexts of strategy makes the process of analysis more comprehensive, more integrated and cause-relationship identification oriented.

When introducing micro environment analysis, M.E. Porter suggests [1980] that the competitive strategy is primarily determined by industry structure. The process of business analysis is focused on competitive environment in the industry-based approach, and is usually considered to be complex from that particular perspective [Strategor 1992; Gierszewska, Romanowska 2017] even if some authors suggest any analysis extensions, e.g. six [Grant 2015] or seven [Fleisher, Bensoussan 2007] competitive forces. Porter's competitive forces and mapping of strategic groups have become the standard and canon of business analysis [ACCA 2010].

A very important feature of the analysis set forth by proposed methodology is that no industry has clear borders, as they are constantly changing (in a more or less dynamic pace) in practice. To identify important (weak) signals and challenges, M.E. Porter suggests a three-step analysis of the industry, "from general to specific": 1) by broadly defining the industry (the analysis of

the whole industry), 2) by narrowly defining the industry (the analysis of the inside structure of the industry), 3) by defining and analysing the closest competitors. The concept creates the opportunity for complex analysis of industry and competitors (direct and indirect competitors, in present and in potential perspective), but is not complex in the wider perspective of the micro environment – which should consist of both, market and competitive analysis. The author also considers how competitive strategies vary in different types of industries (in the context of business life cycle), but it cannot be said that this is a complex analysis of demand, its structure and dynamics (as well as a complex analysis of factors that shape these regularities). The concept also does not allow one to compare market and competitive conditions of strategy design.

In order to answer the question of how one can analyse the industry and market environment more efficiently, and how the market and competitive determinants of strategy can be connected, one can still use the basis (basic rules) of M.E. Porter's structural analysis of industry, while completing it with market potential, market dynamics and structure in comparable levels of analysis. We cannot assess the industry's attractiveness (and if we can see any threats or opportunities) just by analysing competitive forces, if we do not analyse the business life cycle or compare the general outputs of the two basic pillars of industry attractiveness. According to Porter, industries differ from one another and have varied internal structures. The market structure, the demand and its conditions are also different, so it seems reasonable to compare the internal structure of the industry to related structures in the market. The strategic analysis of market segmentation can provide important knowledge on the segments' dynamics, which of them can be the market source of company growth, and how competitive structure and intensity differ in various segments of the market (not in general). It can also help in determining through which segments the most significant growth can be achieved, where we can see opportunities of competitive forces getaways, which criteria of market segmentation allow a more efficient recognizing of present market structure, and which criteria can provide changes to the market structure in the future (as a source of innovation). The strategic groups in industry structure analysis, proposed by M.E. Porter, correspond to certain market segments, but the market and industry structures are not same. Criteria for market and industry segmentation can be based on common features in the field of customer value (and competitive strategy tools aimed towards this certain strategy field – value to customer) but can also differ. Strategic groups can also be aggregated by other criteria of selection, not by being directly connected to customer value, e.g. vertical integration, outsourcing or other value chain business models. The market structure, its segments, dynamics, and competitive tools based on customer value are of much greater value, with connection to analysis of strategic groups. Despite many common features, the analysis of market and industry structures is complementary, and one will likely get the most accurate results by comparing and confronting these two different fields of strategy context at similar levels (of subject aggregation).

The third step of a structural analysis of the industry has features that are similar to the second one. Despite the processes of competition and substitution, the differential internal structure of the industry allows one to successfully compete and create many companies, which do not mutually compete. The strongest competition is usually between direct competitors (carrying the same product, the same customer needs, a similar competitive strategy, equally strong processes of substitution), so a comparative analysis of the closest competitors seems to be a natural and obvious component of business analysis (even if using only intuition, not methodology). M. E. Porter suggests "the competitor response profile" as the last step of industry analysis, in order to anticipate the competitive moves of direct competitors. At the same time, the analysis of Key Success Factors (KSF) [e.g. Thompson, Strickland 1999, p. 97] has become recognised as the most useful and simple. The KSF analysis in its simplicity allows

one to identify the competitive strategy, strategy profile and basic sources of success to study new sources of competitive advantage, and new sources of customer value (new success factors) [Kim, Melbourne...]. It also provides the opportunity for strategic benchmarking.

There are various goals and methods in which an analysis of market success factors can be conducted, but the most important theme of the paper is that criteria of success factors can be based on complex competitive analysis, including competitive indicators, competitive determinants (market and industry) and strategic resources, or that the criteria of success factors can be based just on pure customer value evaluation. The complexity of this criteria can be seen as an advantage, but can also provide unclear conclusions on strategic success in terms of cause-relationship analyses. Bringing clarity to a strategic analysis in this field, the market, industry and strategic resources (as well as macroeconomic inputs and outputs) should rather be analysed separately (first), and confronted (next), e.g.: how macroeconomics shapes industry, the market and importance of strategic resources, or how strategic resources shape competitiveness and which of them have the biggest impact on customer value. This means that it is unnecessary to combine the complex and comprehensive analysis into one integrated model, but the proper choice of different complementary tools of strategic analysis (and adequate confrontation and integration of different outputs of different tools of analysis) is essential. Models that are too complex and overly integrated (that can be successfully used in different types of analysis) make the analysis unclear and create a difficulty in understanding cause-relationship, as the process of achieving and sustaining competitive advantage is very complex in its nature. Focusing on customer value in key (market) success factor analyses can also connect the two most important fields of business analysis – market and competition. On the one hand, defining market success factors requires the market structure and market segmentation analysis (as the success factors are different in various segments). On the other hand, an evaluation of the competitive advantage of the company and its competitors is required (in certain fields of industry and/or market). The market success factor analysis is also a step in the direction of analysing strategic resources (identifying company strategy, competitive advantage on the market in certain segments, and competitive advantage in the industry and its respective fields). So finally, market success factor analysis allows one to connect and confront market and competitive determinants of strategy, and to create starting point to core competences identification and evaluation, in the last step of business analysis.

The cited considerations do not provide evidence that more integrated tools of strategic analysis are necessary or convenient, but in-depth analysis can certainly be made by utilising standard tools for market and industry analysis. The important issues of business analysis, which make it more understandable and transparent are: identifying the sources of growth and competitiveness, in-depth structural analysis and more focus on subjectivity of analysis (structure and various methods of its aggregation). In exceeding the mentioned goals of the paper, other issues of strategic analysis include: more focus on resources, its competitive impact, identifying core competencies and various (internal and external) sources of innovation (which can change the business life cycle, business and competitive processes, industry and market structure).

The important issue of business analysis is the competitive strategy content. The competitive strategy can be defined as a combined set of goals and methods of achieving competitive advantage, but very often this set of goals and methods is seen in terms limited to the market and industry (the resources are seen as a result of market and industry competitive strategy making processes). In fact, the competitive strategy should define [Porter 1980, 1985; Kaleta 1999; Pierscionek 2011, Błaszczuk 2016a]: 1) the field of business activities (product, market, resource – specialization), 2) the sources of competitive advantages in the market (sources of differentiation or cost leadership, other sources of customer value), 3) strategy tools in the field of industry and its structure (the market position and horizontal and vertical relationships), 4)

resource strategy (the value chain perspective in the industry and the corporate core-competencies perspective), 5) methods of creating and/or acquiring strategic resources. In reference to previous considerations, analysing the market and industry determinants of strategy is strongly linked to the first, the second and the third dimension of competitive strategy. As previously mentioned, it is related to the resource strategy as well, because it is not possible to evaluate it (even by the RBV perspective) without complex analysis of its impact on the company's position in the market and in the industry.

Conclusions

The strategy can be defined, in terms of its formulating process, as a company response for a given (present and anticipated) conditions, in which company exist. The strategy is complex, comprehensive and integrated when strategy context is well recognized (described and explained), and the process of strategy formulation is comprehensive and continuous. Strategy context is never fully recognized in practice, but we can say, the strategic analysis is complex, when concern (and allow to connect and confront different fields of strategy context): 1) macro and micro environment, 2) market (size, dynamics and structure) and competitive (processes, structure and its dynamics) context, 3) strategic resources (internal and external ones), its changing importance over time and optimal structure – required to achieve and sustain competitive advantage.

In general, we need to focus in the strategic analysis process much more on: a) evolutionary processes identification and explanation (evolution of markets, industries and strategic resources and its determinant); b) cause-relationship identification; c) mechanisms identification and explanation. In the field of corporate strategy, wider range of criteria of business attractiveness evaluation should be considered and defined: new criteria based on market structure and its dynamics evaluation (e.g. possibility of product/services differentiation, opportunity of new product/services development, product/market synergies). Evaluation criteria (of business attractiveness) based on market structure, define new sources of growth (even in mature industries) and sources of differentiation (in processes of market/industry competition) as well. In single business (industry and market) analysis, we need to connect and confront the market and industry structure at similar levels of strategic analysis (industry defined widely and narrowly) and focus much more on market and industry structure aggregation (in the process of market and industry analyze of its structure and dynamics). New approach to methodology of strategic analysis seems to be equally important in innovative and mature industries, in the process of identification of new sources of growth and competitive advantage.

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Generational Segmentation in Selected European Countries - Analysis of Secondary Data

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Abstract

The aim of the article is to identify similarities and differences between individuals from different countries and generations / cohorts (builders, post-war baby boomers, X generation, Y generation, Z generation) on the basis of their declared value system. This article is of a research nature and has been prepared on basis of the results of the European Social Survey (ESS) conducted in 2014. In the research proceedings the literature also has been used in the form of books and articles on the concept of segmentation. The carried out analysis of the data will enable us to ascertain the extent to which products can be transferred between individual countries, assuming the use of the G.E. concept of Meredith, Ch. Schewe and J. Karlovich. The results of the variance analysis allow us to state that, regardless of the analyzed country, there are significant differences between the different generations. On the other hand, the results of cluster analysis indicate that uniform cohorts cannot be talked about independently of the analyzed country. This allows claiming the possibility of applying the analyzed segmentation concept, assuming preparation of the generation segmentation for each country separately.

Key words: : marketing, market segmentation, general segmentation, human values.

JEL classification: M31, M39, C38.

1. Introduction

The concept of market segmentation from the moment of its emergence in the marketing literature has gone through several different stages. The period of greatest interest and development of the market segmentation theory falls between 1956 and 1980. In turn, the 1980s are seen as a period of stagnation. Re-development took place in the 1990's (Snellman, 2000). And yet many benefits of segmentation were pointed out. These included: the ability to better understand the market, the ability to more accurately model and forecast consumer behaviour, greater chance of discovering and exploiting new markets. There were also proposed many segmentation definitions that emphasized the different aspects of it, while as the common part of them there can be considered the perception of market segmentation as a division of buyers into distinct homogeneous groups from a point of view of selected specific criteria.

These stages of evolution of segmentation theory also result in a large set of variables used as criteria for market segmentation. It includes traditional criteria (e.g. socio-demographic features of buyers) as well as the criteria that can be described as strange or exotic (e.g. the relation to astrological signs). The attempt to create taxonomy of various segmentation criteria is included, inter alia, in Bock's, Uncles's (2002) or Kusińska's (2009) works.

In the subject literature, the evolution of the approach to segmentation is evident from the concentration on the criteria related to the buyer or product / purchase situation to the cognitive-motivational criteria (Snellman, 2000), regarding the needs and personal values of the buyers they pursue generally in life or when making choices on the market. Personal values are treated as exceptionally stable over time (Rokeach, 1974). The results concerning the stability of generally socially recognized personal values were also confirmed by Brangule-Vlagsma et al. (2002). In addition, they pointed out the possibility of changes in the value hierarchy under the influence of external factors such as the birth of a child. This coincides with the current approach in social science that by identifying the value system held to it is possible to explain and predict the behaviour of both people and entire societies. Consumer behaviour publications show that values, along with identity and needs, have effect on the goals and behaviour of the

consumer (It cannot be assumed that all behaviour can be deduced from values recognized by the consumers. Many needs and goals arise without a direct connection with values, a visible effect of which is impulse buying.). They also have a universal character, protect the ego, make the evaluation criteria, and can function as norms for assessing one's own behaviour or behaviour of others (Antonides, van Raaij, 2003).

The system of the held to values is part of the concept of segmentation proposed by G.E. Meredith, Ch. Schewe and J. Karlovich (2002). They assumed that people born in a given period belong to one generation (cohort) and have similar life experiences, as well as views and values. On this basis, they distinguished and then characterized the following cohorts: early baby boomers cohort, late baby boomers cohort, X generation cohort, Y generation cohort. The use of this concept in marketing theory and practice was described, inter alia, by Littrell et al. (2005), Beldona (2005), Fountain and Lamb (2011), Ma et al. (2012). The characteristics of the various groups / cohorts found in the literature are presented in Table 1.

	Builders 1925-1945	Baby Boomers 1946-1964	Generation X 1965-1979	Generation Y 1980-1994	Generation Z 1995-2010
Aust PM's	Robert Menzies	Gough Whitlam	Bob Hawke	John Howard	Julia Gillard
US President	John Curtin Truman/ Eisenhower	Malcolm Fraser JFK / Nixon	Paul Keating Reagan / GH Bush	Kevin Rudd Clinton / GW Bush	Barack Obama
Iconic Technology	Radio (wireless)	TV (56)	VCR (76)	Internet, Email, SMS	MacBook, iPad Google, Facebook, Twitter
	Motor Vehicle	Audio Cassette (62)	Walkman (79)	DVD (95) Playstation, XBox, iPod	Wii, PS3, Android
	Aircraft	Transistor radio (55)	IBM PC (81)		
Music	Jazz	Elvis	INXS	Eminem	Kanye West
	Swing	Beatles	Nirvana	Britney Spears	Rihanna
	Glen Miller	Rolling Stones	Madonna	Puff Daddy	Justin Bieber
	Frank Sinatra	Johnny O'Keefe	Midnight Oil	Jennifer Lopez	Taylor Swift
TV & Movies	Gone With the Wind	Easy Rider	ET	Titanic	Avatar
	Clark Gable	The Graduate	Hey Hey It's Saturday	Reality TV	3D Movies
	Advent of TV	Colour TV	MTV	Pay TV	Smart TV
Popular Culture	Flair Jeans	Roller Blades	Body Piercing	Baseball Caps	Skinny Jeans
	Roller Skates	Mini Skirts	Hyper Colour	Men's Cosmetics	V-necks
	Mickey Mouse (28)	Barbie®/Frisbees (59)	Torn Jeans	Havaianas	RipSticks
Social Markers/	Great Depression (30s)	Decimal Currency (66)	Challenger Explodes (86)	Thredbo Disaster (97) Columbine Shooting (99)	Iraq/ Afghanistan war Asian T sunami (04)
Landmark	Communism	Neil Armstrong (69)	Haley's Comet (86) Stock Market Crash (87)	New Millenium	GFC (08)
Events	World War II (39-45)	Vietnam War (65-73)	Berlin Wall (89) Newcastle Earthquake (89)	September 11 (01)	WikiLeaks
	Darwin Bombing (42) Charles Kingsford Smith	Cyclone Tracy (74) National Anthem (74)		Bali Bombing (02)	Arab Spring (11)
Influencers	Authority	Evidential	Pragmatic	Experiential	User-generated
	Officials	Experts	Practitioners	Peers	Forums
Training Focus	Traditional	Technical	Practical	Emotional	Multi-modal
	On-the-job	Data	Case studies	Stories	eLearning
	Top-down	Evidence	Applications	Participative	Interactive
Learning Format	Formal	Relaxed	Spontaneous	Multi-sensory	Student-centric
	Instructive	Structured	Interactive	Visual	Kinesthetic
Learning Environment	Military style	Classroom style	Round-table style	Cafe-Style	Lounge room style
	Didactic & disciplined	Quiet atmosphere Mass / Traditional media	Relaxed ambience	Music & Multi-modal Viral / Electronic Media	Multi-stimulus
Sales & Marketing	Print & radio		Direct / Targeted media		Interactive campaigns
	Persuasive	Above-the-line	Below-the-line	Through Friends	Positive brand

					association
Purchase Influences	Brandemergence Telling	Brand-loyal Authorities	Brand switches Experts	No Brand Loyalty Friends	Brand evangelism Trends
Financial Values	Long-term saving Cash No credit	Long-term needs Cash Credit	Medium-term Goals Credit savvy Life-stage debt	Short-term wants Credit dependent Life-style debt	Impulse purchases E-Stores Life-long debt
Ideal Leaders	Authoritarian Commanders	Commanding Thinkers	Co-ordinating Doers	Empowering Collaborators	Inspiring Co-creators

Table 1: Characteristics of individual cohorts

Source: *Generations Defined: 50 Years of Change over 5 Generations* downloaded from: <http://mccrindle.com.au/resources/Generations-Defined-Sociologically.pdf>; reading date: 15/04/2017.

The aim of the article is to identify similarities and differences between people from different countries and generations / cohorts (builders, post-war baby boomers, generation X, generation Y, generation Z) on the basis of their declared value system. The results of the European Social Survey from 2014 will make a basis for the analysis. The carried out analysis will allow us to ascertain the extent to which products can be transferred between countries, assuming the use of the concept of G.E. Meredith, Ch. Schewe and J. Karlovich.

2. Methodology of research and analyses

The analysis was conducted on the basis of the existing original subjective data. The data are the results of international comparative studies (the European Social Survey, ESS) as well as the results of the analysis of consumer sentiment.

The aim of the ESS study is to observe social changes taking place in Europe, i.e. attitudes towards key problems, changes in the systems of values and behaviours. The assessment of the values professed by the respondents was conducted on the basis of an especially constructed scale consisting of 21 statements. The answers were scaled on the basis of a 6-point ordinal scale (Where 1 meant “very like me” and 6 – “quite unlike me”). For the purpose of further analyses it was assumed that the ordinal scale was quasi-quantitative.

Then, the answers were grouped into sets corresponding to the most basic values proposed by Schwartz (1992, 2005). Particular values are described in Table 2. Basing on the obtained answers, indices were set for particular values. Each of the indices is a difference between the average of the components of a given value and the average of all responses.

Pos.	Name	Acc. to principle of interest	Characteristics
1	Self – Direction	individual	Independent thought and action: choosing, creating, exploring
2	Stimulation	individual	Excitement, novelty and challenge In life
3	Hedonism	individual	Pleasure and sensuous gratification for oneself
4	Achievement	individual	Personal success through demonstrating competence according to social standards
5	Power	individual	Social status and prestige, control or dominance over people and resources
6	Security	common	Safety, harmony and stability of society, of relationships, and of self
7	Conformity	group	Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms
8	Tradition	group	Respect, commitment, and acceptance of the customs and ideas that traditional culture or religion provide the self
9	Benevolence	group	Preserving and enhancing the welfare of those with whom one is in frequent personal contact
10	Universalism	common	Understanding, appreciation, tolerance, and protection for the welfare of all people and for nature

Table 2: Description of human values according to Schwartz

Source: Own study based on data provided on the website <http://www.europeansocialsurvey.org> (reading date 15.04.2017)

3. The cohort value hierarchy in the analyzed countries

The indicators determined for 10 values presented in Table 3 indicate that in majority of analyzed countries the most important values are safety, kindness and universalism (It should immediately be noted that the comparable relevance of a given value in different countries does not necessarily mean a comparable determined indicator value. For example, kindness in Lithuania and in Poland, and Slovakia takes the third place in terms of relevance, but the indicator for this value is 0.14; 0.55 and 0.34.). The exceptions to this rule are the most important values in Germany and Denmark. In these countries, security is of much lower importance (fourth in Germany and the sixth in Denmark), while greater importance is attributed to the issue of self-direction (in both countries in third place in terms of relevance).

	BG	CZ	DE	DK	EE	ES	FR	HU	IT	LT	PL	SI	SK
Security	0,67	0,54	0,37	-0,09	0,58	0,57	0,44	0,61	0,59	0,68	0,63	0,57	0,62
Conformity	0,05	0,05	-0,48	-0,03	-0,05	-0,12	-0,40	-0,35	-0,06	-0,27	0,26	-0,25	0,20
Tradition	0,17	0,02	0,00	-0,29	-0,06	0,28	0,02	-0,08	0,37	0,01	0,24	0,19	0,22
Benevolence	0,59	0,35	0,90	0,94	0,67	0,90	0,82	0,43	0,61	0,14	0,55	0,43	0,34
Universalism	0,40	0,35	0,82	0,73	0,61	0,83	0,89	0,38	0,57	0,02	0,59	0,39	0,35
Self – Direction	-0,14	0,34	0,56	0,45	0,32	0,41	0,35	0,19	0,27	0,18	0,17	0,25	0,25
Stimulation	-0,76	-0,71	-0,83	-0,50	-0,59	-0,83	-0,62	-0,72	-0,76	-0,57	-0,80	-0,74	-0,76
Hedonism	-0,68	-0,29	-0,06	0,16	-0,35	-0,36	0,20	0,01	-0,88	-0,40	-1,00	-0,19	-0,73
Achievement	0,24	-0,36	-0,37	-0,50	-0,44	-0,71	-0,71	-0,11	-0,08	0,07	-0,27	-0,09	-0,18
Power	-0,68	-0,38	-1,13	-0,96	-1,00	-1,32	-1,26	-0,57	-1,03	-0,04	-0,66	-0,94	-0,50

Table 3: Value hierarchy of individuals in the analyzed countries

Source: Own study on basis of ESS results

While the most important values in the analyzed countries are similar, the larger differences occur regarding the least significant values. Among the three least important values the two (stimulation and power) can be mentioned which are repeated in most countries. However, the third least significant value cannot be unequivocally indicated. In some countries this is a matter of conformism (e.g. Germany, Hungary), in the other of achievements (e.g. Czech Republic, Denmark) or hedonism (e.g. Bulgaria, Italy, Poland). The general conclusion that can be drawn on the basis of the set values of indicators refers to the high importance of common and group values, and definitely lower of individual values. However, the analysis of the value hierarchy of individual cohorts does not confirm this conclusion. The analysis of determined indicators indicates a decrease in the importance of common (e.g. security) and group values (e.g. tradition) in favour of individual values (e.g. hedonism). Details are shown in Table 4.

Builders													
	BG	CZ	DE	DK	EE	ES	FR	HU	IT	LT	PL	SI	SK
Security	1,00	0,99	0,65	0,21	0,85	0,87	0,65	0,81	0,82	0,94	0,93	0,88	0,99
Conformity	0,58	0,56	0,03	0,38	0,44	0,53	0,02	0,09	0,31	0,19	0,73	0,29	0,63
Tradition	0,81	0,69	0,44	0,03	0,46	0,76	0,46	0,48	0,71	0,69	0,80	0,71	0,94
Benevolence	0,81	0,61	0,87	0,98	0,82	0,95	0,83	0,58	0,77	0,41	0,66	0,52	0,62
Universalism	0,66	0,66	0,78	0,70	0,74	0,80	0,88	0,55	0,70	0,20	0,72	0,46	0,59
Self – Direction	-0,46	0,10	0,52	0,66	0,12	0,20	0,31	-0,06	0,11	-0,17	-0,07	0,13	-0,04

Stimulation	-1,37	-1,35	-1,27	-0,87	-1,12	-1,43	-1,06	-1,30	-1,10	-1,18	-1,32	-1,36	-1,38
Hedonism	-1,46	-0,85	-0,27	-0,08	-0,79	-0,90	-0,14	-0,23	-1,48	-0,91	-1,47	-0,81	-1,35
Achievement	-0,01	-0,93	-0,78	-1,11	-0,76	-0,93	-0,99	-0,50	-0,27	-0,23	-0,67	-0,41	-0,57
Power	-0,86	-0,77	-1,35	-1,15	-1,27	-1,26	-1,32	-0,74	-1,11	-0,25	-0,78	-0,99	-0,82
Baby Boomers													
	BG	CZ	DE	DK	EE	ES	FR	HU	IT	LT	PL	SI	SK
Security	0,75	0,67	0,36	-0,10	0,74	0,69	0,51	0,70	0,72	0,80	0,75	0,62	0,79
Conformity	0,16	0,29	-0,49	0,04	0,09	0,08	-0,33	-0,29	0,11	-0,13	0,44	-0,12	0,38
Tradition	0,32	0,24	0,11	-0,25	0,22	0,46	0,14	0,07	0,59	0,24	0,46	0,39	0,54
Benevolence	0,67	0,49	0,98	0,99	0,74	0,94	0,84	0,50	0,63	0,18	0,57	0,49	0,42
Universalism	0,46	0,48	0,89	0,78	0,66	0,89	0,96	0,42	0,61	0,08	0,62	0,42	0,45
Self – Direction	-0,18	0,27	0,64	0,54	0,29	0,42	0,35	0,16	0,23	0,17	0,17	0,22	0,15
Stimulation	-0,96	-1,04	-0,93	-0,67	-0,82	-1,10	-0,79	-0,95	-0,96	-0,84	-0,98	-1,02	-1,05
Hedonism	-0,89	-0,50	-0,18	0,06	-0,57	-0,61	0,09	-0,04	-1,13	-0,70	-1,20	-0,35	-1,05
Achievement	0,17	-0,57	-0,48	-0,60	-0,61	-0,84	-0,87	-0,20	-0,12	0,02	-0,43	-0,17	-0,37
Power	-0,69	-0,50	-1,23	-1,00	-1,14	-1,33	-1,33	-0,60	-1,14	-0,11	-0,78	-0,93	-0,58
Generation X													
	BG	CZ	DE	DK	EE	ES	FR	HU	IT	LT	PL	SI	SK
Security	0,58	0,53	0,40	-0,09	0,52	0,53	0,40	0,55	0,52	0,66	0,55	0,48	0,52
Conformity	-0,02	-0,02	-0,57	-0,08	-0,22	-0,25	-0,47	-0,51	-0,19	-0,29	0,18	-0,51	0,09
Tradition	-0,02	-0,08	-0,11	-0,29	-0,22	0,20	-0,04	-0,22	0,28	-0,07	0,10	0,00	0,06
Benevolence	0,53	0,30	0,90	0,96	0,62	0,88	0,87	0,38	0,58	0,05	0,54	0,41	0,27
Universalism	0,33	0,30	0,83	0,74	0,60	0,86	0,94	0,34	0,56	-0,04	0,57	0,42	0,28
Self – Direction	-0,04	0,39	0,54	0,41	0,38	0,45	0,35	0,30	0,36	0,22	0,24	0,37	0,33
Stimulation	-0,60	-0,67	-0,82	-0,57	-0,49	-0,77	-0,58	-0,57	-0,64	-0,52	-0,70	-0,51	-0,70
Hedonism	-0,55	-0,25	-0,06	0,12	-0,22	-0,23	0,21	0,05	-0,66	-0,32	-0,95	-0,02	-0,60
Achievement	0,32	-0,25	-0,27	-0,39	-0,43	-0,71	-0,66	0,00	-0,08	0,12	-0,16	-0,03	-0,04
Power	-0,63	-0,26	-1,04	-0,89	-0,86	-1,37	-1,32	-0,51	-1,10	0,02	-0,63	-0,98	-0,37
Generation Y													
	BG	CZ	DE	DK	EE	ES	FR	HU	IT	LT	PL	SI	SK
Security	0,49	0,19	0,10	-0,32	0,25	0,28	0,25	0,48	0,30	0,42	0,39	0,38	0,42
Conformity	-0,31	-0,38	-0,82	-0,34	-0,38	-0,59	-0,62	-0,56	-0,36	-0,65	-0,11	-0,52	-0,05
Tradition	-0,20	-0,44	-0,44	-0,53	-0,55	-0,11	-0,27	-0,45	-0,07	-0,47	-0,21	-0,22	-0,24
Benevolence	0,41	0,14	0,83	0,90	0,54	0,87	0,78	0,33	0,54	0,03	0,48	0,32	0,21
Universalism	0,23	0,16	0,76	0,71	0,47	0,78	0,81	0,29	0,48	-0,05	0,51	0,32	0,23
Self – Direction	-0,01	0,51	0,52	0,31	0,44	0,53	0,41	0,26	0,37	0,34	0,28	0,29	0,41
Stimulation	-0,31	-0,14	-0,32	-0,04	-0,11	-0,28	-0,25	-0,31	-0,46	-0,05	-0,40	-0,24	-0,29
Hedonism	-0,14	0,16	0,28	0,47	0,07	0,14	0,44	0,19	-0,40	0,06	-0,59	0,22	-0,32
Achievement	0,41	0,04	0,04	-0,16	-0,04	-0,46	-0,47	0,13	0,18	0,26	0,03	0,14	0,02
Power	-0,62	-0,17	-0,88	-0,90	-0,78	-1,36	-1,14	-0,47	-0,86	0,13	-0,52	-0,90	-0,40
Generation Z													
	BG	CZ	DE	DK	EE	ES	FR	HU	IT	LT	PL	SI	SK

Security	-0,02	0,24	0,07	-0,23	0,34	0,29	0,29	0,28	0,37	0,37	0,28	0,47	0,15
Conformity	-0,71	-0,34	-0,82	-0,42	-0,50	-0,60	-0,78	-0,55	-0,49	-0,69	-0,41	-0,41	-0,40
Tradition	-0,65	-0,45	-0,50	-0,60	-0,63	-0,24	-0,47	-0,66	-0,14	-0,80	-0,23	-0,21	-0,48
Benevolence	0,47	-0,03	0,76	0,73	0,48	0,73	0,61	0,22	0,47	-0,01	0,57	0,22	0,23
Universalism	0,05	-0,01	0,75	0,64	0,41	0,60	0,70	0,24	0,32	-0,13	0,39	0,22	0,01
Self – Direction	0,23	0,36	0,39	0,19	0,41	0,37	0,26	0,24	0,24	0,37	0,17	0,01	0,57
Stimulation	0,12	0,14	-0,18	0,11	0,16	0,07	-0,04	0,18	-0,22	0,22	-0,25	-0,04	0,15
Hedonism	0,79	0,25	0,42	0,62	0,22	-0,05	0,79	0,23	-0,20	0,34	-0,21	0,14	0,10
Achievement	0,34	0,08	0,01	0,06	0,03	-0,25	-0,18	0,21	0,07	0,28	0,12	0,21	0,28
Power	-0,25	-0,15	-0,78	-0,71	-0,84	-1,03	-1,01	-0,48	-0,48	0,10	-0,33	-0,83	-0,46

Table 4: Value hierarchy of individuals in analysed cohorts

Source: Own study on basis of ESS results

The safety indicators determined for individual cohorts in the analyzed countries show that the highest values can be observed among the oldest people (builders' cohort) and they gradually decrease in subsequent generations. As far as security importance is concerned, it can be seen that for the citizens of Bulgaria, Czech Republic, Hungary, Lithuania, Poland, Slovenia and Slovakia, it remains one of the most important values for all cohorts except for the Z generation. A similar situation can be observed in the case of tradition. A different tendency is seen in case of e.g. hedonism or achievements. The indicators determined for them in both cases grow, and with them grows their importance in the hierarchy of values.

4. The differences and similarities between the cohorts in the analyzed countries

The characteristics presented in the preceding section of the value system of people living in the particular country as well as the characteristics of the value systems of individual cohorts indicate that similarities and differences between analyzed countries can be talked about. The two-way variance analysis shows that for all analyzed countries we can talk about significant differences between generations. Subsequent grouping with use of the Ward method (Figure 1) indicates the possibility of dividing this set into three separate parts. Denmark, Spain, Estonia, France and Germany are rated among the first group. The second aggregation includes: Lithuania, Slovenia, Hungary and the Czech Republic. The third and last collection is created by Slovakia, Poland, Italy and Bulgaria. It allows saying that, despite living on one continent you cannot talk about one common value system.

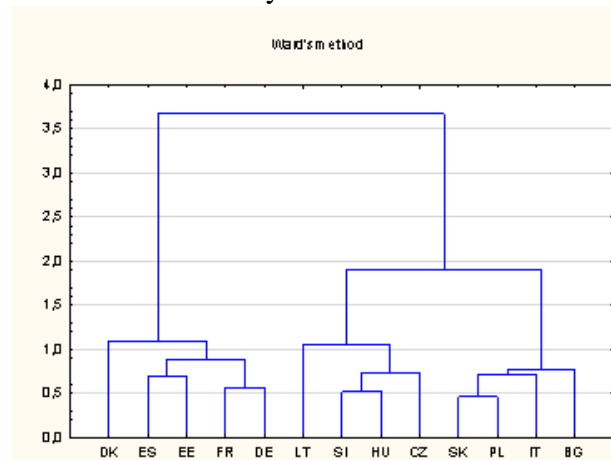
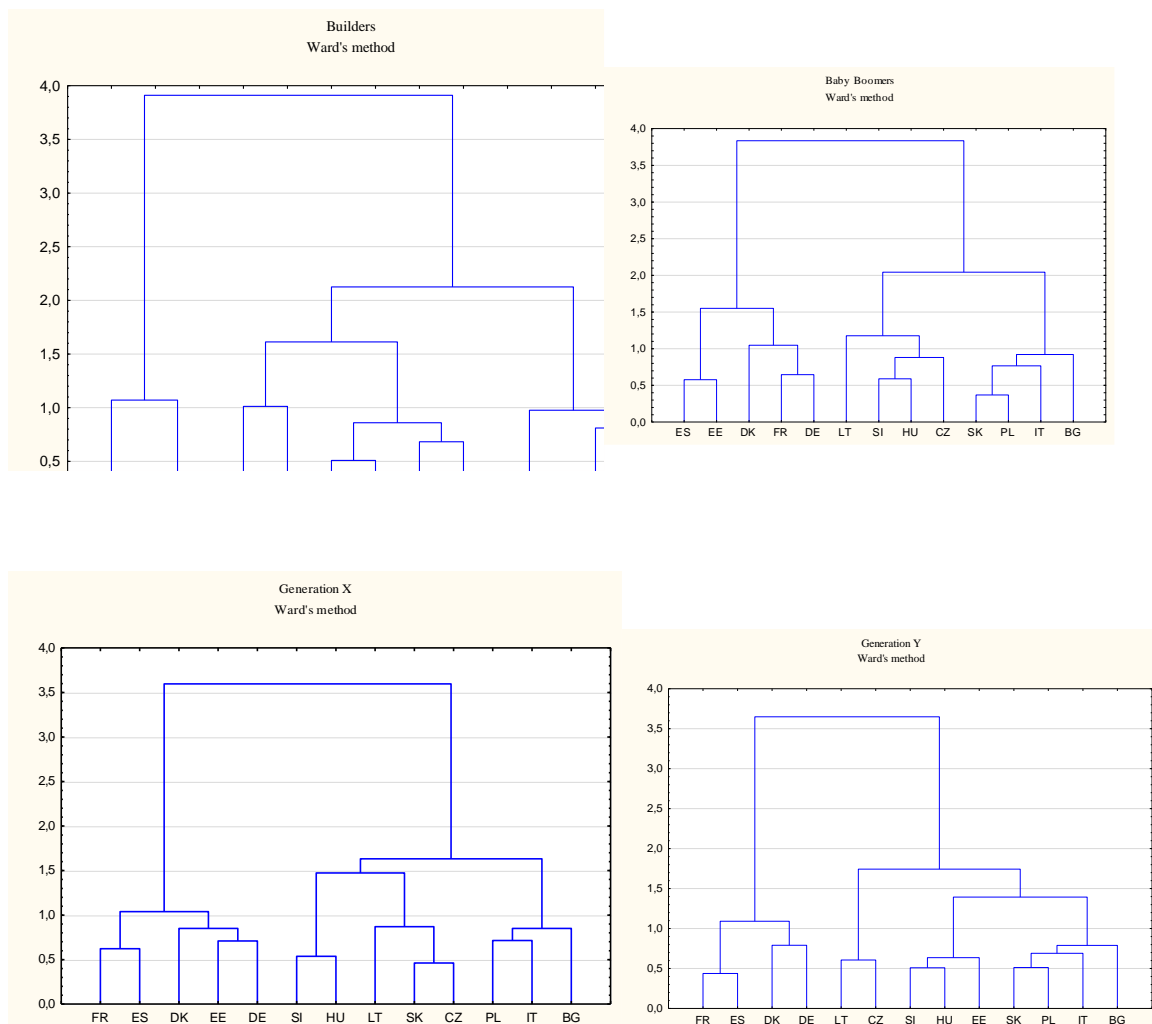


Figure 1: Hierarchical cluster analysis (Ward's method, Euclidean distances)

Source: Own study on basis of ESS results

Further, the grouping of countries within the individual cohorts was done. The results obtained (Figure 2) show that, regardless of the age of the individual and the place of residence, there are similarities in value systems between cohorts. In the case of four cohorts (builders, post-war baby boomers and X and Y generations) one can talk about the similarity of the value systems of the residents of France, Denmark and Germany. Similarity is also apparent in the case of citizens of Bulgaria, Poland and Italy, as well as Hungary, the Czech Republic and Lithuania. Some changes in the similarity of hierarchy of values in relation to previous groups can be seen in the case of the youngest cohort – the Z Generation. Also respondents in this cohort can be divided into three groups because of the value system held to. The first group consists of respondents from three countries - Slovenia, Poland and Italy. The second group includes inhabitants of Estonia, Spain, Denmark, France and Germany. The last group is created by the citizens of the following five countries: Lithuania, Slovakia, Hungary, Czech Republic and Bulgaria. It should be noted that the Z generation is the youngest generation on the market and it cannot be assumed that their value system will not change. As shown in the introduction to the article, the hierarchy of people from this generation can be changed by influence of external factors.



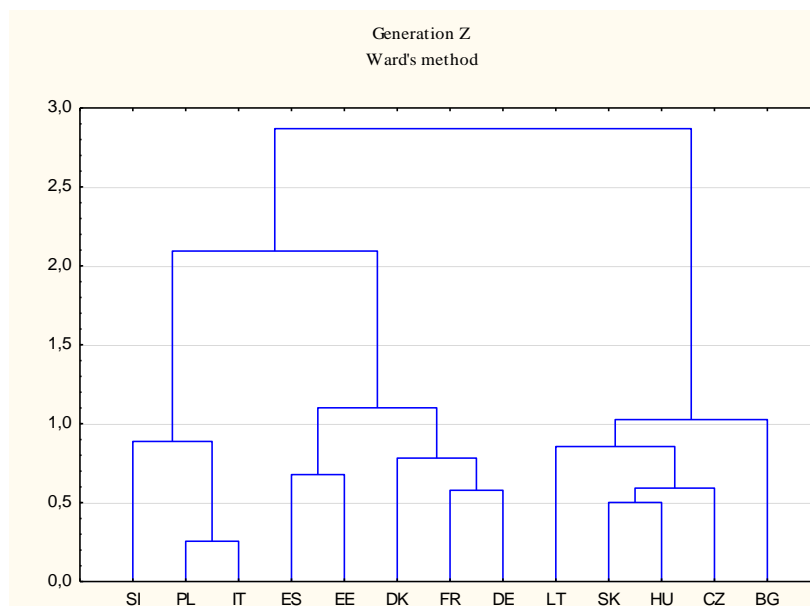


Figure 2: Hierarchical cluster analysis (Ward's method, Euclidean distances) for particular cohorts

Source: Own study on basis of ESS results

From the carried out cluster analysis it is clear that uniform cohorts cannot be talked about independently of the analyzed country. Identifying and describing should be done within the limits of a given country, assuming some areas common with other countries. This means that generation segmentation should be done for each country separately. Therefore, it can be expected that by moving the product between markets in geographic terms, we will encounter a similar response from customers due to the similarity in the values they hold to.

5. Conclusions

In marketing literature the evolution of the approach to segmentation criteria can be seen - from concentration on the criteria related to a buyer or product / purchase situation to the criteria related to the buyer's needs and personal values. The system of the values held to is, among others, an element of the concept of generation segmentation. In the case of publications on consumer behaviour, a belief can be noticed that values, along with identity and needs, influence the consumer goals and behaviour.

The carried out analysis of the ESS results for the held to value system shows the large importance of common and group values, while clearly lower of individual values. The analysis of the values of individual cohorts allows for confirmation of such a conclusion in relation to the builders, post-war baby boomers or X generation. In the case of the youngest generations, the increase of significance of individual values can be observed. The results of the variance analysis allow talking about the differences between cohorts in the analyzed countries, while the results of cluster analysis indicate that there is no basis for claiming the existence of homogenous cohorts independently of the analyzed country.

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Recognition of Future Trends on time with the Right Evaluation for the Software Industry

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Abstract

Today through the digitization as well as the technologisation the world changes in an increasing measure which affects also the economic principles. The “Long-Tail-Principle” has replaced the “Pareto Principle”. Nowadays the big enterprises eat not anymore the small businesses; instead the faster businesses eat the slower businesses. The development during the last years has shown that the future is not only digital. The future will be completely different. Especially the conditions in the software industry are other, than they were in the predigital time (Hofmeister, 2013, p. 1). Therefore the recognition of future trends on time and the right evaluation of every trend are very important for every software vendor. The following paper shall help to understand on what sustainable and innovative software companies should focus on including a detailed description of the framework for innovation with the “Three Box Solution” from Govindarajan (2016). Background details like digitization, Cloud or Cloud Computing, Industry 4.0, Internet of Things (IoT) and the a short description of digital goods as an ideal introduction to the paper. The paper further includes a literature review of today’s challenges like strategies, globalization, political influences, the total network and the changed behavior of the buyer. This is important to understand and evaluate future trends on time. With the future trends it is also important to cover shortly the digital business models and the development of business models.

Key words: Future Trends, Digitization, Business Models.

JEL classification: O30, O31, O32.

1. Introduction

Due to digitalization as well as increasing technology today’s world is undergoing a persistent change and so are the economic principles. Instead of the Pareto principle, the Long-Tail-Principle has meanwhile become applicable. Nowadays it is not the big ones that swallow the little ones but the fast ones that swallow the slower ones. Developments in the past years have shown that the future will not only be digital but completely different. Especially in the software sector the prerequisites are different to those in pre-digital times (ref. Hoffmeister 2013, p. 1).

In order to persistently increase the productivity of a company as well as its growth – especially in the field of software development – innovation is doubtlessly an important prerequisite. New innovative business models, innovations in processes and innovations in (software) products not only increase the subjective customer benefits but also enable companies to distinguish themselves from others and thus achieve competitive advantages (see Ili 2012, p. 17). The software industry belongs to a comparatively young sector of the economy and, therefore, proves to have the most innovations. However, despite its relatively recent history, the significance of software in the business as well as in the private sector has meanwhile become very high, if not to say that the world of today would not be able to manage without the software industry. The turnover resulting from the development resp. sales of software has consistently increased since the year 2000 and, according to the opinion of experts, this trend will continue (see Friedewald et al. 2002, p. 151). Practically no other sector of industry has changed society as well as the business world as persistently as the software industry. It belongs to one of the constantly changing sectors and, therefore, differs clearly from other sectors. According to experts, this can be put down to the fact that software has specific characteristics and also that the market for software is very specifically aligned (ref. Buxmann et al. 2015, p. 3-4).

It is the objective of this paper to show what a software company with sustainable and

innovative ability looks like on grounds of a literature search and to define which challenges as well as strategies should be pursued in order to be able to recognize future innovations and trends and evaluate them correctly.

2. Terms and Basics

The main terms used in this thesis are: Digitalization, Cloud and Cloud Computing, Industry 4.0 and Internet of Things (IoT). In the course of this chapter the meanings of these terms will be explained and put into the respective context of the thesis. Furthermore important basics such as the characteristics of digital goods, the characteristics of the software business and strategies for innovations and trends will be clarified in order to gain a better understanding of the following exposition.

2.1 Digitalization

Not only in the IT sector, but practically everywhere digitalization is a topic. In general, considerable expectations are connected with the term digitalization because, in the opinion of experts, this term stands for innovation and the future. According to Krickel (2015, p. 42) there is no clear definition for the term of digitalization. Strangely enough, the terms digital as well as digitalization are not explicitly defined. However, when applying Information and Communication (IaC) technologies, the term digital is always used, whereby in this connection the conversion of analogue data into discrete digital data is meant, which are to be electronically stored or processed. This view is a purely technical one, however, it describes the key tasks of digitalization quite well (see Krickel 2015, p. 42). Due to the increasing networking of practically all areas of life, people, institutions or companies are becoming more and more dependent of digital data sources, services, terminal equipment as well as infrastructure with which they interact on a daily basis. Digitalization serves to enable sustainable technologies to be transported. Innovative technologies such as Cloud Computing, IoT or Industry 4.0 are the results of digitalization, which have also persistently changed the software sector and will continue to change it in the future (ref. Lepping; Palzkill 2017, p. 18-19).

2.2 Cloud and Cloud Computing

Cloud as well as Cloud Computing are keywords in today's IT, which nobody can get away from. There are meanwhile many different interpretations for the term Cloud Computing, but so far there is no standardized definition in the respective literature. However, there is a generally recognized description concerning the functions performed by Cloud resp. Cloud Computing: Cloud Computing enhances the provision as well as use of applications, IT infrastructures and platforms of any kind in the form of services which can be transported via the internet. The term Cloud shall indicate that the services available via the internet or an intranet are made available by a provider (see Baun et al. 2011, p. 1). Experts of the IT sector state that Cloud Computing belongs to one of the top-5 IT trends, which is now passing the hype-phase and entering the status of a practical entrepreneurial transfer. Meanwhile there is no discussion any more as to whether Cloud Computing is a practicable possibility but rather more which possibilities there are to offer resp. implement software on respective platforms (see Münzl et al. 2015, p. 1).

2.3 Industry 4.0

Although the initiative Industry 4.0 officially started in the year 2011, numerous people have not yet heard of this term before. This even applies to those people who occupy themselves with this topic, but, nevertheless, have not yet been able to give a plausible explanation for this term. However, in spite of all these circumstances, at least there is an officially recognized definition of Industry 4.0 in the respective literature in order to be able to categorize the term

in the frame of digitalization (see Sendler 2016, p. 17-18). According to Roth (2016, p. 5) the term Industry 4.0 stands for the so-called fourth industrial revolution. On grounds of this fourth industrial revolution, which has essentially been triggered off by the developments in IT, a completely new level of organization and control of the value-added chain shall be achieved via the life cycle of products due to a combination of automation and production technology. For the software industry this is not only a great challenge, but also a huge opportunity as a lot of new applications, services and IT systems have to be developed in connection with it (see Roth 2016, p. 5).

2.4 Internet of Things (IoT)

The term Internet of Things (IoT) has been existent for about 10 years now (Sendler 2013, p. 10). IoT stands for a new innovative level of development with regard to the internet. When being introduced, it first of all only presented a new possibility to communicate and to facilitate data switching. With Web 2.0 the portal for interaction and consequently for the social networking of any number of users was then created. Furthermore, in the course of Web 2.0 all the mobile terminals were integrated in this networking which meant that it was not necessary any more to be connected with a fixed location. Although a large part of the things already has interfaces for unlimited networking, the dream of IoT cannot quite be put into practice yet. This field is a very big challenge for the web technologies as well as for the software industry as the capacities of IoT for ubiquitous computing have long not been exhausted yet (see Sendler 2013, p. 10).

2.5 The Characteristics of Digital Goods

The term „digital goods“ is fundamentally defined as being „immaterial means to satisfy one’s needs, consisting of binary data and which can be developed, distributed or applied with the help of information systems” (Clement; Schreiber 2013, p. 43). Information goods are digital goods, which are bound to a carrier such as a CD-ROM and which consist of a clearly defined quantity of data considered to be useful by persons involved in the economy (see Clement; Schreiber 2013, p. 43). It is a very essential characteristic of digital goods that the creation of the so-called First-Copy (The First-Copy is characterized by a very high fixed costs share due to the high production costs, whereas the variable costs for the distribution of media are very low and can even be ignored in most cases). usually leads to very high costs, however, it is possible to reproduce digital goods quite economically. Furthermore digital goods are very easy to reproduce and without a great effort in comparison with analogue data (see Buxmann et al. 2015, p. 19-20).

2.6 The Characterization of the Software Business

The concept resp. the model of the value-added chain was first introduced by Porter (1985, p. 5) in 1985. By means of this concept companies were given an instrument for the analysis and improvement of their competitiveness. On the basis of this concept strategies such as differentiation or cost leadership can be developed (see Porter 1985 acc. to Buxmann et al. 2015, p. 142). The value-added chain in the field of the software industry can principally also be described by PORTER’s model (1985), however, it has a far more complex structure than most of the other sectors. According to experts, the generic value-added chains that are not dependent on sectors are less pragmatic as they are exposed to a multitude of innovative developments. As already mentioned, the value-added chain has a more complex structure in comparison to other sectors. In the following the ten key activities for the value-added chain in the software industry are named: Research, Development, Production, Marketing, Implementation, Operations, Maintenance, Support, Education and Replacement.

The software industry resp. the software business is characterized by being tremendously fast-

moving as well as by its very high adaptability. Hardly any other sector has become as fast-moving as the software industry due to a steadily increasing digitalization (see Buxmann et al. 2015, p. 142-144). In the software industry there have very frequently been network effects for example with the operating system Windows by Microsoft. Due to these network effects it occurred very often in the past that certain companies such as Microsoft became a type of monopoly. The experts explain though, that big companies can also be very innovative in spite of their monopoly, for a monopoly holds the risk that a certain blindness to the market is developed due to a lack of innovative ability and that new innovation capable companies take advantage of this (see Buxmann et al. 2015, p. 27).

2.7 Strategy – Innovations and Trends

„Strategic innovations are the source of a future profit flow. Without these innovative activities companies are not able to create competitive advantages and survive in the market economy“ (van Someren 2005, p. 28). A lot of people think that innovation is mostly connected with technology or R&D, but according to the view of the experts, this is not necessarily true. The creation of an added value or a competitive advantage is, acc. to van Someren (2005, p. 28), not necessarily dependent of innovative technical products or processes. New forms of distribution, new business models, new markets or new organization forms also show innovations and trends, which are capable of creating new added value and competitive situations in every sector as well as in every geographic market. For this reason the experts speak of strategic innovations. Historically seen, there have always been important strategic innovations in the market economy. However, due to the rapid developments in the field of IaC technologies in the last two decades, the impression could be won that society as well as the economy have meanwhile almost exclusively become independent on the innovations in this field. Acc. to van Someren (2005, p. 32) strategic innovations are, in most cases, driven by trends as well as megatrends which result in completely new opportunities. Experts state that new customer demands can be derived of the resulting trends and the companies develop the most varied solutions for these demands. Nowadays the great skill for the companies is not only to recognize the latest trends, but also to be able to evaluate them in the respective form. In the opinion of the experts, above all those companies are successful today, which recognize the trends early enough and place them in the proper perspective. Those companies, which are the fastest to offer the right solution, will be able to get a good place in the market (see van Someren 2005, p. 28-33).

3. What does a company with sustainable and innovative ability look like?

The fast growth in the information and knowledge society as well as the implementations regarding technical progress, but also the quickening growth of trade resp. the market, make us take a closer look at the following questions: Which information and competences will in future be necessary to maintain the competitiveness of a company and to bring forth innovations, and what should the required organization development look like? Experts assume that the organization development will have a special part to play in connection with the development of innovations in order to secure the future of a company (see Schram 2016, p. 3). Today neither a company nor a business process can do without IaC technologies. Acc. to Abolhassan (2016, p. 18) this is also the reason why meanwhile six of the ten most valuable brands are IT companies resp. companies which operate on an IT basis. It is a well-known fact that there is a very strong potential in digitalization for companies as well as economies. It is not a great secret either that the digital change has long become an innovation engine. Along with these developments in the IaC sector, the importance of software products is enormous as the new technologies would not be applicable without the respective software. For this reason the experts state that it is not only fundamentally important to recognize future trends in the closely

packed software market, but to evaluate these correctly (see Abolhassan 2016, p. 18). In this part of the thesis we will take a closer look at the framework. The Three-Box Solution by Govindarajan (2016), because this generally recognized model is a good example as to how a company should operate on the basis of future innovative developments.

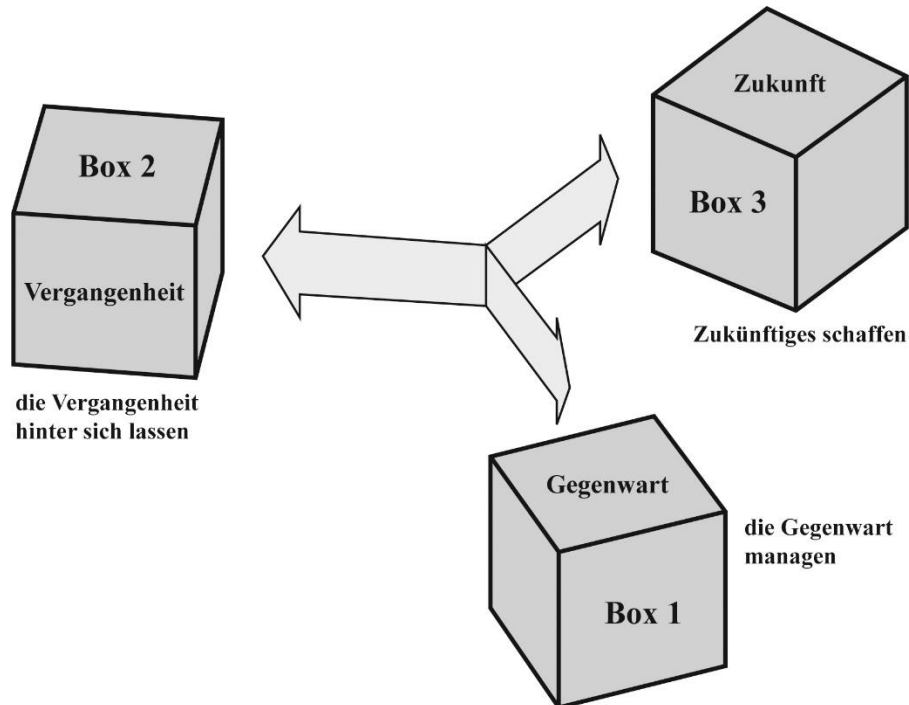


Figure 1. The Three-Box-Solution-Model

Source: Govindarajan 2016, p. 3

3.1 Framework for Innovations

Executives of companies have realized for a long time now that innovations demand a new composition of ways of thinking, skills, management approaches, methods and metrics. It has turned out that the development of new business models or the optimization of an existing business model are two fundamentally different challenges for the management. In the opinion of the experts, the simultaneous execution of both activities is a real problem. In the past the main objective was almost always to be able to maintain an existing competitive advantage whereas nowadays, acc. to Govindarajan (2016, p. 1) it is the priority to find new strategies and new innovative competitive advantages. In this connection experts state that, as soon as a strategy is applied, it will belong to the past. For this reason companies have to strive to develop strategies which meet with the business reality of tomorrow. Govindarajan (2016, p. 2) explains that nowadays companies have to recognize even weak signals which could cause a market change. If changes could be determined, they would have to be evaluated regarding the respective chances and risks for the own business model. In order to be able to deal with all aspects when developing new innovations, the so-called Three-Box-Solution Model was created by Govindarajan (2016, p. 2). This model is a simple and clear framework which shows the three challenges incurred (present, past and future), which managers have to face when developing innovations. The Three-Box-Solution-Model describes the three competing activities which an organization or a team is confronted with in order to develop a new innovative business model out of an existing business model (see Govindarajan 2016, p. 1-3). Diagram 3-1 clearly shows the Three-Box-Solution-Model by Govindarajan (2016). The three competing activities (boxes) will be explained in the following sections of this chapter.

3.2 Drafts for the Future (Box 3)

In this part of the Three Box Solution-Model the development of a new innovative business model is in the fore. The idea behind it is that pioneer new ideas resp. innovations shall be created, which are then to be converted into completely new business models or products. Acc. to Govindarajan (2016, p. 35) these innovations, which are to be applied in the future, shall be implemented in an experimental way. In doing this the chances and risks of an innovatively developed business model or product shall be investigated and evaluated by means of tests generated by assumptions. Furthermore, in the course of these investigations the effects on existing business models as well as possibly emerging new markets shall also be regarded. Govindarajan (2016, p. 37) explains that it is not the speed of the conversion that is of importance for the experimental development resp. the realization of new ideas, but learning from mistakes that have been made. Due to constant learning a very broad knowledge base is created for further innovative developments (see Govindarajan 2016, p. 35-37).

3.3 Leaving the Past behind (Box 2)

This building block has a focus on letting go of practically all current practices and values which are applied in a present business model or product. Experts explain that in the course of this building block skills are developed to build up future developments respectively innovations from day to day or as Govindarajan (2016, p. 79) correspondingly explains: The future of business models or products begins here. When letting go of current ways of thinking, practices and values, all weak signals of possible future trends shall be captured and analyzed in order to be able to anticipate the necessity of experimenting in an orderly manner (see Govindarajan 2016, p. 77-80).

3.4 Managing the Present successfully (Box 1)

This building block directs the principal attention to the optimization of a current business model resp. of all entrepreneurial activities. In the view of the experts the main focus of the business activities should be orientated to the short-term changes of customer needs. Hereby any innovations considered to be useful shall be integrated in an existing business model in order to expand and/or improve a brand and product offer. The objective of integrating innovations as well as optimizing business processes is to achieve a short-term increase in efficiency, to clearly reduce costs and deviations from the plan. Finally, according to the experts, a successful implementation of optimization measures shall lead to creating a corporate culture involving fast and resolute acting so that all entrepreneurial processes are more efficient, more cost-effective and faster (see Govindarajan 2016, p. 113-115).

4. Challenges on Software Providers and their Strategies

„Digitalization is the new Globalization as economic processes increasingly take place digitally“ (Gadatsch 2017, p. 193). Nowadays some experts even speak of the fact that some achievements of digitalization are hardly regarded as being innovative by society. One example for this is Location Based Services (LBS), as these services are taken as a simple app. resp. a “normal” service offer by a large number of smartphone users and not considered to be a real innovation. Gadatsch (2017, p. 193) states in this connection that not only new terms resp. keywords are being created but also that the technical possibilities as well as the resulting challenges are constantly increasing. In the opinion of the experts the various IT trends such as Big Data, Cloud Computing, Industry 4.0 or Social Web are currently blending to become megatrends of digitalization. Exactly these developments are confronting software providers resp. producers with constantly new challenges (see Gadatsch 2017, p. 193). In the course of this chapter an attempt will be made to show the most important challenges on software

providers and their strategies, whereby the most important effects and challenges concerning the changes will be discussed.

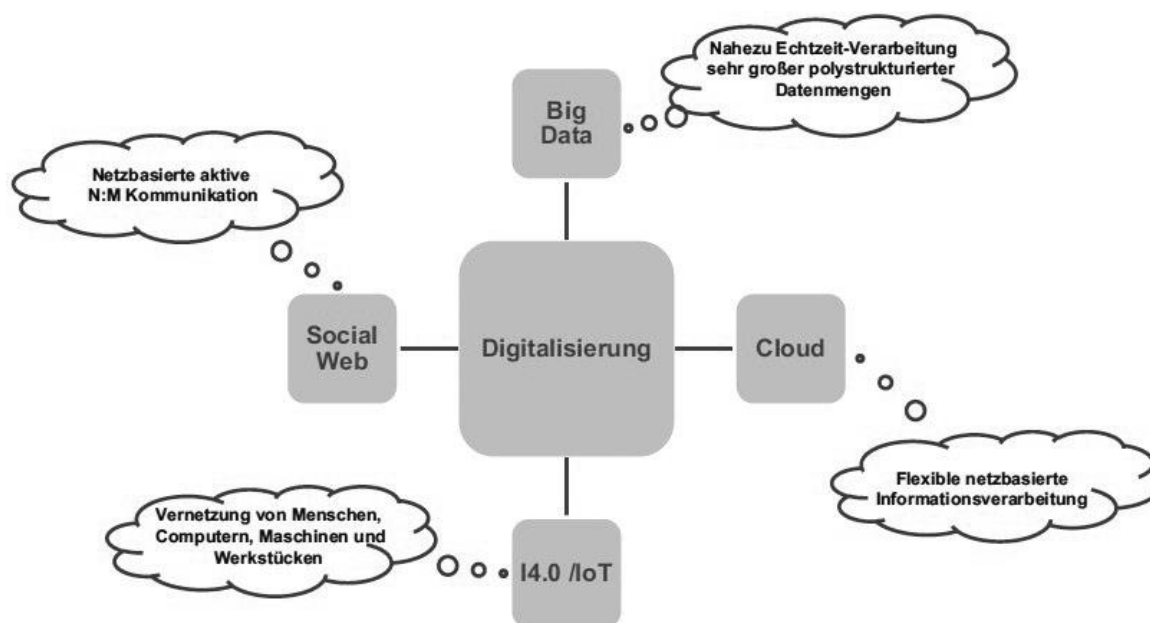


Figure 2. Overview of the most important megatrends

Source: Gadatsch 2017, p. 194

4.1 The Driving Forces of Innovations and Trends

All trends are usually propagated and discussed in public. Therefore neutral assessments of trends often submerge in the multitude of announcements and are very difficult to identify. Current megatrends such as Big Data, Cloud Computing, Industry 4.0, IoT or Social Web, which cannot be regarded detached from digitalization, are hereby an exception as they are considered to be the driving forces for innovations and further trends. In diagram 4-1 these megatrends, which are all results of digitalization, are clearly shown (see Gadatsch 2017, p. 193). Acc. to Urbach and Ahlemann (2016, p. 2) the technological developments of the past years can therefore be regarded as driving forces for innovations and trends. Although, according to experts, nearly all the innovations mentioned are not really pioneering innovations but progressions of existing and partly already established approaches and technologies, which have nowadays reached a certain maturity (see Urbach; Ahlemann 2016, p. 2-3) „and can be combined with each other in such a way that they can develop a significant usefulness“ (Urbach; Ahlemann 2016, p. 3). Due to the technological developments, more and more cooperations in the software industry are emerging in order to be able to use all innovations in the best possible way for the value added by the enterprise (see Buxmann et al. 2015, p. 62).

4.2 The Challenge of Globalization

Experts explain that the world economy is changing faster and faster due to the steadily increasing digitalization. National borders are of less importance for all those companies which operate worldwide resp. offer their services across borders. Acc. to Koch (2017, p. 3) globalization has an influence on all ecological, political, social and economical processes and, in doing so, new chances, challenges as well as risks arise for all those involved. Acc. to experts globalization also has an influence on culture. However, these cultural influences by no means penetrate all cultural levels, but are mainly restricted to the cultural surface of societies. Which, according to experts, means that the culture resp. cultural differences of a country still have to be taken into consideration (see Koch 2017, p. 3-4). Globalization has not stopped at the IT

sector. Due to technological developments as well as increasing digitalization foreign trade concerning IT services and software products is constantly expanding and creating new sector and market structures besides opportunities for growth. In the opinion of the experts an international presence has meanwhile become a must in order to continue to exist on the market in the medium resp. long term. However, experts admit that, although globalization is a real opportunity, companies, especially in the field of software development, often feel driven (see Baukrowitz; Chung 2012, p. 117), „rather than creating their business strategy in a forward-looking manner“ (Baukrowitz; Chung 2012, p. 117).

4.3 The Effects of Politics

Gadatsch (2017, p. 195) explains that the current trends of digitalization such as Big Data or Industry 4.0, are very often subject of political performances. Furthermore these innovations have increasingly become topics for a number of measures on federal and state level. In politics too the responsible persons have recognized that the innovative developments of the past years can decisively contribute to strengthening Germany plc. sustainably. Innovative developments of modern IaC systems are stated as an example, with the help of which farmers can increase their yield as well as the quality of their products. Acc. to Gadatsch (2017, p. 195) the development resp. the application of these IaC systems was commissioned by the Federal Ministry of Food and Agriculture in 2016.

4.4 Modified Customer Behaviour

Experts discuss that one of the main tasks of the digital transformation is to be able to adapt to the modified customer requirements resp. customer behaviour by means of technological solutions. A lot of new software applications have to be developed for the driving innovations such as Big Data, Cloud Computing, Industry 4.0 or IoT and that has to happen in even faster intervals (see Schnabel; Wippich 2016, p. 28). The experts agree that digitalization changes the traditional business models in more or less all areas of daily life. Digitalization has completely restructured the traditional relationship between provider and customer. Customer behaviour has significantly changed due to digitalization (see Lefkes et al. 2017, p. 547-548). The new technologies put the customers in the position to purchase via completely new distribution channels, to carry out applications of any type, to get information of any kind etc. In the opinion of the experts this new freedom has led to a completely different customer behaviour because the demands have automatically risen and will continue to rise. In order to be able to recognize these behaviour patterns, new analysis tools have to be developed, which is to some extent a very big challenge for the software industry (see Guß 2015, p. 37).

4.4 Ubiquitous Computing

The IoT is regarded as being the perfect example for ubiquitous computing in the eyes of the experts. Terms like Connected Cars, Smart Home or Wearables symbolically stand for a linking of objects of the real world with those of the virtual world (see Heinemann 2017, p. 14). Internet giants such as Google are advocates of digitalization and are driven by the connectivity of arbitrary systems as well as by the transfer of data and information (see Rannenber 2015, p. 522). Ubiquitous computing is, according to experts, one of the absolute top trends resp. targets of the IT and software sector. Acc. to Heinemann (2017, p. 15) experts assume that in the next ten years all mobile terminals can be converted into real household control centers and therefore the vision of total interconnection could become reality. It is already possible to a certain extent to control certain household apparatus via app. such as TV, heating, lights or stereo sets (see Heinemann 2017, p. 14-15). In this dynamically changing environment and constantly increasing competitive pressure especially the software sector is confronted with a very big challenge. However, according to experts, an innovative development could be created with

the business model SaaS (Software-as-a-Service), to be able to realize ubiquitous computing (see Könsgen; Schaarschmidt 2016, p. 662).

5. Understanding and Evaluating Future Trends

Especially in the past years it has become very important to carefully watch the IT trends to be able to prepare oneself in time for possible new challenges. Furthermore, acc. to Friedrichsen and Kepser (2011, p. 38) it is also very important to take the right measures so as not to be taken in by a short-lived hype. Experts state that there can be a risk in the usual watching and evaluating of upcoming trends because it could possibly happen that some dynamic cross-relationships between various trends are not recognized and, therefore, a wrong decision could possibly be made (see Friedrichsen; Kepser 2011, p. 38). In this part of the thesis three important driving forces for trends shall be regarded, which, in the opinion of the experts have a mutual influence on each other.

5.1 Digital Business Models

Cloud Computing is one of the latest trend topics of the present because it has made a multitude of new innovative business models possible. Another very important trend topic are the social networks which have not only become a hype in the past years but also a business model with which even a profit of billions can be made. The best example for this is Facebook, which has in the meantime moved up to the top five of the most valuable brands with its business model. Besides Facebook there are meanwhile a large number of other social networks e.g. Google+, LinkedIn and XING. In order to enable social networks, Ubiquitous Computing, Mobile Computing or Big-Data architectures to run smoothly, they require an elastic resource structure like the Cloud. All business models mentioned are considered to be driving forces for Cloud Computing. Every participant in this segment has to watch each signal very carefully so as not to miss a possible trend. Practically all of the developments stated are, in the opinion of the experts, capable of improvement resp. expansion. In diagram 5-1 these are shown once again in a clear manner (see Friedrichsen; Kepser 2011, p. 38-40).

5.2 Approaches and Trends of Innovations, Developments of Business Models

„The world is changing distinctly faster than it is perceived by most of the protagonists: In 1999 the first digital cameras were made“ (Gassmann; Frankenberger 2016, p. 17). The company Kodak completely misjudged the situation at that time which led to the fact that the company not only missed the trend but was entirely pushed out of this sector due to digital photography. This is only one of many examples of what can happen if a company recognizes a trend, yet evaluates it wrongly (see Gassmann; Franken 2016, p. 17). On the other hand, two very successful examples are Amazon and Google – above all, as both of them are considered to be pacesetters for the innovative digital business models. Amazon as well as Google have not only managed to recognize beginning trends at an early stage, but also to evaluate them correctly. The result is two types of digital business models which now belong to the best and most expensive brands in the world (see Hotz; Fost 2017, p. 682-683).

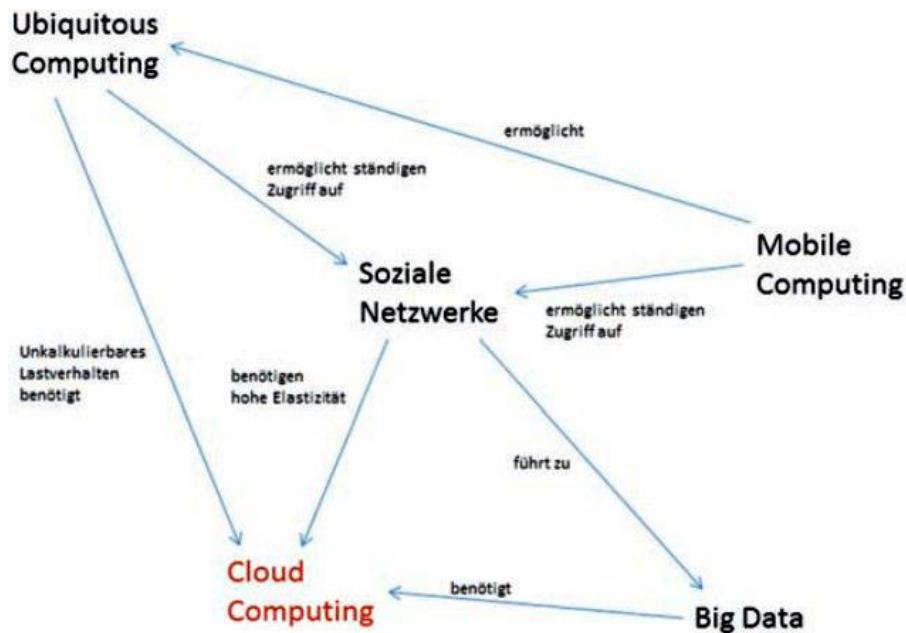


Figure 3. Overview of the most important driver for Cloud Computing

Source: Friedrichsen; Kesper 2011, p. 40

6. Result and Outlook

6.1 Summary

The topic of this thesis was how to recognize future trends in the software sector on time and how to evaluate them correctly. A respective trend research or futurology can help companies to recognize beginning changes at an early stage and enable them to react accordingly.

In the first part of this thesis the most important terms and basics were explained. Then, in the third chapter it was discussed what companies with innovative as well as sustainable ability possibly look like. The fourth chapter dealt with the challenges and strategies which software providers are faced with in times of digitalization. The fifth chapter looked at how future trends could be understood and evaluated in order to continue to exist successfully at medium resp. long term.

6.2 Outlook

A multitude of innovations and trends have drastically changed the economic world in the past years. Those software companies, which are able to recognize the signs of the digital world on time and interpret them correctly, will, in the opinion of the experts, be in the position to establish their products accordingly and distribute them. In the past digitalization presented itself as an obvious driving force for innovations and, if we can believe the experts, it will remain like this in coming years.

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Girding for Prestige: A Study on Conspicuous Consumption, Social Status Display and Materialism

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Abstract

It is asserted in the literature that consumers' desire to display higher social status has positive influence on conspicuous consumption, along with choice of luxurious and prestigious goods. Some evidence is provided to support this understanding, nevertheless, a prevalent perspective is still lacking. Limitations in the field necessitate further studies with new approaches and methodological progression. The aim of this study is to investigate conspicuous consumption in this sense. The sample is composed of residents of two geographically close statistical regions, TRB1 and TRB2, while TRB2 is reported to have the lowest socio-economic development level in Turkey. The participants were invited by e-mails to contribute the study. In January 2017 458 participants from different institutions filled the first page including a 5-point Likert questionnaire and randomly directed to second pages with experiment design. The data was analyzed to test the hypotheses with structural equation modelling to reveal the relationships between conspicuous consumption, materialism and social status display. The results indicate significant relationships between the factors, supporting that social status seeking is positively related to conspicuous consumption, and materialism partially mediates this relationship. The quasi-experiment was designed to test whether intrasexual competition has an impact on conspicuous outfit choice. Consistent with the recent literature, only female participants demonstrated more conspicuous outfit preference, when primed by the experiment scenario in comparison to a neutral situation. Any significance was not found in the gender difference analysis of conspicuous consumption, social status display and materialism relations, while a significant difference is revealed by the quasi-experiment design towards outfit choice. The results promote that conspicuous consumption motivations can be examined further for different product types and situations.

Key words: conspicuous consumption, outfit choice, social status display, materialism.

JEL classification: M31, D12.

1. Introduction

It is part of our social life to inform others about ourselves. This introduction is by no means a mirror of the self, if such thing ever exists. We give information to others about ourselves, to promote or to conduct a purposive communication, when they are actually trying to provide knowledge. This communication process may occur casually, and sometimes targeting social enhancement for a specific goal or status to obtain benefit from social context. Consumption, in this sense, may become an indicator or a preferred manifestation of what we want to communicate about ourselves. In consumer research along with many other conceptualizations, conspicuous consumption is an explicit for of such consumer attitude. It is hereby aimed in this study is to embrace conspicuous consumption phenomenon and outfit in relation to social status and materialism from this point of view.

2. Conceptual Framework

2.1. Conspicuous consumption

Unlike Veblenian view on conspicuous consumption as lavish spending, today the concept is regarded as a tool for communication among people. Conspicuous consumption, and symbolic consumption in general, is not a useless or irrational way of dealing with own sources, but a way of managing sources in exchange of other assets. Baudrillard (2016, pp. 23-24), borders this view critically with showing off beliefs, mindset and joy in a broader sense. Yet it is sufficiently confusing enough to understand how an economic operation translates into so-

called non-economic and humanizing signals (Featherstone, 2005).

According to Leibenstein (1950), consumption has three non-rational aspects, as band-wagon, snob and Veblenian effects. Kotler (1965) recognizes Veblenian consumption in terms of evoking group affinity on consumption, such as social classes, reference groups and culture. Belk (1988), associates consumption with composing the self. A clear definition for conspicuous consumption is made associatively as "a deliberate engagement in symbolic and visible purchase, possession and usage of products and services imbued with scarce economic and cultural capital with the motivation to communicate a distinctive self-image to others" (Chaudhuri, Mazumdar and Ghoshal, 2011).

In consumer studies there is limited effort in measuring and discovering conspicuous consumption via empirical research. Five measures were developed for survey research and methodological limitations still last (Marcoux, Filiatrault and Cheron, 1997; Eastman, Goldsmith and Flynn, 1999; Chung and Fischer, 2001; Chaudhuri, Mazumdar and Ghoshal, 2011; Souiden, M'Saad and Pons, 2011). Furthermore, there is an increasing tendency in the literature to associate conspicuous, or luxury, consumption with sexual selection in the meaning of evolutionary psychology (eg. Saad and Vongas, 2006; Griskevicius, 2010; Hudders et al., 2014 etc.)

Evolutionary perspective brings out several analogies between mating strategies and consumption patterns, which are long since in use by marketers (Miller, 2012). Apart from practical implications hoped by this research interest, due to inability of conventional social theories, Saad (2006) even claims a shift in understanding cultural behavior, choice, cognition and emotions. As it had been asserted many times before, consumption has the force to leave good impressions on others (O'Shaughnessy and O'Shaughnessy, 2002). Therefore, it is thought that conspicuous consumption enhances social status and, thus, is functionalized as an evolutionary weapon.

2.2. Social status display

Society is formed of several cultural, professional and economic groups, thus every society is an aggregation of smaller societies, communities. These groups tend to create distinct hierarchies and classes, while classes are communicated by group members using products as indicators for status and wealth (Chaudhuri, Mazumdar and Ghoshal, 2011).

The "irrational" goods market, where prices are relatively high and consumption occurs through several symbolic processes for leaving impressions on the others, has a large share in economic activities. It is observed not only in capitalized western economies, but also in fast developing economies like India and China. The luxury market in these countries is expected to reach the same level with the developed economies, while it is expanding even more rapidly than general economic activities (Srinivasan, Srivastava and Bhanot, 2014).

When conspicuous consumption is concerned, most of the time scholars tend to mention the class phenomenon and emphasize the status enhancement function. Moreover, in many studies conspicuous consumption is even mentioned as status consumption, which also demonstrates the close relationship between social status, prestige and social desirability and conspicuous consumption (O'Cass and McEwen, 2004). Even in Veblenian view, this "wasteful" consumption is granted a mission as "...people also acquire beliefs from the prestigious agents about who should be imitated, and the most prestigious people will prefer more prestige – indicated by the consumption of status goods..." (Cordes, 2009: p. 118). An economically irrational decision to purchase overpriced goods may then be considered as a rational decision due to price of prestige.

2.3. Materialism

In pursuit of philosophical meaning, giving importance to material objects as goods, products,

possessions or wealth in general is referred to materialism by scholars. Almost all religions, secular moralists and social structures oppose materialism. However, the term is widely used in economics literature to interpret economic choices, including consumer behaviour. Materialistic behaviours as seeking happiness by consumption can be traced back to 15th century in western societies (Belk, 1985). Many research discussed materialism also in developing countries too. Ger (1990) reveals that materialism has a different form in Turkish society, yet it does exist even more in some of the pillars it is defined with. Therefore, it exists but also differs in composition in different types of human groups.

Two approaches arose after 1980s in materialism based consumer studies. While Belk (1984: p. 291) defined materialism as a personality trait as giving importance to worldly possessions, Richins and Dawson (1992) used the term "value system" for placing importance to meta. This means, in Richins' approach materialism can be understood with an explanation as "the more materialistic an individual is, possessions gain more importance to perceive success, acquiring more possessions gain importance for the individual and the individual seeks happiness more in acquiring possessions" (Topçu, 2016: p. 757).

How we define a person is most of the time related to his belongings (McCracken, 1988). This plainly materialistic view leads us to an assumption that enhancing a person's status in society is a process of consuming more prestigious products. Thus, scholars remarked the relationship between materialism and prestigious and conspicuous consumption (Ger, 1990; Eastman et al., 1997; O'Cass and McEwen, 2004; Shukla, 2008; Podoshen, Li and Zhang, 2011; Segal and Podoshen, 2012; Podoshen and Andrzejewski, 2012).

2.4. Conspicuous consumption as a evolutionary tool

In nature, the inevitable genetic struggle of survival cause behaviour patterns due to contexts they are shaped in. This struggle occurs in two ways: living creatures try to stay alive and pass genes on descendants. Thus, survival of genes depend on mating success, as we are descendants of those who were successful in this game. Conspicuous consumption, along with other symbolisms is thought to be a succeeding tool in mating market (Cordes, 2009). Like ostentatious tails, voices, colours of other animals, expensive cars, jewellery, and other luxury communicate efficacy of taking care of family, health and moral values to opposite sex and define our values (Saad and Gill, 2000; Miller, 2012).

Consumer choice is not only determined to effect the opposite sex, but as presented in the evolutionary literature (Zahavi, 1975) and consumer studies (Wang and Griskevicius, 2014), in some particular cases individuals tend to functionalize goods for intrasexual competition too. While intrasexual competition is both common for males and females, previous research revealed higher validity for female consumers (Sundie et al., 2011; Wang and Griskevicius, 2014; Hudders et al., 2014). Nevertheless, conspicuous consumption is a tool in context to evolutionary psychology, to examine the relationship of mating strategies and consumer choice.

3. Research Method

As mentioned above, positive relationships are asserted between conspicuous consumption, social status display and materialism. The structural equation modelling is configured as shown in figure 1. Both direct and indirect effects are calculated to reveal the relations of the mentioned factors.

H1: Social status display is positively related to materialism.

H2: Social status display is positively related to conspicuous consumption.

H3: Materialism is positively related to conspicuous consumption.

H4: Materialism mediates the relationship of social status display and conspicuous

consumption.

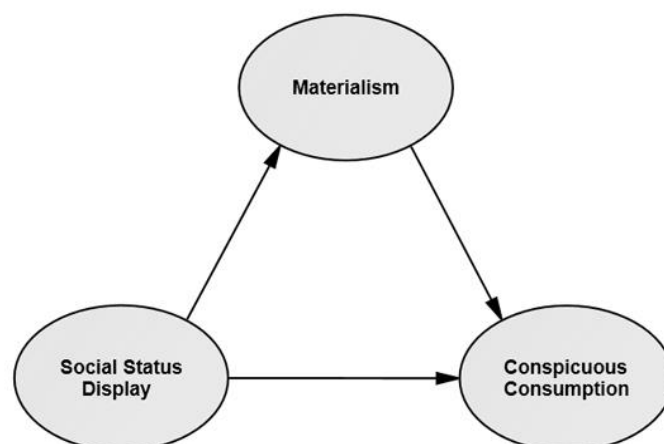


Figure 1. Research Model

At the end of the questionnaire, the participants were randomly directed to a quasi-experiment for testing motivations and their outfit desires for a special event (experiment/ control group X female/male X conspicuous/non-conspicuous outfit). Based on their gender, participants in the experiment group were asked to select the most charming person of the same gender from 4 options. On the next page they were told that the person they chose was their partner's ex-partner from high school, they would meet in the class re-union and they need to choose an outfit for this event. Based on their gender, 2 casual and 2 conspicuous outfits were offered to choose. Conspicuous outfit images were selected from prestigious and high-class brands and style, yet brand names were not shown. The participants of control group were informed that they would go to a dinner where they will meet their high school friends. They were asked to choose an outfit on a page and outfit options were the same with the control group.

H5. Intrasexual competition has an effect on conspicuous outfit choice.

H6a. Intrasexual competition is related to conspicuous outfit choice of female participants.

H6b. Intrasexual competition is related to conspicuous outfit choice of male participants.

	TRB1		TRB2		TOTAL	
Gender		%		%		%
Male	165	58	109	62	274	60
Female	118	42	66	38	184	40
Age		%		%		%
20-30	59	21	51	29	110	24
31-40	102	36	91	52	193	42
41-50	74	26	21	12	95	21
50+	48	17	12	7	60	13
Monthly Income		%		%		%
2000 TL and less	29	14	4	2	17	4
2001-4000 TL	54	19	30	17	10	2
4001-6000 TL	117	38	111	63	84	18
6001-8000 TL	48	17	16	9	248	54
8001-10.000 TL	23	8	12	7	64	14
10.001 TL and more	12	4	2	1	35	7
TOTAL	283		175		458	100

Table 1. Demographics

3.1. Data collection and sample

The questionnaire was compiled of tested scales adopted from 9-item materialistic values scale

(Richins, 2004), social status display scale (Chaudhuri, Mazumdar and Ghoshal, 2011) and conspicuous consumption and outfit choice scale (Chung and Fisher, 2001). Item translation to Turkish was checked and corrected by a pilot study with 43 master students.

The data was collected online in January 2017. The sample consists of 458 participants from different institutions in TRB1 (n=283) and TRB2 (n=175) statistical regions in Turkey. The TRB2 is the most undeveloped region and geographically next to TRB1. Gender, age and monthly income statistics of the participants by region is shown in Table 1, yet significant effect of demographics on SEM is not found.

3.2. SEM analyzes

Before testing the hypothesis, confirmatory factor analyses were conducted to check scale validities. Two items indicating materialism and social status display were distracted since factor loadings were lower than 0,6. Model fit values are shown in table 2.

	α	CMIN/df	GFI	NFI	CFI	RMSEA
Materialism	,857	2,263	,984	,981	,989	,053
Social Status Display	,895	3,297	,987	,958	,970	0,71
Conspicuous Consumption	,863	3,331	,981	,981	,983	,071

Table 2. Confirmatory factor analysis-model fit values

Path analyses were conducted to test the hypotheses as shown in table 3. The results indicate a significant relationship between social status display and materialism ($\beta=0,672$, $P<0,001$), H1 is supported. It is shown in the table that, social status display is significantly related to conspicuous consumption ($\beta=0,569$, $P<0,001$), therefore H2 is also supported. The results reveal a significant positive relationship between materialism and conspicuous consumption ($\beta=0,4$, $P<0,001$), H3 is supported. The indirect effect of social status display on conspicuous consumption over materialism is estimated significant ($\beta=0,268$, $P<0,001$), therefore the mediation hypothesis (H4) is supported as materialism partially mediates the relationship between social status display and conspicuous consumption.

	Direct	Indirect	
MAT \leftarrow SSD	0,672***	-	H1
CC \leftarrow SSD	0,569***	0,268***	H2, H4
CC \leftarrow MAT	0,400***	-	H3

CMIN/DF=2,975, GFI=,911, NFI=,918, CFI=,943, RMSEA=,066, *** $p<0,001$

Table 3. Path analyzes results

There are slight differences found in gender and region comparisons of the research model. Pairwise z-tests are conducted but the differences are not found significant since z-values are not over |1.96|. Therefore, research data does not reveal any significant difference in structural equation modelling of female and male participants or participants from TRB1 and TRB2.

3.3. Conspicuous outfit choice experiment

Chi-square test is conducted to reveal if outfit choice differs between experiment group and control group. As shown in table 4, the difference is not significant bound to the experiment ($\chi^2=4,511$; $P>0,05$). In other words, intrasexual competition does not have a significant effect on conspicuous outfit choice for the whole sample, therefore H5 is not supported. By splitting the file to genders to figure out whether experiment design is related to any of the genders' conspicuous outfit choice, chi-square test is conducted once more. It is presented in table 4 that conspicuous outfit choice of female participants is significantly driven by the experiment prime ($\chi^2=12,895$; $P<0,05$) unlike male participants' outfit choice ($\chi^2=1,858$; $p>0,05$). Therefore H6a is supported, while H6b is not supported since the relationship is not significant for male

participants.

		Value	Asymp. Sig. (2-sided)
	Pearson Chi-Square	4,511 ^a	,211
	Likelihood Ratio	4,601	,203
^a 0 cells (0,0%) have expected count less than 5. The minimum expected count is 6,94.			
Female	Pearson Chi-Square	12,895 ^a	,005
	Likelihood Ratio	13,769	,003
Male	Pearson Chi-Square	1,858 ^b	,602
	Likelihood Ratio	1,869	,600
^a 0 cells (0,0%) have expected count less than 5. The minimum expected count is 5,42.			
^b 2 cells (25,0%) have expected count less than 5. The minimum expected count is 1,47.			

Table 4. Chi-square tests (experiment/control group X outfit choice)

4. Conclusions

Conspicuous consumption research is aimed to understand consumers' choice on luxury goods and symbolic consumption. This research genre gains importance since it offers social scientists understanding how the consumer culture is shaped and why, and marketers why people would buy things. Some scholars' efforts on adapting evolutionary psychology on conspicuous consumption is a promising endeavour in this sense (Saad and Gill, 2000; Griskevicius, 2010; Sundie et al., 2011). In consumer studies, people's choice of conspicuous goods over non-conspicuous is related to many factors such as prestige seeking, self-esteem and self-image and materialism. In this study it was aimed to examine the topic using social status and materialism while the research is supported with a quasi-experimental design concerning mating strategies.

The hypotheses concerning the model of conspicuous consumption, materialism and social status display are supported in this research. The supported model promotes the understanding that displaying social status evokes materialism and conspicuous consumption. It is also supported in this research that materialism, as a value system, is positively related to conspicuous consumption. Therefore, it is asserted in this research that consumers' desire to enhance their social status, or prestige, or how they present themselves in society, makes them have more materialistic values and prefer more conspicuous goods than others. Consistent with the literature (Podoshen, Li, Zhang, 2011), these findings indicate that consumers would tend to purchase conspicuous products when they value them to be enhancing their status.

Previous research show that, under intrasexual competition prime, female consumers tend to purchase conspicuous goods especially when the goods are visible (Hudders et al., 2014; Wang and Griskevicius, 2014). Consistent with the previous research, the quasi-experiment in the study aimed to reveal intrasexual competition effect on conspicuous outfit choice. Male participants' choice did not reveal any significance, when female participants are found to be more keen on choosing conspicuous outfits in experiment group. Female participants, who were informed about joining a meeting with their partner and partner's ex-partner chose prestigious outfit more than in neutral situation. This would indicate difference of importance given to outfit as a product type or competition as stated in the literature, as well as instrument or sampling errors based on limitations of the study.

The hypotheses in the research on why consumers tend to buy conspicuous products are mostly supported. Even though data gathering process has its limitations, results for female participants is supported concerning outfit choice. In future studies, different sample structures and product groups may overcome limitations, thus examine other aspects of consumers and products and provide more detailed and practical information for marketers and social scientists.

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Financial and Non-Financial Measures for Measuring Marketing Performance: A Theoretical Review

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Abstract

The purpose of this paper is to explore the concept of marketing performance and discuss its different perspectives, researchers trying to review existing literature of the measurement of marketing performance in accordance with financial and non-financial measures to provide a collection from Theoretical information for further research and give a clear picture about the views related to the subject in this area. The researchers concluded to a set of conclusions and the most important of them was the attention of researchers and marketers to convert from traditional measures to the non-traditional in measurement marketing performance.

Key words: Marketing performance, Financial measures, Non-financial measures.

JEL classification: M31.

1. Introduction

A central matter in measuring performance in the field of marketing has been focused of remains essential importance for a huge number of organizations (Morgan, Clark & Gooner 2002). Scholars and Managers have both been drawn to the topic with persistence and scope previously unmatched (Clark 1999)

Clark (1999) referred this noticing in measuring performance to four directions: Firstly, after a decade of “downsizing”, which mains organization looking for the point of reduced profits which had led to a re-concentrating on marketing. (Sheth & Sisodia 1995). Secondly, there has an raise a demand for information concerning with marketing, which traditionally has been weakly reported in organization financial statements. Thirdly, measures of organization performance such as the balanced Scorecard (Kaplan & Norton 1992) have refer attention to the topic of which marketing measures should be contain in the total evaluation of the business performance. Finally, marketing managers have become too disappointed from classical performance measures that they represented underestimate what they do.

Organizations are going to be based on less on financial measures (that are based on Accounting measures) such as return on assets , returns, and return on investment , alone to value total organization performance (Wheelen & Hunger 2002). Measures that concentrate merely on financial performance are shown as less favorable to deal with the cases which be facing organizations recent (Ahn 2001; Ambler 2000; Ittner & Larcker 1998; Kaplan & Norton 1996). “merely depend on financial measures of performance does not possibly reflect the importance of recent resource decisions for future financial performance.

Although some organizations recognised the substantial of non-financial performance measures many years ago (e.g., General Electric in the 1950s), increasing international of competition and the increase of the TQM motion t have broad the claim of non-financial performance measures” (Malina & Selto 2001). Without a question , the strongest direction to

measurement in the 1990s was a step by a various of industrial organizations from mere measuring the narrow success of goods to the beside that using of integral non-financial measures are oriented for customer value (Clark 2001).

Survey data are collected from a variety sources, and which covering both the US and Europe, refer to basic changes, with 40-60 percent of organizations which present re-engineered their performance measurement systems (Neely& Kennerley 2002)..

It is important because satisfied measures of performance would motivate scholarly research, and has been seen decisions managerial (Bonoma & Clark 1988). Moreover , it has been assuring that the use of non-financial measures may improve the managers' performance related through per formulate a more precise evaluating of their works , as many non-financial measures are less oversensitive to external influences contrast with financial measures (Spremann & Gantenbein 2002) , as the managers tend to avoid using various indicators, having a strong tendency for single indicators which lead to clearly results (Shaw 1999).

The measurement of marketing function is necessary to build the brand performance. (Beukes and van , 2016).Marketers should be focus on debating and create the standard for Marketing Performance for their organization.

2. Literature Review

2.1. Concept of marketing performance

Organizations of different types seeking to achieve the best level of performance in order to ensure their survival and their continuation in the market in light of the conditions of competition, also marketing performance is considered as one of the important topics that attract the attention of researchers. The Performance is a fairly broad concept, and it's meaning changes according to user's perspective and needs(Lebas, 1995). Marketing performance "as a dynamic process that has multiple dimensions aiming at achieving organization's marketing objectives" (Morgan, et al, 2002). Traditionally, the performance of organization has measured in terms of accounting (Avci, et al. 2011).

There is a variety of opinions regarding the marketing performance. the performance of marketing is a multidimensional construct(Sampiao et al., 2011; Morgan et al.,2002). It is Consists of effectiveness, efficiency, and adaptability (Morgan et al., 2002).

Clark (1993) states that marketing performance has attracted clearly the attention of managers, academics (Pont & Shaw, 2003). The researchers differed in the introduction of the concept of marketing performance, (Hakel, 2011:217) sees that that marketing performance represents one of the important activities in the field of marketing strategies evaluation which include the comparison of results with the specified criteria in advance and analyzing the deviations so as to the necessary corrections (Wheelen and Hunger ,2002) defined performance simply as "... the final result of activity." At one level, it may be as simple and normal as this definition, although at another level the notion of a general measure of performance is both irregular yet continually disappointing (Bonoma & Clark, 1988).

The marketing performance reflects the degree of success or failure of the organization, through its quest to achieve the goals of stay and adapt to the environment variables, especially that contemporary organizations are facing a rapidly changing environment in its requirements and resources and in the volume of demand and the diversity in the specifications.

As well as the acute competition in the markets, which imposed a tendency to develop technologies to ensure the ability to respond to the changes and achieve the goals by using the marketing performance of the Organization Scale (Nagy, Fahad Ali 2012).

Kohli & Jaworski (1990) believes that the outcome of continuous interaction of the customer relationships and his strong association with the concept of marketing means that the organized change needs to respond to the customer requirements in a dynamic market.furthermore (pride and feller ,2016) stated that marketer need to analyze the relationship among stakeholder to

maximize value for target markets, these create need to prefer stakeholders and deal with the strategy of marketing and to provide balance.

(Kotler) pointed out that marketing performance is to compare the Organization performance to its competitor's performance to identify its strong sides and then strengthen them and recognize the weakness so as to reduce them for achieving competitive advantages (Kotler & Armstrong, 1999).

as well as competition irreligiosity in markets, which imposed a tendency to develop technologies to ensure the capacity to respond to the changes and the achievement of the goals, using performance measure Marketing Organization (Naji, Fahd, 2012:39). (1990, p.3. Kohli& Jaworski) see that the outcome of the constant interaction customer relations and its link to the concept of marketing, this means that the organizational change needed to respond to the requirements of the customer in the dynamic market.

Thus, the performance of marketing is the perceptions with regard to any outcomes that indicate organization success including customer satisfaction and their acceptance, market share, sales growth, and overall performance (Barczak et al., 2008).

Thus, we find that marketing performance is the final outcome of that organization aims to reach them by achieving long-term objectives in the light of the conditions of competition faced by organizations.

Also, that the importance of marketing performance is by expressing the Organization ability to create acceptable results, That the ultimate responsibility for any organization is to achieve the highest level of performance, which is a target of the organization objectives through the use of various kinds of resources efficiently because the performance is the only truth to the Organization for being the most important measure to get to know the merits of the organization and its superiority.

The performance of marketing as a business measurement of the organizations' success rate contains the number of customers, sales and growth the profitability Voss and Voss (2000). While Saeko et al.(2012) state performance of marketing is key to the success of business as a result of market strategy for customers, market, and these financial organizations, the market performance such as sales growth, market share and market development in the study of marketing performance.

other study showed that good performance of marketing expresses in three main focus as the sales value, sales growth and the market that is able finally to increase the organization profits (Ferdinand, 2014).

Arthurs and Busenitz (2006) suggest that performance of marketing is an organization emphasis on success which includes the marketing capability in response to the demands of the market and the adaptation capabilities in environmental change. Barczak ,et al. (2008) refers that performance of marketing is the degree of the new product which meets customer expectations, create satisfaction of customer and the ability of the organization to respond to market.(Sarah and Gyau,2013)mention that the performance of marketing can be defined from three different perspectives .internal perspectives, competitors, and customers. From perspective of customer, it concerns the cognitive and affective responses (e.g. brand awareness and quality) and the following behavior for the customers (e.g., purchase decision making and actions) of prospects and customers in the target market to the understand positional advantages. From the perspective of internally oriented, marketing performance of marketing is clear on the subsequent impact of the behavior of customer as seen in terms of unit sales and sales revenue.

2.2. Importance of Marketing Performance

the importance of the Marketing performance can be shown as linked directly to the improvement of the goals of the organization which is refers by the adding of the market share

and increasing returns . it is connected to the marketing performance of the Organization to the improvement of the objectives of the community which is determined in accordance with three foundations of "the economic basis , the legal basis and the moral basis" (Stoner, at el, 1996) Jobber & Fahy (2003) show that the adaptation of marketing concept will improve the performance of the Organizational and the financial functioning since the marketing is not just a concept but represents a strong evidence of its powerful effect. It is the effect that can be used the basic of organization such as profitability market share. The right focus of the marketing planning is done through the expansion of the customer loyalty value with the existence of the brand that serves as the main marketing tool (Kotler, 1997). The basic interest can be found in the loyalty to the brand to be ensure that the company was not exposed to the loss of the market share when new competitor is found (S.p.Raj,1985).

The company may have many clients but if they have loyalty to the company. It may be defeated by other competitors and therefore we find that marketer restore to re-emphasize the importance of the brand through the offer of the advertisements which will sustain the loyalty to the brand. (Rounald & AMP; Bloch, 1988; David 2001) points out that the identification of the importance of marketing performance can be shown in the following:

- Identify the amount of the Organization achieved objectives.
 - providing the information for the various administrative levels for planning , control and taking the decisions based on realistic and scientific facts
 - Performance will lead to the discovery of the efficient members that have experience, knowledge and skill and then put them in the important and appropriate positions. As well as it will determine members, those need support and development for the advancement of its performance to the level of success.
 - Make sure to achieve the coordination among the various departments of the Organization.
 - Diagnosing the errors and to take the necessary steps to fix them
- help to achieve the universality and rationality in planning and decision-making
continuous marketing audit helps to conduct continuous improvements in marketing

performance.

Vankatrmn & AMP; Ramugam, (1986) see that performance show its relevance through three dimensions:

- The theoretical dimension that represented by knowledge Indications whether they are direct or implicit.
- The experimental dimension through the use of studies and research
- The administrative dimension through the application of the methods for assessing the results of the organizations performance. In conclusion that the inspection of the Organization operations and to identify their performance is of the utmost importance.
- .The preview of the process is very necessary to understand how the work of the organizations is so as to correct the distortions in the organization and raising the performance level. Also to design the organizational structure of the form in which it is an active and efficient. In addition ,it is to give the possibility of recognizing the need extent for change and how to conduct in the Organization as well as the plans design for longer term for preferable marketing level.

While Oliver (1995: 90) states that, the distinction between effective marketing performance and the non-effective one there is a set of measures:

- When the output performance is clear. This means that the organization has clear objectives and they know what kind of a powerful activity will contribute to the sales.

- When the effect of performance is clear. This requires knowledge of efforts types that are needed by a particular performance.
- When the performance is something that can a marketer control and this means that if the sales are the result of the efforts of a number of people and the individual so their contribution need to be known, and this means that the output measure for each of these contributions is not the sales themselves, but the effective display of the product, service or good technical means used to connect to the customer

The importance of understanding the marketing performance in general in several areas, the most important are as follows: (Tai .2010: 63):-

- Help in understanding and solving problems in marketing management.
- helping to understand and recognize the individual marketing process.
- How to do business and to improve performance and achieve marketing goals.
- Knowing the individual's rights and duties towards the organization.
- helping identify opportunities to improve the administration.

2.3. Marketing Performance Management

Performance management can be seen as a comprehensive process to deal with performance, including sub-processes such as performance planning, measurement, reporting and decision-making to improve performance and that performance measurement represents a factor of performance management, dealing with, and identifying, monitoring and reporting performance using Performance Indicators results (Brudan, 2010).

Thus the marketing performance management is not just monitoring and evaluation of the results of marketing, but also include marketing planning and implementation, it is extremely important to use marketing to improve performance results. In fact, there are those who say that the true value of performance measurement is not in the performance indicators or reports, but in the decisions and actions resulting from the use (Meeking & Neely., 2009).

Therefore, the Marketing performance management goal is to achieve main outcomes and objectives to improve group, individual, or organizational performance. In this regard, there are two categories of performance criteria, The first group contains operational efficiency, technical efficiency, and exchange efficiency, while the second group contains equity, innovation, employment, and coordination efficiency. the performance can be measured by compare actual performance with planned performance or with criteria already established (Kotler and Keller, 2012). Nevertheless, Anderson and Vincze (2000) mentioned that criteria of marketing performance may be founded on the basis of the organization's mission, organization's vision for the future, organization's data, and forecasts for future performance, or by benchmarking against main factors of success, in the industry.

Marketing Performance Management means what happen on behind the scenes; planning, the measurement of results, marketing investments, and produce insights. Marketing Performance Management should be considered as the strategic arm, guiding the organization towards the success.

Moreover Clark (2002) said that Customer expectations about services quality that should be offered and their performance it will have a high impact on the level of satisfaction or dissatisfaction felt with the sale experience and total purchase. Therefore, the efficiency and effectiveness of marketing well be achieving by focusing on the alignment of marketing strategies, activities, and measures with business goals. Solcansky et al, (2010) refer that academic debate in measurement of marketing performance is widely depend on the assumption that greater marketing a responsibility for improvement situation of marketing and organization performance.

2.4. Measurement of Marketing Performance

Measurement of Marketing performance has been practical and studies for various decades. A last studies suggests these measures have moving through the years in three components directions: first, from financial to non-financial output measures; second, from output to input measures and third, from unidimensional to multidimensional measures (Clark,1999).

Ambler and Robert (2008) define marketing as the activity the organization as a all attract with the intent to create a value of the shareholder. Therefore, the performance of the department or a determine marketing actions but the organization "total performance and enhancing with regard to marketing that makes the organization successful. In order to assess the performance of marketing, it is essential to pledge to three standards versus a comparison to internal benchmarks, external benchmarks and modification for any variation in brand equity (Ambler et al., 2001; Mills, 2010).

Internal benchmarks:-

Measurement of performance has become basically to top management in the organizations that are in charge of taking strategic and operational decisions , and this has eventually to the utilize of benchmarks to compare among the best performance competitors (Jin et al., 2013). Marketing or business plans are in comprehensive represented as an internal benchmark for performance (Mills, 2010).

External benchmarks:-

The external benchmarking procedures compares the organization's performance against that of competitors , in any case of how best of performance of an organization's internal process and performance, it must always benchmark external environment against competitive powers and organization so to secure continued improvement (Stapenhurst, 2009).

Chris and van, (2016) urge the marketing performance measurement It should be in depending to the following characteristics :-

1. Financial measures such as sales amount and turnover, profit, returns of assets .1.

2. Competitive market measures such as market share, considered price and share of promotions.

3. Customer behavior measures such as penetration and number of users and customers , user and customers loyalty and user returns and losses.

4. Customer intermediate measures such as awareness, attitudes, satisfaction, commitment, buying intentions and perceived quality.

5. Direct customer (trade) measures such as distribution or availability, customer profitability, satisfaction and service quality .Furthermore(Clark, 1999) mention that Marketing performance measurement has been practiced and studied for decades. A recent studies refers that marketing performance measures have moved in three consistent directions over the years: first from financial to non-financial output measures; second, from output to input measures; and third, from one-dimensional to multidimensional measures as in the following table(1) ,(2).

Single Financial Output Measures	
Profit sales Revenue	Goodman (1970. 1972). Sevin (1965)(Feder (1965)
Cash Flow	Btizzell and Chussil (1985). Day and Fahey (1988)
Non-financial Measures	
Market Share	Buzzell and Gale (1987), Jacobson (1988),Szymanski Bharadwaj. and Varadarajan (1993)
Quality 'ofServes	Bucklin (1978)
Adaptability	Bhargava, Dubelaar, and Ramaswami (1994). Walker and Ruekert (1987)

Customer Satisfaction	Anderson and Stillivan (1993). Anderson, Fomell, and Rstist (1997). Donaherand Matson (1994), Fomell (1992). Fomell Johnson, Anderson, Cha, and Bryant (1996). HalsteadHartman, and Schmidt (1994), Hatiser, Simester, and Wemerfelt (1994). Oliv;i. Oliver, and MacMillan (1992), Peterson and Wilson (1992), Piercy and Morgan (1995), Selnes (1993), Spretig, MacKenzie, and Olshavsky (1996) Teas (1993). Teas and Palanl (1997). Voss, Parasuraman, and Grewal (1998) Yi (1990)
Customer Loyalty	Anderson and Stillivan (1993), Dick and Basu (1994), Fomell, Johnson, Anderson, Cha, and Bryant (1996). Jones and Sasser (1995). Oliva. Oliver, and MacMillan (1992), (Reichheld (1994), Selines (1993)

Table (1) financial measures

Source:-Clark, (1999)

Non-financial Measures Cont d/...	
Brand Equity	Aaker and Jacobson (1994), Amble rand Barwise (1998) Barwise (1993), Keller (1993, 1998), Haigh (1998), LassarMittal and Sharma (1995), Selnes (1993), Simon and sullivan (1993)
Input Measures	
Marketing Assets	Piercy (1986), Srivastava Shervani, and Farley (1998)
Marketing Audit	Brownlie (1993, 1996). Kotler, Gregor, and Rodgers (1977) Rothe, Harvey, and Jackson (1997)
Marketing Implementation	Bonoma (1985, 1986). Bonoma and Crittenden (1988)
Market Orientation	Day and Nedungadi (1994). Deshpande and Farley (1998a 1998b). Han, Kim, and Srivastava (1998). Kohli and Jaworski (1990), Kohli, Jaworski, and Ktimar (1993). Jaworski and Kohli (1996), Narver and Slater (1990, 1998). Slater and Narver (1994), Wrenn (1997)
Multiple Measures	
Efficiency	Bonoma and Clark (1988). Dtin. Norbtim, and Birley (1994) 1977) (Kotler
Effectiveness	Sheth and Sisodia (1995). Walker and Ruekert (1987) Bhargava Dubelaar, and Ramaswami (1994). Spriggs (1994)
Multivariate Analysis	Bhargava Dubelaar, and Ramaswami (1994). Spriggs (1994)

Table (2) non financial measuers

Source:-Clark, (1999)

The measuring performance marketing is the process by which feedback is provided on the Organization performance, including the results of marketing efforts practically (Clark & Ambler, 2006).

The attention of researchers headed in the marketing field to shift from financial output measures that were supported in marketing performance for business organizations to the output of non-financial measures (Clark.1999). it is suggested that particularly in the sector of service,

non-financial performance should receive Seriously consider (Alrubaiee, 2013).

However, marketing performance has been defined as "the ability to achieve the objectives of

marketing" (Solcansky&Simberiova, 2010).

The measures of non-financial is considered as a turning point in the orientations of marketing performance especially after the increased attention to the relationship with customers. Because of the ease in the kind of performance to be measured, as well as the diversity in the application, it will be easy for Institutions to choose among the measurement tools of the non-financial performance also the institution can use more than one tool to evaluate the same activity (Ittner & larker.2003)

On the other hand, researchers have emphasized the importance of performance indicators of the non-financial as compared with the financial performance in measuring marketing performance (Avcı et al., 2011). In this study, the researcher adopted one of the non-financial indicators which represented by the (Brand Equity) to measure marketing performance through the effect of marketing knowledge.

The effective deployment of new methods for measuring marketing productivity in the work environment will be an important step towards the lifting of marketing vitality within the organization. The most important thing is to raise the performance of the organization itself (O'Sullivan & Andrew, 2007). It is important to know the five dimensions that have been adopted from (Ambler et al., 2002) which can be considered as important measurements, in particular, to the customer's awareness (T. Rust Roland, 2004)

1. Customer awareness- :Is the degree of the ease by which a customer to remember and learn about the organization, which amount to the extent that they can identify the products and services associated with this organization .
2. Customer associations -Which represent the strength , the preference , the rarity of the perceived association and benefits that come with the organization and the brand.
3. Customer attitudes -:It is the customer's total assessment of the organization and the brand based on the achieved quality and satisfaction .
4. Customer attachment- :The customer loyalty to the organization and the brand
5. Customer experience - :is the limit being done by customers in using and talk to others about the brand.

(Berkowitz, 1997) uses a series of steps for assessing performance marketing as follows:(Abu Ghneim, Azhar ,2007)

1. Establishing performance measures.
2. Evaluation the actual performance through comparing the measures that have been put forward or innovate
3. take a position or corrective action to minimize the differentiation and the difference between the actual performance and the planned performance

The marketing performance is a comparison between the actual output and the goals to be achieved. It helps to measure the effectiveness or efficiency of the organization to its supplier and to satisfy customers' needs to achieve the Organization measures (Lee, etal.2010).

The progress in the marketing performance measures was a result of the adoption of supplementary measures of performance as well as the traditional financial measures of outputs. The measures have developed and diverged relied on by business organizations in measuring the performance of marketing for several reasons, including (Prid, 2002):

- There us an Increase focus on marketing as it consider a director for the growth of future sales which in turn achieve the growth and revenues.
- There is a growing demand from investors regarding the information related to marketing procedures and activities, which are often referred to as weak in the financial statements of the Organization
- The new overall concepts for measuring business performance has attracted the attention to the balanced labels card and the organizations to the need for the introduction of marketing measures in the overall performance divisions

- The Marketing managers are dismayed by the measures of traditional performance because of the lack of capacity on the accurate assessment of what they do.

The formation of any performance measurement system must make the objectives of the Organization pure process and complete, in any case of the some measures, when the Organization take the best alternative for performance measures, it should ensure that they reflect in detail the goals and thus (Bateman, 2002) so that the marketing performance of the Organization must comprise a number of goals to be enhancing and which frame a key factor in its profit or losses in the internal and external environment surrounding the organization.

3. Conclusions

1. measuring performance marketing is the evaluation of the effectiveness of marketing programs for the application of the recommended marketing strategy, the achievement of the goals of marketing, the expectations of the organizations, to achieve the required level of customer satisfaction and strength of the brand.
2. measuring performance marketing Aimed at knowing the location of the Organization in the market for marketing plans to develop appropriate performance, Benchmark put a bases for assessing the marketing performance in the future to measure the effectiveness of various activities in marketing.
3. We should find units of measurement to consider the short-term and long-term to avoid the trend toward maximizing performance short-term at the expense of future rate, the units of measurement take into account the performance of the Organization in the market with comparative performance of competitors.
4. Most organizations Focus on sales analysis as a true measure of the effectiveness of marketing performance this is the result of maximizing the role of sales in the organization regardless of the other factors which may be the cause of the increase or decrease sales.
5. The main objectives of performance measurement marketing is to obtain data on the activities of the different marketing for corrective steps to achieve the goals of the Organization to increase the effectiveness of the planning, organizing, implementation and monitoring the functions of marketing, the expense of return on investment, justify programs, the budget and the value of marketing, Developing, organizing marketing resources and involve senior management in marketing.
6. With the development of management concepts to decision makers within organizations marketing performance of financial measures evolved as the sole measure to measure the effectiveness of marketing performance to the introduction of other measures, including:
 - Sales Analysis : use the sales figures to assess performance and marketing
 - Customer Satisfaction Measurement : qualitative measurement of performance measurement is marketing through the examination of the point of view of the customer and the measurement of performance compared to competitors
 - Brand Equity : measurement marketing performance and determine whether the trademark to attract the attention of the target market.

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Agile Marketing Strategies: How to Transform the Customer-Brand Dynamics in Services

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Abstract

The way businesses traditionally connect with customers has been linear, defined by a purchase funnel while in reality the path to purchase is far from being linear, since customers interact with networks of people, conversations and technologies across, adjacent and within an organisation (O'Driscoll, 2014). These trends push organisations of all kinds throughout the world to learn to adapt and transform in order to overcome rapid increases in complexity, volatility, and uncertainty. The main objective of this paper is to provide and to implement a conceptual model of agile marketing strategies focused on customer-brand dynamics. The conceptual model captures the emerging debates around agile marketing and management. Research questions driving this paper are twofold: 1/ to identify the elements and stages of agile marketing strategies to deal with customer-brand dynamics transformation and 2/ to identify the possibilities to apply agile marketing in services. The research study, based on a survey of Bulgarian companies in the field of services, concludes that there is a gap between what was expressed as a strategy for change by the managers and what was actually implemented. The achieved results are used to suggest and discuss several implications for using agile marketing strategies.

Key words: agile marketing strategies, customer-brand dynamics, services.

JEL classification: M31.

1. Introduction

While business is getting more complex, the environment and markets are becoming more turbulent and unpredictable. Many companies and their managers realize that the world is in a constant and relentless state of change. Despite some doubts toward the efficiency of the strategies for change (Ronnell, 2005) the majority of the academics and practitioners suggest that these strategies should be planned, but managers and employees have to recognize emergence and have the adaptability to change. The shortening of the business model lifecycles in many industries leads to greater frequency of disruption and dislocation (Lindgardt et al., 2009). Both time pressure and capability to change are becoming a crucial factor for company survival, especially in service industry where the service delivery process as a key element in building (or destroying) customer satisfaction is severely affected by digital disruption.

Services are today the dominant form of economic activity. The implicit assumption in the quest for customer satisfaction and service quality is that there is a link between positive evaluation and re-purchase behaviour (Zeithaml et al., 1996). As a consequence, understanding how and what aspects of the service product impact on customers' evaluation is a critical first step. There are a number of service product attributes which have been identified as contributing towards the customer's overall evaluation, these include the service environment (Bitner, 1990), service employees (Bowen and Lawler, 1992), and the impact of other customers (Booms and Bitner, 1981; Langeard et al., 1987).

Research questions driving this paper are twofold: 1/ to identify the elements and stages of agile marketing strategies to deal with customer-brand dynamics transformation and 2/ to identify the possibilities to apply agile marketing in services.

2. Service branding, brand value and brand equity

European services are the backbone of European economic and social life. The importance of services sector continues to rise during the last decade (Eurostat, 2016). As the economy has

become mostly service-based, researchers now consider the marketing discipline as being service dominated.

2.1. Service branding

It is considered (Lovelock & Gummesson, 2004) that defining services is difficult because of the diversity and intangibility of services inputs and outputs. The most comprehensive and well-grounded view toward the definition of services is given by Vargo and Lusch (2010, 2008, 2004) based on their longitudinal research on evolution of theoretical logic and paradigms lying behind the term “service”. They conclude that the diversity of definitions and approaches toward services can be divided into two distinctive groups based on different theoretical logic behind them, namely G-D logic (good-dominant logic) and S-D logic (service-dominant-logic). Such notion implies moving from a product or output-centric focus to a service or process-centric focus in services understanding. The process-centric focus (“how” the service is delivered to the customers) brings up the problem with the management of both ‘soft’ and ‘hard’ components of service delivery process which constitutes the core of customer-brand dynamics. While we can prescribe many “hard” aspects of the process, including the sequence of events, the associated behaviours and even the words used, there are also many “soft” elements of the service encounter, which cannot be prescribed and can dramatically alter the way that the customer perceives the service. The “soft” process elements are concentrated on the individual service provider and the interpersonal or quasi-interpersonal exchange with the customer. This aspect of the soft process presents the greatest challenges to researchers as they embody the full range of inter-personal behaviour and also tend to be highly heterogeneous.

2.2. Brand value and brand equity

Several researchers (Wong and Merrilees, 2007: 385; Mosmans and van der Vorst, 1998) pointed out that a brand should be treated as an important resource of a firm which can serve as a strategic reference point. Urde (1994, 1999) constantly advocates the use of a brand as a starting point in the formulation of a firm’s strategy. He coined the concept “brand orientation” which places customers and brands at the core of the process of company strategy development (Urde, 1994). After the 1980s, the approach to brands changed from “brand as identifier” to “brand as a source of added value” which can be regarded as a paradigm shift. Kapferer (1997) proposed that branding and brand building should focus on developing brand value. His point of view to brand value is monetary and he explores brands as intangible assets (Figure 1).



Figure 1. From brand assets to brand equity

Source: Kapferer, 1997, p. 37

In accordance with the aforementioned statement, Davis (2002: 12) proposes brand asset management as “a balanced investment approach for building the meaning of the brand, communicating it internally and externally, and leveraging it to increase brand profitability, brand asset value, and brand returns over time”. Based on the concept of brand asset

management, a LOGMAN (The logical brand management model, abbreviated the LOGMAN model) model was developed (Logman, 2004) combining some key insights from Kaplan and Norton’s balanced scorecard method, BCG’s brand value creation method, the path analysis method, and the house of quality method. This notion has been further developed at a global scale by Steenkamp (2014) who stated that “global brands only survive if they are effective in delivering value to the market” and “... while global brands make strategic sense, it is less clear how they create firm value” (Steenkamp, 2014: 5). In order to explore the process underlying value creation, he developed the 4V model (valued brands, value sources, value delivery, and valued outcomes) where the starting point is the type of global brand in question: prestige, premium, fun, or value brand (Figure 2).

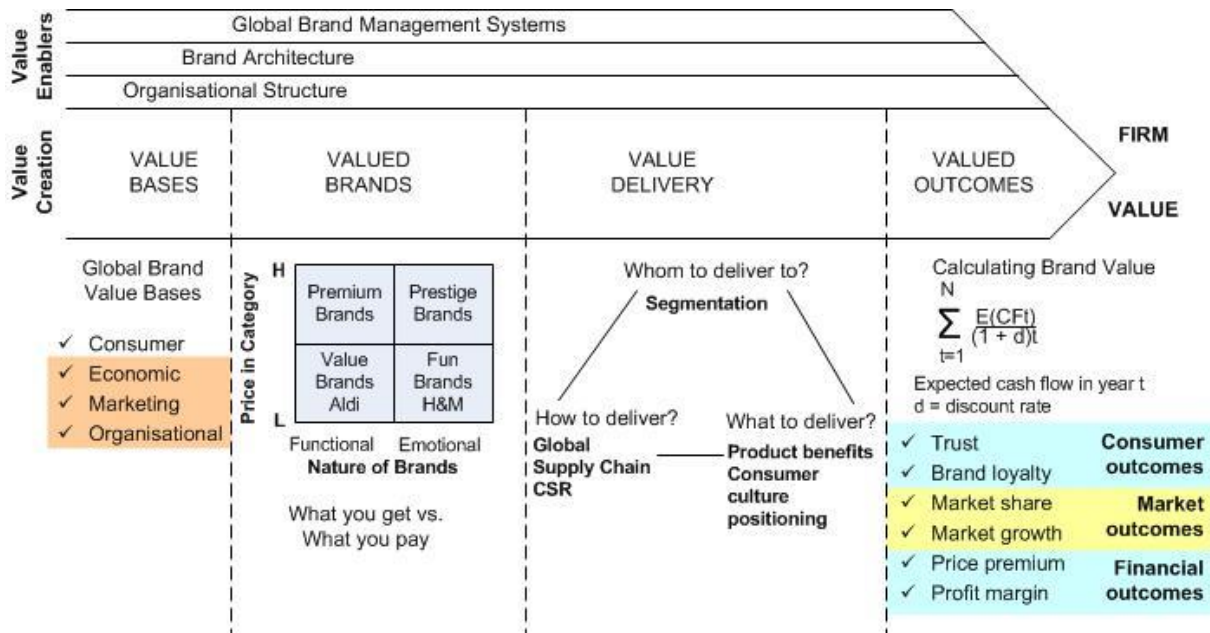


Figure 2. Global brand value chain: the 4V model

Source: Adapted by Steenkamp, 2014, pp. 6–19

Following the logic of the 4V model, we can summarise that virtually all marketing activities – ranging from new product development, to advertising, to retail placement – focus on building strong brands (Aaker and Joachimsthaler, 2000) which, in a situation of rapid globalisation, turns out to be critical success factors for the companies. In line with the branding concept for domestic markets, the development of brands on a global basis offers opportunities for capitalising on economies of scale, developing global markets and pursuing multiple market segments (Barwise and Robertson, 1992; de Chernatony et al., 2013). Hence, the firm has to systematically analyse and leverage the source(s) of value that the global brand in question provides to the company. Based on the aforementioned statements and propositions, we can conclude that it is widely accepted that strong brands enhance business performance primarily through their influence on three key stakeholder groups: (current and prospective) customers, employees, and investors (Rocha, 2012). As it is shown in Table 1, brand equity is a concept directly linking company marketing activities with financial market impact.

Term	Description	Authors
Customer equity	Focuses on the financial value of customers to an organisation. Customer equity is the total of the discounted lifetime values totaled over all of the firm's current and potential customers.	Blattberg and Deighton, 1996; Dorsch and Carlson, 1996; Rust, et al., 2004
Marketplace equity	Represents the joint result of the investment in brand equity, channel equity, and reseller equity.	Anderson and Narus, 1999
Co-brand equity	Represents the additional value which comes not only from the joint brand relationships, but also from the network of other stakeholder relationships.	Wernerfelt, 1988
Brand equity	The value consumers associate with a brand, as reflected in the dimensions of brand awareness, brand associations, perceived quality, brand loyalty and other proprietary brand assets.	Aaker, 1991
Brand equity	The differential effect of brand knowledge on consumer response to the marketing of the brand. Brand knowledge is the full set of brand associations linked to the brand in long-term consumer memory.	Keller, 1993
Brand equity	Brand equity is: (1) Loyalty (brand's real or potential price premium), (2) loyalty (customer satisfaction based), (3) perceived comparative quality, (4) perceived brand leadership, (5) perceived brand value (brand's functional benefits), (6) brand personality, (7) consumers perception of organization (trusted, admired or credible), (8) perceived differentiation from competing brands, (9) brand awareness (recognition and recall), (10) market position (market share), prices and distribution coverage.	Aaker, 1996
Brand equity	The incremental cash flows which accrue to branded products over and above the cash flows which would result from the sale of unbranded products.	Simon and Sullivan, 1993

Table 1. Definitions and basic aspects of brand equity

Source: Author's work

The additional value or co-brand equity comes not only from the joint brand relationships, but also from the network of other stakeholder relationships. As with service and relational branding, brands symbolically represent trust and commitment in these relationships. Thus the corporate reputation and identity of the marketing organisation play an important role.

3. Methodology and results

Based on the literature review and author's previous research (Vassileva et al., 2009: p.316) a conceptual model of agile marketing strategy in customer-brand dynamics is developed. For the purpose of this paper we assume the definition of agility as "the strategic mix of standardization and flexibility, targeted at those organizational pressure points where they're not only needed today, but will most likely be needed tomorrow" (Browning et al., 2008: p. 5). Four primary values constitute the core of agile management approach ('Agility manifesto', Beck et al., 2001). The first value focuses on the vital importance of processes and tools over individuals and interactions. The second value dismisses the dependence on comprehensive documentation. Relationships between service supplier (product manufacturer) and customers are driven by customer collaboration instead of contract negotiation according to the third value. Fourth value deals with the ability to respond to the change instead of simply following plans.

Proposed conceptual model captures the emerging debates around agile strategies for change and services branding. Anticipating the logic of the model the following research questions are defined for the empirical study: 1/ to identify the elements and stages of agile marketing strategies to deal with customer-brand dynamics transformation and 2/ to identify the possibilities to apply agile marketing in services. The empirical analysis is done on data

collected through representative study among the managers/CEOs of Bulgarian SMEs. Several in-depth interviews with managers from different industries are done prior to questionnaire development. A link to online survey form was sent to representative sample of Bulgarian SMEs in March 2017. A total number of 312 fully completed questionnaires were analyzed. Data were recorded, filled, and processed using SPSS 21.0.

The questionnaire consists of three sections and a demographic part. The first section explores managers' attitudes toward company strategies to change. The second section focuses on the personal perceptions of managers toward internal management processes. The attitudes toward adaptation to changing customer needs are investigated in section 3 of the questionnaire.

3.1. Conceptual model

This section presents the Co³Brand model (co-creation, co-ordination, co-operation) which is developed as a framework for incorporating agility as an embedded element of customer-brand dynamics. The aim of the model is to help businesses to implement agile marketing strategies to manage customer-brand dynamics.

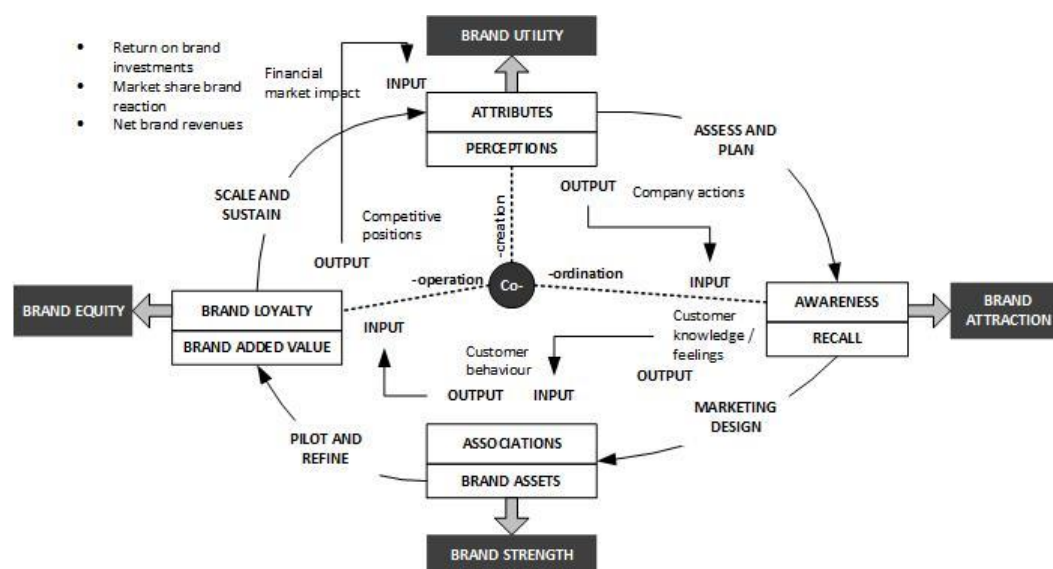


Figure 3. Agile marketing process for customer-brand dynamics: Co³Brand model

Source: Author's work

The model reflects agile marketing transformation process for brand development. The model reflects the systemic perspective (Wiklund, 1998: 23) and connected experience paradigm. For the purposes of the model we accept the relationship-oriented definition of the brand launched by Grönroos (2007, p. 330) – “a brand is created continuously developing brand relationships, where the customer forms a differentiating image of a physical product, a service or a solution including goods, services, information and other elements, based on all kinds of brand contacts that the customer is exposed to”, because of the crucial role of customers in service brand development. This definition is grounded on an interactive perspective of branding (Brodie, 2009) which represents the core of the Co³Brand model.

The assessment of the status quo comprises the first stage of the model. It is important to clearly define the state, uniqueness of product/service attributes of the brand(s) and to set up marketing goals for customer perceptions. This stage represents the co-creation interaction “company – employees – brand – customers” which involves market opportunity identification and its transformation into organizational brand development capabilities. At this stage companies should embed customers as co-creator in service brand development (Skaalsvik & Olsen, 2014:

1213). They should focus on development of proper metrics corresponding to the type of the brand (see Figure 2) and brand market share. At the second stage of the model – Marketing design, it is vital for the company to define a proper set of brand metrics to measure brand awareness/brand recall (TOM (Top-of-mind), SOM (Share-of-mind), level of indifference, preference, relevance). Coordination interaction within the brand triangle “company – customers – employees” is vital at this stage. That is why, the selection of metrics for customer knowledge/feelings and customer insight (see Figure 3) should be detailed and specified as it serves as an input for the next stage. It focuses on customer brand associations and behaviour. Performance metrics – associations, price determinants, customer acquisition, customer retention, are important to be monitored at this stage. Brand performance creates a background for ‘brand awareness + image + perceived quality + familiarity, etc.’ (see Figure 1) transformation into brand assets. During marketing piloting and refining stage brand assets are converted into brand added value which generates brand loyalty through cooperation interaction within the brand triangle “company – customers – employees”. By scaling and sustaining brand equity a company can elaborate sufficient financial market impact measured by net revenues, and/or brand market share, and/or return on brand investments.

3.2. Results and discussion

The predominant generic strategy of investigated Bulgarian SMEs according to the interviewed managers (51.2%) is growth and improvement of their competitive position. More than half of analysed companies (58.5%) implement change strategies targeting ‘product – costs – investments’ relationship, 31.7% of SMEs intervene the ‘product – market’ dyad, and only 9.8% focus on ‘market – technology’ dimensions. The overall intention of interviewed managers to integrate their cost-based strategic focus with specific marketing activities by target markets presents a sound background for implementation of agile marketing strategies. Unfortunately, most of Bulgarian SMEs (40%) are trying to decrease costs per product unit instead of seeking product differentiation (17.5%) which is more suitable when the strategic focus is placed on ‘product – market’ dyad.

Quality-based competitiveness is the leading driver for Bulgarian SMEs regardless the industry and type of the market. Price is ranked on the second place by the respondents from the light industry, chemistry and services. Respondents from the services sector rated on the second place the implementation potential of the company. Level of technological innovation is ranked by them on the third place. Predominant attitudes of respondents about their company management are rather positive (Table 2).

Statements	All industries	Services
The staff is informed about expected work.	3.82	3.44
There are conditions for regular discussions.	3.32	3.69
Conflicts in our company are identified on time.	3.18	3.12
Our company’s focus is based on results.	3.91	3.75
The change is spread throughout the company instead of forcing it from the top.	2.87	3.56
Top management develops a shared vision for achieving competitiveness.	4.11	3.75
Top management monitors and adapt the strategies as a reaction to market changes.	3.42	3.92

Table 2. Basic attitudes toward company management, mean

Note: Scale from 1 – Fully disagree to 5 – Fully agree; Sample size = 312 respondents

There is a slight difference between services sector and the whole sample regarding direction of change initiatives. Top management in services sector is more willing to have regular discussions with employees and to launch change initiatives using bottom-up approach. Interviewed managers are confident about their obligations, skills, and capabilities to allocate tasks (Table 3).

Statement	Yes, %	No, %
I am aware about my obligations	99.5	0.5
I prefer routine tasks	37.4	62.6
I am not willing to take greater responsibility	46.8	53.2
I am not willing to correct others' mistakes	12.9	87.1
I feel concerned to be responsible for the team decisions	13.4	86.6
I feel concerned about authority	16.3	83.7
I am able to identify the right person for a particular task	89.6	10.4
I am sure about my skills and capabilities to allocate tasks	91.6	8.4
I am able to monitor the results and to achieve standards	86.0	14.0
I am able to delegate rights	81.7	18.3
I am able to take greater responsibility	49.8	50.2

Table 3. Basic attitudes toward personal management responsibility

Note: Sample size = 312 respondents

Respondents feel certain about their activities on monitoring results, achieving standards, and delegating rights. Unfortunately, the team spirit is not widely spread among them. Only 13% of respondents feel concerned to be responsible for the team decisions. Such situation might trigger the successful implementation of agility principles since they require collaborative working, fluid priorities, interdependencies between stakeholders across internal and external boundaries, and responsiveness. Since agility can transform culture, not just processes, it demands for top management long-term vision and high engagement to change.

Agile diagnostic tool developed by PwC (O'Driscoll, 2014: 6) is applied to assess the readiness of managers to launch an agile transformation (Table 4).

Statement	Yes	No
1. We hear, internalize and respond to our customers' needs	92.6	7.4
2. We are able to attack problems head-on and show progress quickly	68.3	31.7
3. Our vendors integrate well with the internal team and are aligned to our objectives	58.8	41.2
4. We are able to take action on our metrics, consistently improving our programmes	57.2	42.8
5. Our clear focus on customer needs enables us to break down internal silos	54.6	45.4
6. Our teams are actively engaged in defining the scope and timing of their work	78.4	21.6
7. We learn about our customers' needs quicker with each update to their experience	65.7	34.3
8. We learn from mistakes faster each quarter	65.4	34.6
9. We can easily prioritize issues as they arise	75.5	24.5

Table 4. Readiness to begin an agile transformation, %

Source: The scales are adapted from O'Driscoll et al., 2014, p. 11; Note: Sample size = 312 respondents

The overall result from the agile diagnostic tool is 3.5 corresponding to agility consideration level which means that the situation is manageable but implementation of agility principles could improve company performance especially regarding customer orientation. Investigated companies still lack customer-centricity focus (statements 5 and 7, see Table 4) while service branding requires not mere response to customer needs but customers involvement in company operations as brand co-creators. Such transformation is not an easy task to be competed since it implies a fundamentally rethinking the overall flow of service processes and its underlying assumptions. Furthermore, agile relies on continual measurement which represents another opportunity zone for agility implementation (statement 4). It enables continuous refinement of brand performance.

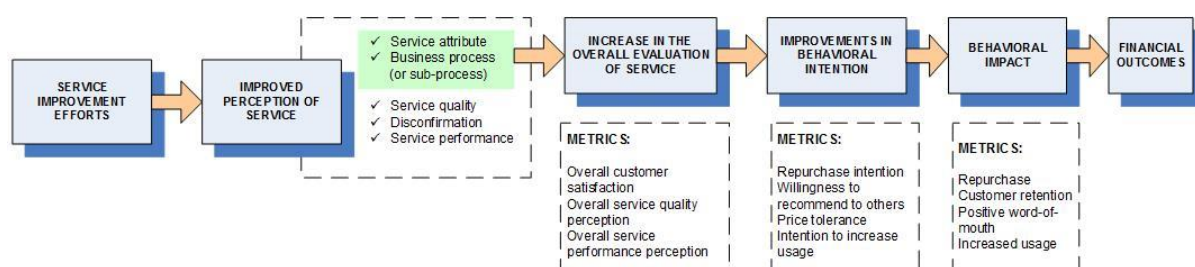


Figure 4. Key metrics in service improvement measurement

Source: Author's work

Figure 4 presents a set of key metrics which could be applied during service improvement process as a part of agile branding process (stages “Assess and plan”, and “Scale and sustain”, see Figure 3). These metrics support the process of continuous refinement which must be sustained during agile implementation. Since the service brand is not a static entity but is subject to changes gathering feedback from customers and various stakeholders is vital for agile implementation.

3.3. Conclusions, limitations and implications for future research

Nowadays companies are facing a growing number of both market challenges and business opportunities. To survive and thrive in the new digital age, organisations will have to be courageous to embrace the changes by transforming their business processes, business models, and even the way of thinking.

Implementation of customer-brand dynamics as presented in Co³Brand model requires a transformation of marketing system and re-engineering of marketing organisation. It is grounded on agile principles which require a strategic mix of standardization and flexibility, enabling leadership teams to efficiently anticipate change, execute quickly, and create brand value not just for a single experience (O’Driscoll, 2014: 6), but for the company as a whole, e.g. corporate service brand (Grönroos, 2007). The main conclusion is that in each case service companies need to integrate their customers in their branding development processes.

The results from the study should be further refined by a follow-up study with representatives from service companies, including in-depth interviews to specify the roadmap to build brand equity through agile marketing strategies.

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A Study on the Effects of Digital Life and Instagram Celebrities on Life Styles of Youth as a Popular Cultural Element

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Abstract

Spread of internet usage and developed social media environments started to have an impact on individuals' lives along with rapid progress of digital technologies. Moreover, the use of social media is becoming effective in shaping our daily life and even our culture. These environments are positioned as a popular culture carrier and play a role in shaping individuals' lifestyles. Instagram arises as an important application especially among younger generation with the usage of social media. As consumption and fashion concepts become important due to usage of Instagram. Instagram is surfacing as a change playing a big role in construction of fashion and lifestyle. This study is being conducted upon describing the relation between popular culture and consumption along with consumption orientation efforts of Instagram as one of social media tools resulting from the digital age. In order to set this out, focus interviews have been conducted with Instagram users among university students to show the effect between Instagram products that are being followed in Instagram and the students' consumption. The study is carried out upon focus interviews with two different groups consisted of high vocational school students. These groups consist of 6 individuals. Each group interview lasted for 1 hour and the whole interviews lasted 2 hours in total. The first group is formed of female students and the second group of male students.

Key words: Culture, Consumption, Social Media.

JEL classification: M31.

1. Introduction

Technological developments have accelerated with the industrial revolution leading to great changes in human history. As the rapid change in production system has also influenced creation of the consumer society by uncovering the consumption phenomenon at the same time. Along with the cycle of production consumption marketing professionals moved to new searches and begun to develop new techniques through the opportunity of developing technologies. Rapidly developing communication technologies have been effective in changing lifestyles as well as bringing a new breath to the marketing world especially with the twentieth century. And due to rapid spread of internet technology and convergence to digital life and regarding entering into the whole aspects of human life resulting in forming a new structure of individual and society. More even, the cultural structure shown in society's general structure, lifestyle and total appreciation is also affected by all these digital developments and emerging as a new life style surrounding the individual.

Popular culture concept which can also be defined as general public's taste has gained the power to provide influence on society structure by taking its place in all these technological processes. Popular culture that has been influencing all kinds of communication tools and of course has continued to build up a new way of life by using digital technology as a medium for itself. The rapid development of communication technologies and especially the rapid expansion of internet technology has brought the formation of social networks. And a new type of culture has emerged with social media environments providing application with increased number of users each passing day.

Consumption is defined by Borock as a historical change process constructed socially (1997: 24), and defined by Chaney as all types of social activities benefited by individuals in sorting their properties or positioning themselves (1997: 26). Regarding to this definition we can say that individuals are continuing their lives under the influence of popular culture by continuing

consumption madness through social media tools.

2. Overview of Culture, Popular Culture, Consumption Culture and Lifestyles:

Culture is a very comprehensive term that encompasses human adaptation and compliance form and ways of maintaining lives by different groups of people. People face difficulties in directly and simply adaptation to physical and biological environment, they also adapt to the cultural environment including means of continuing human's existence and guidance of established channels. Culture can be defined as "A complex whole containing knowledge, beliefs, arts, ethics, traditions and some elements related to the individual as a member of the society" (Kaypakoğlu, 2006: 43). many elements have to be brought together and these elements have to be absorbed by individuals in order to talk about culture concept. Culture occurs with the combination of many elements. And language concept emerges as the most important and effective element in culture formation.

Language as one of cultural items; is one of the best indicators that provides information about the culture. Lexicology science tries to explain a society by examining its words as a new development of structural semantic sciences. Language cannot be abstracted from culture and practices of contemporary and updated life. The relativity between language and specific culture provides an idea about social level of society, cultural characteristic, warrior identity, artist identity, productive identity (Özerkan, 2001: 90). Another important element of culture is the combination of traditions. Traditions play an important role in the formation of cultural structure.

Traditions; are related to the nonverbal behavior of individuals in different cultural environments. For example; Men in France use twice the amount of cosmetics women use, which is due to the tradition of French men being well-groomed. Belief as another element, provides a continuous organization of perception and knowledge of the individual's life. A belief means the sum of the meanings of something and expressed as the complete knowledge of an individual about things (Erdoğan, 1997: 132). Convergence point of culture and consumption concepts is the effect of socialization process. As cultural elements in individuals are playing an active role in their decision-making. Resulting in individuals learning behaviors along with socialization.

Socialization plays an active role in consumer behavior. For example; eating pork is prohibited in Islamic culture as well as the fact that cows have a special place in Indian culture, which both represent generally accepted value judgments passing along from generation to another while bringing consumption habits and preferences at the same time (Odabaşı and Barış, :316).

At this point, the concept of popular culture emerges as an effective culture in buying behavior. Popular culture, which has an important place in the decision-making process of individuals, is also a concept directly related to consumer culture.

In the late-term capitalism consumer society, everyone is a consumer. Consumption, whether material-functional (clothing, food, transport) or semiotics-cultural (media, education, language), is the only way to capture living resources. In fact, these two forms of consumption are intertwined. For example, the car is not just a mean of transportation; At the same time, it is a speech act, cooking is not only a food preparation activity, but also a way of communicating (Fiske, 1999: 49). Consumption becomes a necessity of everyday life. While individuals do not consume for their needs, they also send messages regarding consumed products to individuals wh. For this reason, consumption as an important subject of the popular culture.

3. An overview of social media and the use of social media as a marketing tool

Among the definitions made for social media most frequently this definition is used "Online platforms used by people to share their ideas, opinions, experiences, perspectives and to communicate with each other" (Akt.Askeroğlu, 2010:47).

According to Social Media Expert Fruchter, "The foundation and core of what social media is,

consists of the five C's. Conversation, community, commenting, collaboration and contribution. These are the five fundamentals that companies and marketers must understand to be able to successfully market on the social web" (Fruchter, 2009):

Conversation: Go where the conversations are taking place Facebook, Twitter, Myspace, YouTube, etc. Establish accounts and create your identity. Stay up-to-date with your accounts and participate often. Really get to know your followers and audience so you can actively participate.

Community: Seize the opportunity to not only join and participate in conversations, but add your own value. This is how you create a community, which you must work to maintain and earn the trust of your followers. A good site for community building (in addition to the ones mentioned above) is Ning. Ning allows its users to create their own social websites and social networks. It's a good place to create a form or community around your product, which in return can produce useful user feedback.

Commenting: It's important to maintain a relationship with your audience, so always be engaged. Track everything so you can respond to comments, whether they are comments to your blog posts, tweets, videos, etc. In addition, comment on other individuals posts, tweets, etc. The more engaged you are, the better response you will get.

Collaboration: Think of your followers as your partners. They are your most loyal brand endorsers. Only friend and follow the people who are conversing about your brand and collaborate with them regularly. Do not spam them or push your product on them. Create the environment for them to want to learn more and endorse you.

Contribution: Content is essential to being successful in social media. Create creative content that is engaging, unique, and news worthy. Make your audience want to learn more and want to share what they learn with their friends (Digg, Reddit, Stumble, Delicious, YouTube, etc.).

Encourage others to promote your content too.

Social media can be defined as; relatively uncensored, containing all sorts of different views, points of view and approaches, and independent of most interest groups, as relatively neutral and highly interactive and shared by their own means at the same time (Kahraman, 2010: 14). In order for a website or app to be identified as social media, it is necessary for publishers to have independent users or members, with no limitations to time and space, to enable user-generated content and to interact with users. In order to have a better understand of social media, we need to look at social media tools (Erkul, 2009: 96-101). There is a need for a medium for social media to exist as well as for traditional media. We can call these mediums social media tools in general. All of these tools, where different technologies and different methods are used, are perhaps the only common point to provide top-level sharing services for all users. These tools include; wikis, social networks, blogs, social building sites, content sharing sites, microblogging and life stream (Kahraman, 2010: 15).

3.1. Instagram as a Social Media Tool:

Instagram has occurred from the combination of the words "instant" and "telegram" in English. One of the factors that makes Instagram popular is the environment in which people share their lives in a fun and fast way through photography. Instagram also shows which of the people in your environments are involved in this medium, and communicates with those people through the social network. One of the most important features of Instagram is the ability to like photos and leave comments. In addition, with the "labeling" feature included in application in early

2013, photographs can be classified and made more easily accessible in the social environment (Türkmenoğlu 2014: 96).

Instagram posts are public by default, though users can opt to make their accounts private so only followers that they approve can see their posts. Users upload photos (or videos) and optionally apply filters to them. They then share them, making them discoverable by adding hashtags. In the mobile application, hashtags are clickable, taking the user to a stream of all posts to which the hashtag has been applied. In the image caption, users can also “tag” other users by adding their handle. Tagged users are then notified. Users can also comment on posts, but it is notable that, unlike Facebook, Instagram is rarely used as a platform for discussion. The images speak for themselves (Boy&Uitermark, 2015:8).

4. Study: An analysis of 'Instagram' usage as a consumption-orientation tool and level of effectiveness upon applications made to university students

4.1. Study Methodology: The study is carried out upon focus interviews with two different groups consisted of high vocational school students. These groups consist of 6 individuals. Each group interview lasted for 1 hour and the whole interviews lasted 2 hours in total. The first group is formed of female students and the second group of male students.

4.2. Purpose of Study: Revealing effect - contribution of sharing from fashion bloggers on consumer perceptions of university students.

Sub-problem 1: How recommendation from people being followed by students about product or brand are met by students.

Sub-Problem 2: How statements from people being followed by students about brand and products names are met by students.

Sub-Problem 3: How sharing product brand experiences and usage explanation of product or brand from people being followed by students are met by students.

Sub-Problem 4: Are the recommendations or suggestions from people being followed is convincing to students?

Sub-Problem 5: Do these shares lead to consumption buying behavior?

Sub-Problem 6: why do you follow phenomena-celebrities. Do these people affect your lifestyle? Do applications such as gifts or draws become effective in follow-up and product decisions?

4.3. Study Results:

According to interviews made with female students:

In the subject, how recommendation from people being followed by students about product, brand or services are met by students its likely to have positive results. As they continue to follow when people they follow recommended pages which can suit them. Although its negativities occurring sometimes it's quite useful.

Whether or not their income levels are not enough to buy the recommended products or brands, the majority want to use recommended products although they don't have the purchasing power, and if they have the purchasing power they would use most of recommended products. Product referrals do not get approved when its perceived as direct advertising. As these people provide recommendations for gaining money in frequent referrals a dissatisfied condition may occur when they try to provide that with commercial gain.

As young people become aware of receiving advertisements by celebrities, they do not take recommendations in consideration and might react negatively to these recommendations. In fact, all details of Ingram's Celebrities are aspects of curiosity. First of all, their dress and clothes, then eating and drinking, travel followed in this order. Everything they do or wear is a

type of curiosity by others. For example, when a celebrity doesn't mention the brand name of the outfit he wears in his photo he shared it becomes a source of curiosity. But credibility disappears because of the too much focus on the brand. Recommendations are not convincing when they come in different aspects or areas but from an expert on certain areas. For example, makeup bloggers are expected to recommend makeup materials as the recommendation is not convincing in other areas. Because of the envy and curiosity of Instagram celebrities they form satisfaction and followed due to same reason. And reaction is formed when Instagram celebrities announce brands very frequent and insistently. In the same way, hesitation is formed when brand recommendation changes frequently. As recommending X brand in one day and recommending another Y brand next week forms negativity in same product recommendation. Continuously different brand recommendations reduce credibility. They also do not find it advisable to recommend it, but they say it when they need recommendations. Especially in health care products, recommendations of Slimming tea or cream etc. are considered dangerous.

The inconsistency in messages and credibility of discourses create impact effect. It is important when they give advice as part of everyday life. Discussions like using this product and sharing results with you bring credibility. Recommendation in the form of continuous pressure has a negative effect. Purchasing behavior can also occur in case of need. Messages on generalizations can be more effective. They explain how products and brands are used and provide guidance to make it easier to learn how to use and deal with them.

It is considered important information to search for and find recommendation, to realize costume combinations and to present makeup points when purchasing a product. It seems like it is very easy to explode a product in the Instagram. And to have all young people talking about the product in their conversations. In the context of credibility, they do not believe in the usage of those products sometimes, and they don't see the point of using the replicated products especially when they have the original products.

They do not think that they will receive that product or service as wealthy people. They find it believable as long as it's not exaggerated. They give the expression they have to buy the product themselves and they need to catch what they need. They want to see the use of these products in daily life. They distinguish between celebrities and phenomena because they find the phenomena sincerer. They find the celebrities more advertising-focused. They see their phenomena as having average buying power. And they see the buying behavior on the phenomena, they think they are going to get the clothes that appear on X person. They express that they prefer a lot of products such as clothes, shoes, make-up materials regarding to celebrities they like. They say that people who are close to their own age are more likely to purchase their advice. They express that they lead consumption and create purchasing behavior. As they produce fashion with a lot of people who buy and use these products as fashion. At the end, they think buying behaviors are created in some ways.

The places suggested by some people are preferred, and they express that they make the decision-making process of places to go easier. They express that they are trying to go to the places that the phenomena they follow went to. They express that they have discovered many places thanks to them, expressing that they have discovered places where they have already passed through with the recommendation of others. They express that they are influencing many areas, from traveling to eating, eating and drinking habits. They are more successful when they try to attract attention and make habit. There are those who want to pursue the celebrities, where they come from and find fun, they want to be like them, they want to learn their daily life because they are curious about the lives of people in more luxurious life. There are those who do not want to do what they cannot like, follow new entrepreneurs, to be able to reach them, to make people under the influence, and because people's lifestyles they start affecting it. They wonder about the lifestyle they cannot reach and they follow up. Legendary

storytelling makes phenomena more striking.

They express their influence on their way of life. They become more conscious, for example, in the make-up fashion field, the influence is increasing as they criticize each other. They see it as an instrument for men to take care of fashion. Girls say that there is more to luxury involved.

According to interviews made with male students:

How the point of view is changed when celebrities they follow provide recommendation on a product or brand as clothing style is popularized by the celebrities. This situation is perceived negative by some students, as it may be negative to have brand recommendation from names, he might want to purchase the product but due to lack of purchasing power it may perceived negative to care for and buy the product. On the other hand, the effort shortening to like saving time is accelerating the buying behavior.

To advertise a famous person as an advertisement is positive if the brand is a famous brand and negative in a brand with little recognition. It is often perceived deceptive provide trademark recommendation. The desire to buy that brand is waking up and they are approaching it positively because a famous person has advised it. If the Instagram celebrity is an artist, this recommendation is more convincing. As purchase behavior is shown to collect and buy a shoe used by a football player. As opinions get positive towards suggestions. Sharing use experiences can be effective. Particularly products recommended by football players gathers attraction and forms purchasing power. As it is encouraging by changing the perspective of the mark and creating a positive image.

It is important to explain the names of the brands used by the Instagram celebrities. As they will be able to learn the brands and get the products they like. It is important that they choose the same brand with that person. People express that they feel like them when they use those brands. A request is made when it is not shared. Brand awareness is provided because of that. The sharing and advice of places to go are important the same. From there, the comments on service areas by celebrities wake up to the wanting in people to go there to share a place. Taking into account the advice of people who are especially fun and laughing. Celebrities who are good in sharing attract attention. Even family life is especially becoming incentive.

In subjects of content sharing like usage format and usage features in car promotions terms of design issues are described in order to provide purchasing for the brand. Using a brand and describing its properties by a celebrity is important in brand preference. And this is especially impressive if this celebrity is a popular and loved one. Sometimes they say they do not need to hear the properties of a brand from them. They do not need their recommendation especially for products with high brand image. For example, it is not necessary for a celebrity to promote BMW. As their image is already too high, so their recommendation is not needed.

The credibility of the brand recommendations increases in case of matching up between brand image and celebrity reputation. Celebrity harmony with the brand is also important. And sometimes they are effective even though they are not convincing. For example, when they recommend a place, they wake up curiosity and need to go to this place at least once. Upon these recommendations, you save money to go to luxury restaurants. There are also those who express that they are influenced by these recommendations in the entire decision-making process. Private lives of Instagram celebrities are a source of curiosity and the brands they use are arousing their desire to buy. Purchasing behavior is taking place in the direction of purchasing power.

Even if the financial power is not enough, it's possible to save and fall into a difficult situation to try their recommendations. There are many effects in the Instagram that can be shared from pair-compatible outfits to combos. The credibility situation is weak beside participation in the campaign being held in the Instagram.

5. Conclusions

The study has shown that youth who use Instagram see Instagram celebrities' recommendations as mind guided in every aspect, and they also mention that it provides encouragement and challenge in topics such as books, travel and entrepreneurship. As a result of all these recommendations, young people become more and more consumers and want to buy more of brands or products advised by celebrities they like or follow.

Young people are going to become individuals because of the sharing that encourages them to become rich. It drives consumption at the rate of its own purchasing power. They are trying to get the products they want by concentrating on consumption. And they try to save money to balance the budget, and to work part-time.

Young people who participated in the study say that their lifestyle is also affected. This effect covers a very broad framework: from shaving, dressing, even language they are using is varying with their lifestyles. And a consumption focused individual subject is occurred. As a desire to get things they see forms leading to consumption focused lifestyle.

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Particularities of the Legal Framework of Marketing in Romania

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Abstract

Legal framework of marketing includes all legal regulations concerning the marketing activities of the companies. It is an element of macro environment namely the political and social environment. At the international level, differences in legislation relating to the field of marketing are significant. In Romania there are some particularities in the legal framework of marketing. Using a secondary research of romanian marketing legislation we obtaining results consist in the most important acts which target different parts of the business of marketing.

Key words: legal marketing, deceptive marketing, differences marketing legislation.

JEL classification: M38.

Introduction

The legal framework of marketing includes all legal regulations concerning the marketing activities of the trader and is an ingredient in the company macro environment defined in different ways in the scientific literature: the political and social environment (Armstrong and Kotler, 2015), political-legal environment (Kotler, Keller, 2009) or institutional environment (Balaure et al. 2002). First studies that made the link between marketing and legal matters dating from the '30 years. (Vaile and Filipetti 1934). The relation between marketing strategy and marketing legislation was studied since years '60 and the "optimal strategy" might recognize the need for competition to satisfy state and federal antitrust officials (Alexis, 1962). The need to regulate this area occurred as a result of unfair practices and that induce consumers to deceive, used by manufacturers, distributors or representatives of the media. Marketing activity is subject to social criticism according to which some marketing practices inimical to the interests of individual consumers and society in general by determining the level of increase in prices due to unreasonably high costs of distribution, promotion and commercial additives raised by selling pressure seen especially with the use of salesmen, through deceptive practices consisting of price, promotion and packaging misleading by promoting products unsafe or of inferior quality, the fraying moral planned due to premature aging products, and let the customers with small businesses unprotected. These methods constitute the essence of the concept of deceptive marketing or deceptive counterfeit (Zang, J., Zang, R.Q., 2015), which along with the use of legal, but improper marketing techniques, can create a negative image on the entire field. The impact is felt by the consumer in different ways: high prices due to high costs of distribution and product promotion; deceptive practices on price, promotion and packaging; using aggressive sales channels like personal sales agents; unsafe products and services of lower quality.(Istudor, Ion, Turek 2008)

Paper Body

At the international level, differences in legislation relating to the field of marketing are significant (Pop et al, 2011). For this reason the institutional environment is often in a real barrier penetration of foreign enterprises on the national market. Thus, for example, the lack of regulations regarding the protection of trade marks and patents of invention may make that country to be avoided by foreign investors. The most significant differences are those relating to the use of promotional techniques, even in some countries which do appear in the same economic group (Harris, 1999) For example promoting sales using the method of reducing the price for the next purchase is not allowed in Germany or Denmark but is accepted in the rest of the European Union. Free prize draws are common remuneration practices in promoting clients used in the UK and many other countries; in Norway this type of marketing campaign is forbidden. In countries with significant cultural differences the acceptance of promotional messages that make an attempt on the traditional values is very difficult for the local authorities to deal with. In the process of regulating the activities of trade were taken a series of international rules which have facilitated the international movement of goods and services (Keegan, Green 2006). It would be inconceivable the international marketing in the absence of international regulations such as INCOTERMS on terms of payment and delivery of products, the TRIPS Agreement on aspects of intellectual property rights related to trade, the Green Paper on combating counterfeiting and piracy in the European Union and other such regulations.

In Romania, the field of marketing was developed at the beginning of 90 years and is not strictly regulated by a special law, but were adopted several laws direct or indirect relating to marketing. The same situation is in USA for example, but the first relementation is since 1880, Sherman antitrust law. Now, in USA, there are more than 20 important relementation in the field of marketing, many of those without correspondent in Romanian legislation.

American marketing relementation	Romanian marketing relementation
The Patent Act of 1790 was the first federal patent statute of the United States.	Law 64/1991 on the patent (Law 102/1906, first Romania patent law)
Sherman antitrust Act of 1890 and The Clayton Antitrust Act of 1914 Prohibits monopolies and activities that restrict trade or competition in the US Interstate Commerce	Law 11/1991 on combating unfair competition completed with Law 298/2001
The Pure Food and Drug Act of 1906 is the first consumer protection laws in the 20th century and led to the creation of the Food and Drug Administration	National Medicines Agency (ANM), established by Government Ordinance no. 125/1998 completed with Law no. 266/2008 (Pharmacy Law) and Law no. 95/2006 on healthcare reform
The Federal Trade Commission Act of 1914 established the Federal Trade Commission and monitors and regulates the unfair trade forms	There is no special law in this regard. Apply the law of unfair competition
The Robinson–Patman Act of 1936 (or Anti-Price Discrimination Act) that prohibits anticompetitive practices by producers, specifically price discrimination. Regulates the application of discounts depending on the amount purchased.	There is no special law in this regard. Apply Competition Law. 21/1996
The Wheeler–Lea Act of 1938 unfair or deceptive acts or practices as well as unfair methods of competition	Law 367/2007 on unfair practices
The Lanham (Trademark) Act 1946 prohibits a number of activities, including trademark infringement, trademark dilution, and false advertising.	Law 84/1998 on marks and geographical indications and the entire legislative package on consumer protection in Romania
The Fair Packaging and Labeling Act on 1966 is a U.S. law that applies to labels on consumer products.	There is no special law in this regard. Apply HG nr. 106/2002 din 07/02/2002 with a several modifications.

The Child protection act of 1966	LAW no. 272 of 21 June 2004 on the protection and promotion of children's rights but without marketing reglementations.
The Federal Cigarette Labeling and Advertising Act of 1966 (known as The Cigarette Act) is a comprehensive act designed to provide a set of national standards for cigarette packaging	Law no. 15/2016 and Law 349/2002 to prevent and combat tobacco consumption.
The National Environmental Policy Act (NEPA) of 1969 is a United States environmental law that promotes the enhancement of the environment and established the President's Council on Environmental Quality (CEQ)	Environmental Protection Law no. 137/1995 with a several modificat but but without marketing reglementations
The Consumer Product Safety Act (CPSA) of 1972 An Act to protect consumers against unreasonable risk of injury from hazardous products, and for other purposes.	OG 21/1992 on consumer protection and other 22 reglementation
The Magnuson–Moss Warranty Act of 1975 An Act to provide disclosure standards for written consumer product warranties against defect or malfunction	
The Children's Television Act of 1990 which was designed to increase the amount of educational children's programming on television.	Audiovisual Law no. 504/2002 and Decision no. 220/2011 on the Audiovisual Content Regulatory Code modified by CNA Decision no. 63 of 14 February 2017
The Nutrition Labeling and Education Act of 1990 The law gives the Food and Drug Administration (FDA) authority to require nutrition labeling of most foods regulated by the Agency; and to require that all nutrient content claims (for example, 'high fiber', 'low fat', etc.) and health claims meet FDA regulations.	There is no special law in this regard. Apply HG nr. 106/2002 din 07/02/2002 with a several modifications.
The Child Online Protection Act (COPA) 1998 It details what a website operator must include in a privacy policy, when and how to seek verifiable consent from a parent or guardian, and what responsibilities an operator has to protect children's privacy and safety online including restrictions on the marketing to those under 13	There is no special law in this regard. Apply Law no. 272/2004 on the protection and promotion of the rights of the child with a several modifications but not in online
The CAN-SPAM Act of 2003 Controlling the Assault of Non-Solicited Pornography And Marketing Act establishes the United States' first national standards for the sending of commercial e-mail	There is no special law in this regard. Apply Law no. 272/2004 on the protection and promotion of the rights of the child with a several modifications but not in online
The Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 An Act to promote the financial by improving accountability and transparency in the financial system, to end "too big to fail", to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes.	There is no special law in this regard Apply OG 21/1992 on consumer protection

Table no. 1 Differences of American and Romanian marketing legislation

Source Armstrong and Kotler, 2015

A great opportunity of romanian marketing legislation was the implementation of european legislation result of UE integration. But, in fact, the modification oh legislation is a real threat to business because the sevaral modifications cause instability and unpredictibility. For example, the Law 31/1990 (the most important law organizing companies) was modified by Law 33/1998, Law 1066/2004, Law 302/2005, Law 85/2006, Law164/2006, Law 441/2006, OUG 82/2007, OUG 52/2008, Law 88/2009, OUG43/2010, OUG 54/2010, OUG 90/2010, Law 202/2010, OUG 37/2011, Law 71/2011, OUG 2/2012, OUG 47/2012, Law 187/2012, Law 76/2012, Law 152/2015. In total 21 major modifications in 27 years whit a large implications

for companies activity. Very important is that modifications includes all articles of initial law. The same situation is in the marketing legislation.

Using a secondary research of romanian marketing legislation we obtaining the following results consist in the most important acts which target different parts of the business of marketing: Law 48/1992 Broadcasting Law and Decision of the National Council of Audio-visual, Ordinance 21/1992 on consumer protection, Law 32/1994 on the sponsorship, the Competition Law 21/1996, Law 8/1996 on copyright and related rights , Law 65/2000 regarding the adoption of standards for advertising, teleshopping and sponsorship in broadcasting, Law 148/2000 on advertising, Law 677/2001 regarding the processing of personal data, Law 365/2002 on electronic commerce, Law 506/2004 regarding the processing of personal data and privacy in electronic communications, , Law 158/2008 on deceptive advertising and comparative advertising, Law 185/2013 regarding the location and approval of means of advertising.

In some fields such as marketing of tobacco and alcoholic beverages, products that are released on a medical prescription basis, the laws listed above are subject to special conditions. Thus, for example, is explicitly prohibits advertising for tobacco products distributed under the radio broadcasting and television, in print and on the first and last cover page or on tickets for travel within public transport or Law 208/2016 regulating the marketing of breast milk substitutes. In other areas, such as financial, banking capital market, tourism etc. the components of the mix of marketing are regulated by specific rules issued by the authorities in monitoring such markets.

A particularity of romanian marketing legislation, for a number of areas, such as copyright, is not the absence of the regulations but an inefficient monitoring of the market by the authorities, because the law has been developed since 1996. This has not prevented that more than 80% of the total sales of soft sites in Romania to be counterfeit with very serious implications on the whole industry in years '90. Now the rate of rates unlicensed software installation are decreasing in Romania but comparative with TOTAL European Union and global there are significant differences (see table 1). and totalized 161 mil\$ loss in only in 2015 for romania market.

Stage	2012	2013	2014	2015
Romania	65	63	62	60
EU	35	33	31	29
Global	43	42	43	39

Table no. 2 Major differences of rates unlicensed software installation

Source: BSA GLOBAL SOFTWARE SURVEY MAY 2016

http://globalstudy.bsa.org/2016/downloads/studies/BSA_GSS_US.pdf#page=5

Conclusions

In conclusion the marketing activity in Romania is direct influenced by specific legislation. The development of marketing field in Romania was very rapid but the implementation of legislation is not so rapid. However regulations aimed at the field of marketing in Romania are not complete, imposing the necessity to adopt laws to regulate, for example, the legal system of direct marketing, advertising through the Internet and antispam legislation, the conditions for the conduct of campaigns to reduce prices and other components of the business of marketing.

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