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CALL FOR PAPERS

6th International Conference For Consumer Behaviour and Retailing Research

Hosted by:

University of Applied Sciences Voralberg, Austria

16th - 18th April 2009

The 6th (annual) International Conference for Consumer Behaviour and Retailing Research is organised by Centre for International Research in Consumers Location and their Environments (CIRCLE).

Web: http://www.leedsmet.ac.uk/international/the/circle.htm

The Centre engages in interdisciplinary research and consultancy projects in order to explore and examine consumer behaviour in local, regional, national or international

contexts for a range of service industries including events, finance, hospitality, leisure, marketing, retailing and tourism. All research activities/projects/conference proceedings are disseminated with the dual purpose of assisting managers and practitioners who work in the industry as well as fuelling further academic study and debate in this important emerging research area.

Investigating international/global environment, the Centre is international itself – with the following partnering institutions: Leeds Metropolitan University (Tourism, Hospitality and Events, Faculty of Business and Law, Innovation North), University of Nicosia, Cyprus; Zagreb School of Management, Croatia; University of Applied Sciences Albstadt/ Sigmaringen, Germany; The Graduate School of Business & Economics, University of Zagreb, Croatia; University of Applied Sciences Vorarlberg, Austria; King Fahd University of Petroleum & Minerals, Saudi Arabia; University of Canterbury, New Zealand; University of Applied Sciences Liechtenstein; University of Szczecin, Poland; University of Central Lancashire, UK; University of Gloucestershire, UK; University of Salford, UK; University of Rijeka, Croatia; University of Sarajevo, Bosnia; University of Calabria, Italy; University of Reggio, Italy; Business Academy Chalkida, Greece; University of Sapienza, Italy; University of Siena. With more participants/members and more partnering institutions joining the CIRCLE, the sustainable quality development and positive competition will be the catalysts of fruitful academic and professional co-operation in the field.

The 6th International Conference for Consumer Behaviour and Retailing Research Conference has two goals. The first goal is to provide an international environment for different academic/professional approaches and discussions on recent development in consumer behaviour and retailing theory/practice in contemporary turbulent business arena.

The second goal is to provide the opportunity for young scholars, practitioners and PhD students to have their work validated and benchmarked within the benevolent academic and professional community of colleagues from different international contexts. The young scholars, studying for their PhD are invited also to their symposium and to meet with their supervisory team.

With more participants/members and more partnering institutions joining the CIRCLE, the sustainable quality development and positive competition will be the catalysts of fruitful academic and professional co-operation in the field.

Focus of the Conference will be on various aspects of contemporary political, economic, social and technological environment for international business practice(s) and their target market(s) with special emphasis on retailing, hospitality, tourism and events.

The Conference Tracks will cover the following areas:

- Marketing Communications And The Impact On Consumers
- Innovative Practice And Methods In Marketing And Consumer Behaviour
- Role Of Relationship Marketing On Consumer Behaviour
- Marketing Concepts And "Tools" Within The International Context For Retailing, Hospitality And Tourism.
- Quality And Service Operations In Hospitality Management
- Changing Impacts Retailing Through Strategy, Marketing And Policy
- Inter-Cultural And Globalisation Aspects In Retailing, Hospitality And Tourism.
- Retailing And Merchandising For Local And International Organisations
- Sustainable Policy, Politics And Events
- Economic, Social, Technological, And Environmental Impacts
- The Pilgrimage Management And Religious Festivals
- Contemporary Cross-Cultural Festivals
- Costing And Pricing Strategies For Hospitality, Tourism And Events Organisations
- Higher Education Policy As It Relates To Education
- Enhancing Graduate Employability In Events, Hospitality, And Tourism
- International Forum Of Phd Students: Work-In-Progress Challenges

There is also the symposium for PhD students

- International forum of PhD students: work-in-progress challenges

Paper submission and Review Process

Please send an abstract of no more than 500 words by 15th November 2008 to the Organising Committee. Abstracts should clearly state the purpose, results and conclusions of the work to be described in the final paper. Key words (3-5) should be enclosed to abstract. Please, provide full names, affiliations

and up-to-date contact details (postal address, university/business address, e-mail, telephone and fax numbers).

Both abstracts and final papers will be double blind reviewed. Authors will receive abstract acceptance notice from the Organising Committee by 15th December 2008 - at latest. Full papers should be submitted by 5th March 2009. The following should be the correct format for the submission of abstracts and papers:

English is the official language of the 6th International Conference for Consumer Behaviour and Retailing Research.

Submission format

All abstracts and final papers should be submitted in English, checked for correct grammar and spelling, both a hard copy and e-mailed to g.vignali@mmu.ac.uk in Microsoft Word format.

PhD Students

All participants in the status of PhD students will be contacted by 15th January 2009 and suggested to join the International forum of PhD students: work-in-progress challenges – informal moderated workshop on PhD planning, methodological choice and data collection. In addition PhD supervisors will be there to discuss the research process and offer some thoughts for best practice.

PhD students can also present at the conference. For those students who wish to present their work formally, at the conference, please follow the Paper Submission and Review Process that has been shown above

Scientific committee

Members:

Professor Claudio Vignali	Leeds Metropolitan University, UK
Professor Juergen Polke	University of Applied Sciences Voralberg, Austria
Razaq Raj	Leeds Metropolitan University, UK
Alexandra Kenyon	Leeds Metropolitan University, UK
Gianpaolo Vignali	Manchester Metropolitan University, UK
Georg Erdmann	University of Applied Sciences Voralberg, Austria
Professor Dr. Leo Dana	University of Canterbury, New Zealand
Professor Barry Davies	University of Gloucestershire, UK
Professor Vitorio Ambrosio	University Estoril, Portugal

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Gianpaolo Vignali MA, PG Cert HE, PG Dip., PG Cert, BSc (Hons)

Senior Lecturer

Consumer Behaviour

Manchester Metropolitan University

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Registration fee:

£300 sterling exclusive of transport and accommodation. This will include the final meal and working lunches. All monies to be transferred to an Austrian account, once the paper has been accepted

CIRCLE CONFERENCE PROGRAMME

Wednesday, April 15th 2009

01:00 pm. – 04:00 pm. Conference Registration for early birds

02:00 pm. – 05:00 pm. PHD syposium By Alex Kenyon

Thursday, April 16th 2009

08:30 am. – 09:45 am. Conference Registration

08:30 am. – 10:00 am. Coffee / Refreshments

10:00 am. – 10:30 am. Opening Ceremony / Official Welcome

10:30 am. – 11:15 am. Key Note Speech by Mag. Guntram Drexel, President Spar International, Austria

11:15 am. – 12:00 pm. Key Note Speech by Prof. Dr. Barry Davies, Dean of Research University of Gloucestershire, UK

12:00 pm. – 01:00 pm. Lunch

01:00 pm. – 03:00 pm. Paper presentations

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	Anagnostidou Zoi & Kokkinaki Flora: ATTITUDE-BASED VERSUS ATTRIBUTE-BASED CONSUMER DECISION-MAKING: THE EFFECTS OF INFORMATION DIAGNOSTICITY, PROCESSING OPPORTUNITY AND PROCESSING MOTIVATION	**Nenad Peric, Vesna Brcic Stipcevic & Irena Guszak**: PERCEPTION OF CHOCOLATE BRANDS IN THE CZECH MARKET: THE CASE OF DORINA	**Guozhong Xie**: COMPARISON OF AHP AND FUZZY LOGIC IN PURCHASE DECISION MAKING OF HOTEL CUSTOMERS
	Irena Pandza & Tihomir Vranesevic: THE GAP BETWEEN RECEIVED AND DESIRED SERVICE	**Damian Oreilly & Katie Doddy**: THE INFLUENCE OF PRODUCT DISPLAYS ON CONSUMER BEHAVIOUR IN THE FASHION MARKET	**Liljana Elmazi & Elsa Gega**: AN SURVEY OF INTERNATIONAL TOURISTS AND THEIR BEHAVIOR. THE CASE OF INTERNATIONAL AIRPORT OF TIRANA
	Alfonso Siano & Gianpaolo Basile: BRAND-CONSUMER RELATIONSHIP: FROM ATTRACTIVENESS TO IDENTIFICATION	**Antonio Feraco**: CONSUMER TRENDS AND BEHAVIOUR IN VIDEO GAMES - ITALY AND SINGAPORE	**Nikola Draskovic, John Temperley & Jurica Pavicic**: COMPARATIVE PERCEPTION(S) OF CONSUMER GOODS PACKAGING: CROATIAN CONSUMERS' PERSPECTIVE(S)
	Yifan Li, Xiongwen Lua, Xiaoxiao Cheng, Runyuan Huang: EXPLORING CHINESE WELL-OFF CONSUMERS' BELIEFS, ATTITUDES AND BEHAVIOR	**Ihn Hee Chung and Yoo-Jene Jeong**: A STUDY ON GLOBAL CONSCIOUSNESS AND FASHION INTEREST AFFECTING FASHION STYLE PREFERENCE	**Ivana Busljeta Banks, Olivera Jurkovic Majic & Helena Majic:** SOLVING CUSTOMERS' COMPLAINTS AS A KEY COMPONENT OF LOYALTY IN THE SERVICE INDUSTRY
	Alexis Kitsios & Hans Ruediger Kaufmann: STATUS ORIENTATION AND SYMBOLIC CONSUMPTION OF CYPRIOT CONSUMERS	**Jantima Banjongprasert**: THE ROLE OF CONSUMER KNOWLEDGE IN RELATIONSHIP MARKETING IN THE WEB CONTEXT	**Jurica Pavicic, Niksa Alfirevic, Kresimir Znidar & Andrea Soric Zelinscek**: KNOWLEDGE-BASED APPROACH TO CONSUMER INSIGHT: THE CASE OF CATI-BASED DATA COLLECTION IN CROATIA AND DISCUSSION OF ITS REGIONAL IMPLICATIONS

03:00 pm. – 03:30 pm. Coffee / Refreshments

03:30 pm. – 05:00 pm. Paper presentations

	Room 1	Room 2	Room 3
Chair	**D. Gerber**	**S. Renko**	**E. Pantano**
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	Rupali Pramanik, Gyan Prakash & Shakti Prakash: AN ANALYSIS OF RETAIL PURCHASE BEHAVIOUR TO DEVELOP RETAIL STRATEGY FOR GLOBAL RETAILERS	**Andrei Angheluta**: COMPLEXITY BETWEEN TRANSPORTATION AND LOGISTICS CHAIN	**Felipa Lopes dos Reis & António Eduardo Martins**: TEACHER TRAINING AND NEW TECHNOLOGIES
	Jill Klotz: THE IMPORTANCE OF REPUTATION MANAGEMENT IN THE GERMAN FOOD RETAIL	**Antonio Mileti & Irene Prete**: HOW SUPER AND HYPER-MARKETS CONTRIBUTE TO ITALIAN LOCAL DEVELOPMENT	**Gianpaolo Vignali**: HOW DO INTERNAL CAPABILITIES INFORM THE STRATEGY OF A UK FASHION RETAILER - REPUBLIC CASE STUDY
	Hrvoje Majlak: MOP	**Mirko Palic, Marija Tomasevic Lisanin & Kristina Ozimec**: RETAILING INNOVATION AND MARKETING PERFORMANCE OF GROCERY RETAILERS IN CROATIA	**Eleonora Pantano**: AUGMENTED REALITY IN RETAILING OF LOCAL PRODUCTS OF MAGNA GRAECIA: CONSUMER'S RESPONSE
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Friday, April 17th 2009

09:00 am. – 10:00 am. Coffee / Refreshments

10:00 am. – 12:00 pm. Paper presentations

Friday, 17th April	Room 1	Room 2	Room 3
Chair	**A. Ferraco**	**R. Raj**	**T. Vranesevic**
Topic	**Marketing Communication**	**Tourism**	**Customer Satisfaction**
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	Edyta Rudawska: COMMUNICATION AS A TOOL FOR BUILDING INVESTOR RELATIONS BY BANKS IN POLAND	**Kreshnik Bello & Zhyljen Papajorgji**: ICT AND THE CHANGING OF TOURISM DISTRIBUTION IN THE GLOBAL CONDITIONS	**Urlich Schoolz:** ANALYSIS OF PURCHASING SPECIFIC DETERMINANTS OF BORDER-CROSSING RETAILER LOYALTY
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	Birgit Knoll: THE IMPORTANCE OF PREDICTION OF ADVERTISING EFFECTIVENESS IN WINTER SPORT RESORTS	**Vítor Ambrósio**: PILGRIMAGES VERSUS TOURISM	**Phoebe R. Apeagyei**: THE EFFICACY OF 3D BODY SCANNING TECHNOLOGY AS A RESEARCH TOOL FOR ANTHROPOMETRICS AND CLOTHING FIT
	Ivana Zupanic, Kristina Petljak & Sanda Renko: THE ANALYSIS OF CROATIAN NEWSPAPER INDUSTRY	**Joram Ndlovu, Elias Nyakunu & E.T. Heath**: STRATEGIES FOR DEVELOPING DOMESTIC TOURISM: A SURVEY OF STAKEHOLDERS IN NAMIBIA	**Dominique Roland Gerber, Hans-Ruediger Kaufmann, Claudio Vignali & John Temperley**: EXPLORING TOURISTS' PERCEPTIONS TOWARDS SOUVENIRS BY MEANS OF INTERNET MEDIATED RESEARCH (IMR)

12:00 pm. – 01:00 pm. Lunch

01:00 pm. – 02:30 pm. Paper presentations

Friday, 17th April	Room 1	Room 2	Room 3
Chair	**D. Ryding**	**R. Kaufmann**	**G. Xie**
Topic	**Higher Education**	**Human Resources**	**Cultural Issues**
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02:30 pm. – 03:00 pm. Coffee / Refreshments

03:00 pm. – 04:00 pm. Paper presentations

Friday, 17th April	Room 1	Room 2	Room 3
Chair	**J. Polke**	**J. Pavicic**	**V. Ambrosio**
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	Antje Duden: LEARNING CULTURE IN ORGANIZATIONS - HOW DOES LEARNING TAKE PLACE?	**Anca Varga & Adrian Ungureanu**: CHANGE MANAGEMENT - NECESSITY OR TREND	**Jo-Ansie van Wyk & Dimitri Tassiopoulos**: POLICY, POLITICS AND EVENTS: A CASE STUDY OF SOUTH AFRICA'S 2010 FIFA WORLD CUPt: MANAGING INTERNATIONAL SPORTS EVENTS IN SUSTAINABLE POLITICAL CONTEXT
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04:00 pm. – 05:00 pm. Round Robin plenary session and conference feedback

07:30 pm. Gala Dinner at Martinspark Hotel

Saturday, April 18th 2009

09:00 am. – 06:00 pm. Optional Social Event / Excursion to the regionSaturday, April 18th 2009

09:00 am. – 06:00 pm. Optional Social Event / Excursion to the region (only for registered participants

Saturday, April 18th 2009

THE RELATIONSHIP BETWEEN APPAREL ATTRIBUTES AND ADVERTISING ON CONSUMER BUYING BEHAVIOUR

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Abstract

This research aims to understand the relationship between apparel attributes and advertising on consumer buying behaviour. A survey was developed through a non random and snowball sampling technique to 221 Portuguese apparel consumers.

Differences in the valorization of the apparel attributes according to the influence level of the advertising on the buying behaviour were evidenced.

Furthermore, it was possible to establish an association between the influence level of the advertising on the buying decision and the valorization of the esthetic attributes of the apparel. The apparel attributes most valued by consumers were: comfort, satisfaction, quality, need and model.

Keywords: Advertising, consumer buying behaviour, apparel attributes

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Introduction

Study and quantification of attributes is crucial to a better understanding of consumer beliefs about a specific product or brand (Dutton, 2006). Attributes may be seen as inherent characteristics of the products, being specific, visible, quantified and of high importance for choosing process of different options.

Calazans (1992) and Kim et al. (2002) have studied how the involvement of consumer with the apparel influences the perception of a specific product in the advertising. Advertising is one of the main influences on consumer buying behaviour. Unlike other influences on purchase decisions, such as memory, groups of influence, past experiences, advertising is viewed by marketers and business executives as a communication toll used for they can better manage, create, or change the attitudes, perceptions and behaviour of consumers.

A set of researches have studied the relationship between the apparel attributes and the decision making process in a buying context. May-Plumlee (2006) argue that there are several universal attributes to evaluate apparel. Other researchers (Abraham-Murali and Littrell, 1995) divide these attributes in two general categories: inherent and extrinsic. Also, Dickson and Littrell (1997) argument that consumers take buying decision making

according to the situations or events in which the product will be used. Furthermore, Eckman (1990) defends that consumers are not consistent in the criteria used to evaluate apparel.

To date there has been little attention given to the relationship among different types of advertising and its influence on valorization of apparel attributes by consumers. In this sense, the implications of this research can be useful because it will help to a better understanding of these relationships and also a clearing up about the main reasons that could justify the current tendencies of markets and the success of some brands.

This research aims to fill that gap on literature. In this way, this research provides the following research questions: The different levels of advertising influence on buying decision leads to a different level of apparel attributes valorization?

In this sense, this research aims to understand the relationship between apparel attributes and advertising on consumer buying behaviour.

The paper is structured as follows: first a literature review about buying behaviour, advertising and apparel attributes. Second, the methodology to develop the study is presented with a special focus on sample method, data collection and statistics. Finally the results are discussed and conclusions and future implications for consumer behaviour knowledge are drawn.

Advertising: Consumer Behaviour Approaches

Researchers have sought to define advertising from economic and social perspectives. Rotzoll and Haefner (1990) define advertising as the result of persuasion, a time-honored tradition driven by self-interest, itself propelled by deliberate and calculating individuals.

One implicit expectation of this view is that the self-interested actions of individuals will ultimately work themselves out for the good of the whole.

Kirkpatrick (1994) takes a similar approach toward the definition of advertising, describing it as salesmanship, the product and expression of laissez-faire capitalism and the Industrial Revolution.

Percy and Rossiter (1992) say that purchase intention is rarely the direct object of advertising communication strategy. Although it is certainly true that purchase intention and behavior is the ultimate goal on advertising, more often one must be preconditioned by first raising the salience of a brand, and then forming at least some tentative attitudes toward it before purchase is considered.

The tendencies in contemporary advertising display the reflux of its former pedagogical and constructive dimension. Advertising's classical model – the famous copy strategy – insisted on a message that praised the functional or psychological benefits of a product.

In this mechanism, consumer was seen as a passive subject that should be worked upon through the repetition of simple and brief slogans. Although this still remains, this logic now contests with a new kind of advertising that takes into account the appearing of a hyper consumer educated to consuming, full of equal products, many times allergic to advertising rattling. That is the reason of new guidelines: if in the past it tended to value the product, now advertising aims at becoming a creative show that deals with a profusion of new styles: second degree, pastiche, digression, impertinence, fashion, emotional, ridiculous, provocation. Thus, hypermodern advertising seeks, above all, to innovate, touch, distract, renew the image, break in consumers more than to celebrate the product (Lipovetsky, 2006). Several works about advertising have been written in the last decades, so Muehling (1987) investigated one antecedent that has been proposed in the literature: Attitude-toward-advertising-in-general.

Attitudes toward advertising in general predict consumers' level of involvement in specific ads (James and Kover, 1992), and attitudes toward advertising in general predict attitudes toward specific ads (Mittal, 1994). Those attitudes toward ads, in turn, predict brand attitudes in many cases (e.g., Brown and Stayman, 1992; MacKenzie, Lutz, and Belch, 1986). Moreover, copy research has indicated that attitudes toward ads predict the incremental product sales thanks to advertising (Haley and Baldinger, 1991). Similarly, understanding medium-specific public opinion toward ads also has important implications for ad effectiveness. As noted earlier, attitudes toward advertising in a given medium predict exposure to versus avoidance of advertisements in the medium (e.g., Elliott and Speck, 1998). In an era

of increasingly cluttered media environments, and increasingly available ad-avoidance technology, avoidance behavior represents a significant problem for advertisers. It has been suggested that, for TV, various ad-avoidance strategies reduce ad exposure by as much as 30% (Abernethy, 1991). Consumers have more and more control over their ad exposure and they make their exposure choices based in part on their opinions of advertising in the medium. It is argued, therefore, that a good understanding of consumers' attitudes and perceptions toward advertising in specific media is essential.

Public attitudes toward advertising have been the focus of numerous surveys over the years (O'Donohoe, 1985; Pollay and Mittal, 1993; Zanot, 1981). Some of the recent surveys have focused on attitudes toward advertising in a specific medium, such as television (e.g., Alwitt and Prabhakar, 1992, 1994; Mittal, 1994) or the Internet (e.g., Schlosser, Shavitt, and Kanfer, 1999). Others have examined public attitudes toward advertising in general (e.g., Andrews, 1989; Shavitt, Lowrey, and Haefner, 1998).

There has been considerably less research on media differences in public opinion. A number of previous surveys used students as their respondents (e.g., Bush, Smith, and Martin, 1999; Haller, 1974; Somasundaran and Light, 1991), making it difficult to draw conclusions for the general population. Still, some important studies with representative panel samples have been reported. For instance, Mittal (1994) polled approximately 200 members of a consumer mail panel in the southern United States. Although the survey focused primarily on an in-depth analysis of consumer attitudes toward television advertising, a few questions requesting explicit comparisons between ads on TV, radio, and newspapers/magazines were included. These showed that print ads were perceived substantially more favorably than radio and TV ads, presumably because of the relative intrusiveness of broadcast media. However, in another large scale survey described earlier (Elliott and Speck, 1998), no significant differences were found across broadcast or print categories, whereas direct-mail advertising was evaluated less favorably than any other advertising medium.

The latter results, especially those regarding direct mail, might appear surprising in light of the argument that media that offer more self-selected opportunities to attend to ads will be evaluated more favorably than will other media. However, direct mail that is not in catalog format may be intrusive, at least to the extent that recipients have to process it in order to get to the real mail. Further, the evaluations obtained in the Elliott and Speck (1998) study may have reflected perceptions of direct-mail or print advertising as an institution rather than perceptions driven by one's positive and negative personal experiences with individual ads.

The attitudinal measures used were rather general compared to previous studies (semantic-differential scales anchored by interesting/not interesting, enjoyable/not enjoyable, etc.) and the label of direct mail was broad enough that generalized as opposed to personalized responses might have been elicited (Sandage and Leckenby, 1980).

Daugherty et al. (2008) make some considerations about constructs of attitude and confidence. First they corroborate that constructs are found to be different factors positively related to each other. This finding supports previous research into this area which suggests the separation of confidence from attitude. Second, the societal and economic aspects are both positively related to one's attitude toward advertising. Further, the informative function is found to be positively related to the attitude toward advertising, which suggests that the informative function of advertising is effective in predicting the public's attitude toward advertising. However, a stronger relationship between the informative function of advertising and one's confidence in advertising, compared to their attitude.

Rijsdijk and Hultink (2009) investigate product smartness as follows of consumer responses to product autonomy, and consumer responses to four additional product smartness dimensions: adaptability, reactivity, multifunctionality, and the ability to cooperate. They studied also the effects of the product smartness dimensions on consumer perceptions at the product category level. The research provided several suggestions on how to deal with the advantages and disadvantages and, as such, it delivers useful input for the developers of new smart products.

In the majority of attitude toward advertising studies, survey research has been used to assess opinions about the institution of advertising systematically (i.e., attitude toward advertising in general), as well as attitudes about specific economic, social, and personal functions of advertising. Several

researchers have investigated advertising value perceptions perceptions has involved not only U.S. consumers (Barksdale and Darden 1972; Barksdale, Darden, and Perreault 1976; Barksdale and Perreault 1980; Barksdale et al. 1982; Pollay and Mittal 1993; Shavitt, Lowrey, and Haefner 1998; Yoon 1995), but also consumers from Britain, Chile, Germany, and Russia (Andrews, Durvasula, and Netemeyer 1994; French, Barksdale, and Perreault 1982; Manso-Pinto and Diaz 1997; O'Donohoe 1995; Wills and Ryans 1982; Witkowski and Kellner 1998). Other studies have examined the attitudes of CEOs, marketing managers, and managers in other functional areas (Greyser and Reece 1971; Kanter 1988/89; Webster 1980). Furthermore, students have often served as respondents in studies investigating opinions about advertising (Andrews 1989; Durvasula et al. 1993; Haller 1974).

Several studies have illustrated that attitudes toward the institution of advertising are a function of a consumer's perceptions of the various aspects of advertising, such as its informational value and its use of idealized images (Andrews, Durvasula, and Netemeyer 1994; Muehling 1987; Pollay and Mittal 1993). Other research streams have addressed public policy issues relevant to marketing and advertising practices (Calfee and Ringold 1994; Ford and Calfee 1986) and advertising as it relates to societal concerns, such as its impact on the moral fabric of societies (Belk and Pollay 1985; Ewen 1988; McCracken 1988; Pollay 1986; Tharp and Scott 1990).

A preponderance of the research on attitudes toward marketing and its inherent value has focused on the advertising component. Pollay and Mittal's (1993) framework discuss findings as related to (1) the economic effects of advertising, (2) the personal uses of advertising, and (3) the societal effects of advertising. In the Economic Effects of Advertising some research support the idea that advertising results in better products and promotes competition (Andrews 1989; Anderson, Engeldow, and Becker 1978; Muehling 1987; Reid and Soley 1982), others are less favorable in this regard (Haller 1974; Pollay and Mittal 1993). In Personal Uses of Advertising include advertising as a source of information about products. Shavitt, Lowrey, and Haefner (1998), the audiences use advertising to find out about local sales and particular brands, as well as product and service availability and report that younger audiences think of advertising as an information source more than do older audiences.

Pollay and Mittal (1993) report the students had more favorable opinions about the value of advertising in providing social role/lifestyle imagery information than did adults.

In sum, the societal effects of advertising include the encouragement of materialism, the corruption of societal values, and falsity, or failure to present an accurate picture of the product and/or reality (Bauer and Greyser 1968; Pollay and Mittal 1993). Some research indicates that U.S. consumers are more negative about the social effects of advertising than are Russian (Andrews, Durvasula, and Netemeyer 1994) or German (Witkowski and Kellner 1998) consumers. In this way is important to study each country.

Coulter (2001) report the metaphors attributed to advertising reveal that advertising has positive value, in that it relates information, provides entertainment, and stimulates growth in the economy. However, the goodwill derived from these aspects of advertising is countered by several liabilities, as epitomized by the omnipresent being, nosy neighbor, seducer, and evil therapist metaphors.

Nowadays, conventional advertising through massive media like television, cinema, radio, outdoors, newspapers, magazines, and on the internet are in deep recession. There is such an invasion in advertising and its presence is so intrusive that people react with some indifference.

Fashion brands use conventional means in order to embrace the biggest wideness in ratings. Thanks to its particular attributes, pink magazines and newspaper weekly supplements are the means preferred by the fashion sector, because they have a great capacity to divide ratings and its low cost turns these means in a considerable option to entertaining.

The fashion industry is characterized by a considerable amount of standardized advertising. In fact, global advertising in fashion magazines such as Vogue and Elle helps create the image of a designer brand name for fashion goods, such as apparel, accessories, and perfume, and has been used by many leading firms (Blyth, 2006). Increasingly, some fashion marketers have discovered that their advertising is directly linked to retail sales and strong retail performance

(Callan, 2006). At the same time, global strategic advertising is aggressively expanding to Europe, Asia, and the USA (Ko, Eunju et al. 2007).

Grant and Stephen (2006) studied the influence of the advertising media on buying behaviour, only passing reference was made to television. In general, the only medium of any significance to this target group was teenage magazines and the fashion articles and fashion advertisements which appeared in them.

Product Design Attributes

Product attributes play an important role in marketing communication for both the consumer and the marketer alike. Consumers use attributes as the basis for evaluating a product and attributes promise benefits consumers seek when purchasing a product. Consumers also use attributes to make comparisons between competitive brands. The importance of studying attributes goes beyond the physical features of a product since consumers link attributes to benefits of purchasing and consuming products. These benefits, or consequences, in turn lead to certain end states or values that consumers wish to achieve (Aaker et al., 1992; Belch and Belch, 1995; Kotler, 1991; Mowen, 1993; Peter and Olson, 1993).

Analysis of the consumer perception and decision-making processes is therefore extremely important to assist the marketer to understand consumer behaviour, delineate better positioning strategies and develop more effective advertising campaigns based on product attributes and the associated perceived benefits.

The importance of attributes to the marketer is that product attributes are used to set the marketer's brand apart from that of the competitors based on a specific attribute or often several attributes or product benefits (Belch and Belch, 1995). Attributes are furthermore used by the marketer as the basis for developing new products and the drafting of specific positioning strategies based on the differentiating attributes the product has. Stokmans (1991) adds that a product can be viewed as a bundle of intrinsic and extrinsic attributes or as a bundle of perceived attributes. The description of a product in terms of its intrinsic and extrinsic attributes is usually based on the marketer's perspective. The consumer, on the other hand, uses perceived attributes in the decision-making process.

Peter and Donnelly (1995) emphasis the importance of product positioning strategies based on attributes by stating that these strategies are useful for giving marketers a clearer idea of consumer perceptions of market offerings and for selecting appropriate attributes for positioning products.

In advertising, marketers make use of attributes to state that a product has a certain attribute or that its attributes provide certain benefits to the consumer. Marketers therefore use attributes in advertising to influence the consumer's evaluation of alternatives by featuring the product's salient attributes. The objective is to influence the consumer in such a way that the brand name is associated with the most important attribute.

Puth et al. (1999) argue that marketer needs to determine which attributes (characteristics or factors) are perceived to be of value to the consumer for the product category. Once these attributes have been identified, the marketer may benefit by evaluating the brand on these criteria to determine its relative competitiveness. The identified attributes should, if present in the marketer's product, clearly be communicated through the marketer's advertisements.

Identifying the key attributes and choosing those where you have an advantage - a bigger color range, longer-lasting, non-stain, etc. - represents the best start to create effective advertising. Once you have done this the designers of the ad can get to work creating a stylish and inspired ad reflecting the product attributes selected for attention.

Table 1 – Attributes for garment evaluation

Concrete Attributes (product features)		Abstract Attributes (attitude-based)
Intrinsic (hedonic)	Extrinsic	
Aesthetics	Price	Fun
Style	Brand	Entertainment
Color	Country of origin	Enjoyment
Pattern	Salesperson's evaluation	Need
Fabric/fiber	Approval of others	Function
Appearance	Coordination with wardrobe	
Fashionability		
Utilitarian		
Durability		
Comfort		
Quality		
Fabric/ fiber		
Fit		
Care		

Source: Dutton

A set of researches have studied the relationship between the apparel attributes and the decision making process in a buying context. May-Plumlee (2006) argues that there are several universal attributes to evaluate apparel. Other researchers have categorized these attributes into two main categories; intrinsic and extrinsic (Forney, 2005). Product attributes that are inherent in the product, like fiber content, style, color and pattern are intrinsic attributes. Extrinsic attributes are attributes that do not form part of the physical product but are added by retailers and manufacturers, like brand, price, packaging, and store (Forney, 2005, p.158). Also, Dickson and Littrell (1997) defend that consumers take buying decision making according to the situations or events in which the product will be used. Furthermore, Eckman (1990) defends that consumers are not consistent in the criteria used to evaluate apparel.

Davis (1987) found that when considering an apparel purchase, the two most common attributes used for assessment were style and price. Fabric and store were also important to most subjects when evaluating a garment (Davis, 1987). Sproles (1979) found that styling and fit are the key characteristics that influence consumers' purchase decision. He also stated that other critical characteristics that impact the consumer's decision to acceptor reject a product include price, fiber content, durability and ease of care.

Grant and Stephen (2006) show that the teenage girls placed a high value on branded clothes, design and style, and knew the brands that suited them.

Dutton, (2006) showed that the attributes styling, brand, price, place and manufacture and fiber content have a statistically significant affect on the 15- to 25-year-old consumer's intent to purchase an apparel product in the group of the attributes used (table 1). Overall, there was a statistically significant difference among the fashion groups' responses when brand, price and place where known attributes.

However, there was an overall similarity when styling and manufacture were known.

To date there has been little attention given to the relationship among different types of advertising and its influence on valorization of apparel attributes by consumers. According to the

reviewed literature and aimed at answering the research questions of this study: Do the different levels of advertising influence on the buying decision lead to different levels of valorization of pieces of clothing attributes?, we intend to verify which clothing attributes are overvalued when consumers are persuaded in different levels by the several kinds of advertising. In order to answer this research question, we set up the following investigation hypothesis:

Hypothesis 1a): There are differences in the valuation of clothing attributes, according to the advertising influence level on buying decision in fashion magazines.

Hypothesis 1b): There are differences in the valuation of clothing attributes, according to the advertising influence level on buying decision in pink magazines.

Hypothesis 1c): There are differences in the valuation of clothing attributes, according to the advertising influence level on buying decision in catalogues.

Hypothesis 1d): There are differences in the valuation of clothing attributes, according to the advertising influence level on buying decision in the internet.

Hypothesis 1e): There is a relation between advertising influence level on buying decision and the valuation of clothing's aesthetical attributes

Method

Sample, Data Collection and statistics

Concerning this research's unfolding, we chose the non random sampling technique, that is, the population elements' selection to form the sample depends, partly, on the researcher's judgment. There are no known conjectures that a random element in the population may have a share in the sample (Mattar, 2001). Blended with this sampling technique, we also used the snowball sampling process. A kind of intentional sample among that the researcher chooses a starting group of individuals to whom he asks for names of other individuals belonging to the same population. In this way, the sample keeps growing like a snowball, while new individuals are suggested to the researcher (Rao, 2000).

Thus, in this research we chose to send the questionnaire by e-mail to the researcher's mailing list contacts living in the country and later, to diffuse it using the snowball technique to successive contacts of the first responders. After that, we obtained 221 answers.

The questions in the questionnaire are mainly closed. We chose this kind of questions, in order to assure comparable answers; and they are easier to answer and also because they offer more easily examinable, codifiable, and statistically treatable answers (Foddy, 2002).

Concerning the answers obtained from the questionnaires, they are measured according three kinds scales: ratio scale, Lickert scale and dichotomic scale. Yet, in order to get the answers more quickly, they were sent by e-mail.

The questionnaires were sent and received by e-mail, and its answers exported to the SPSS 15.0 software, in order to get the statistical treatment. We used ANOVA statistical tests, Kruskal Wallis in order to test the research hypotheses (Ha), Hb) Hc) Hd)) and the Spearman ordinal correction test to verify the hypothesis He).

Results and discussion

As for the characterization of the sample and, more precisely, in what concerns the profile of the clothing consumer to which this study is related, starting from his age, we see that it is distributed, in a very homogeneous way, by the three age classes (18-25, 26-32 and ≥ 32 years), although it was evident a more significant prominence in the 18-35 years class (36,1%). This homogeneity of the sample avoids problems of obliquity that would arise in the answers that would happen if there were more preponderant classes. As for the responders' occupation, we verified that a significant percentage (27,6%) is formed by students, followed by independent workers (16,3%), and thirdly by assignment workers (13,1%). Concerning educational qualifications, we see that the sample's great majority (61,5%) in this study is formed by people with a degree. The second group has secondary education (20,4%). As for the marital status, the responders of this study are mainly single and do not have children (52,5%). It is also interesting to notice that those who are married with or without children have the same percentage (16,3%). Finally, our sample also

has a greater number of women (58,8%) than of men (41,2%), although this difference is not very expressive.

The role of advertising in clothing buying behaviour

On order to find an answer to the research question raised by this study, firstly we display the data relative to the Hypothesis H1 test and, next, the descriptive statistics that allow us to reinforce those results and understand more clearly those differences. The relation between advertising and clothing attributes may be confirmed or denied, we did the Kruskall Wallis test to several kinds of advertising, associating them with clothing attributes.

Starting from Hypothesis 1a), There are differences in the valuation of clothing attributes, according to the advertising influence level on buying decision in fashion magazines, and after an analysis of table 2, it is possible to see that there are major differences on the valuation of clothing attributes according to the level of influence of advertising in fashion magazines on the consumer buying decision, as for the following attributes: used materials, style, durability, cut, treatment, quality, satisfaction, necessity and function. Hypothesis H1a) is not rejected on a level of significance of 5%.

Yet, it is interesting to notice that also the fact of three of the four attributes valuated by the consumer is not influenced by publicity in fashion magazines belong to clothing aesthetical attributes.

Table 2: Kruskal Wallis test results for the question H1a

	Chi squared	df	Sig.
Comfort	12,194	6	,058*
Used Materials (cloth/fiber)	25,589	6	,000*
Style	25,503	6	,000*
Color	8,504	6	,203
Model	9,350	6	,155
Look	7,131	6	,309
Durability	57,486	6	,000*
Cut	29,335	6	,000*
Treatment	35,133	6	,000*
Quality	31,792	6	,000*
Satisfaction	25,909	6	,000*
Necessity	20,925	6	,002*
Function	35,698	6	,000*

a Kruskal Wallis Test

b Grouping Variable: Fashion magazines advertising

* Significant to a level of significance of 5%.

Table 3: Kruskal Wallis test results for the question H1b

	Chi squared	df	Sig.
Comfort	31,855	5	,000*
Used Materials (cloth/fiber)	73,676	5	,000*
Style	27,238	5	,000*
Color	59,315	5	,000*
Model	77,002	5	,000*
Look	43,495	5	,000*
Durability	14,299	5	,014*
Cut	60,654	5	,000*
Treatment	12,665	5	,027*
Quality	67,984	5	,000*
Satisfaction	37,846	5	,000*
Necessity	22,627	5	,000*
Function	11,985	5	,035*

a Kruskal Wallis Test

b Grouping Variable: Pink magazines advertising

* Significant to a level of significance of 5%.

According To the Hypothesis 1b), There are differences in the valuation of clothing attributes, according to the advertising influence level on buying decision in pink magazines, and after an analysis on Table 3, it is possible to see that there are significant differences in the clothing attributes valuation according to the level of influence in pink magazines advertising on consumer buying decision, as for all attributes. Hypothesis H1b) is not rejected to a level of significance of 5%.

As for Hypothesis 1c), after an analysis on results of Table 4, it is possible to notice that there are big differences on the clothing attribute valuation according to the level of influence of advertising in catalogues on the consumer buying decision, related to every attribute except for the satisfaction. Hypothesis 1c) is not rejected to a level of significance of 5%. This result is understandable since one of the problems of clothing catalogue selling is the low level of customer satisfaction (Castro, 2004).

Concerning Hypothesis 1d), There are differences in the valuation of clothing attributes, according to the advertising influence level on buying decision in the internet, through the analysis of Table 5, to a level of significance of 5%, we notice that there are large differences on the clothing attribute valuation according to the level of influence of advertising in the internet on the consumer buying decision, related to every attribute except for the satisfaction. This is because e-commerce of clothing has the same disadvantages as catalogues. Thus, we may consider that Hypothesis 1d) is not rejected.

Table 4 Kruskal Wallis test results for the question H1c)

	Chi squared	df	Sig.
Comfort	62,290	6	,000*
Used Materials (cloth/fiber)	27,597	6	,000*
Style	30,179	6	,000*
Color	26,866	6	,000*
Model	25,147	6	,000*
Look	27,785	6	,000*
Durability	23,047	6	,001*
Cut	37,911	6	,000*
Treatment	20,188	6	,003*
Quality	53,268	6	,000*
Satisfaction	11,088	6	,086
Necessity	19,881	6	,003*
Function	23,175	6	,001*

a Kruskal Wallis Test

b Grouping Variable: Catalogue advertising

* Significant to a level of significance of 5%.

Concerning Hypothesis 1e), There is a relation between advertising influence level on buying decision and the valuation of clothing's aesthetical attributes, we notice, through the analysis of Table 6, that this association exists, but with a reduced expression, what allows us to say that Hypothesis 1e) is not rejected. Thus, we chose to highlight the following aspects: (ii) the association between the advertising level of influence on the consumer buying decision; and the (ii) valuation level of the clothing aesthetical attributes has a reduced significance, and, in most cases, the association is in the opposite direction.

(i) The level of influence of advertising in newspapers on the clothing buying decision has a negative association with the valuation of every clothing aesthetical attributes analyzed in this investigation. Yet, this negative association is more representative than what concerns the color.

(ii) The level of influence of advertising on the internet and in fashion magazines on the clothing buying decision has a positive and somehow representative association with the valuation of the style attribute.

Table 5: Kruskal Wallis test results for the question H1d)

	Chi squared	df	Sig.
Comfort	60,041	5	,000
Used Materials (cloth/fiber)	57,237	5	,000
Style	30,319	5	,000
Color	22,898	5	,000
Model	16,412	5	,006
Look	20,596	5	,001
Durability	28,630	5	,000
Cut	71,909	5	,000
Treatment	12,147	5	,033
Quality	70,205	5	,000
Satisfaction	7,643	5	,177
Necessity	29,481	5	,000
Function	16,046	5	,007

a Kruskal Wallis Test, b Grouping Variable: Advertising on the internet

* Significant to a level of significance of 5%.

Table 6: Spearman's test Rho results for the Question H1e)

Correlations						
			Style	Color	Model	Look
Spearman's rho	Newspaper advertising	Ro Spearman	-,258(*)	-,446(*)	-,269(*)	-,238(*)
		Sig.	0,000	0,000	0,000	0,000
	Fashion magazines advertising	Ro Spearman	,310(*)	-0,109	-0,010	-0,005
		Sig.	0,000	0,105	0,884	0,935
	Pink magazines advertising	Ro Spearman	0,000	-,365(**)	-,247(**)	-,210(**)
		Sig.	0,995	0,000	0,000	0,002
	Television advertising	Ro Spearman	-0,088	-,390(*)	-,278(*)	-,170(*)
		Sig.	0,193	0,000	0,000	0,011
	Radio advertising	Ro Spearman	-,200(*)	-,255(*)	-0,108	0,000
		Sig.	0,003	0,000	0,108	0,998
	Catalogue advertising	Ro Spearman	,140(*)	-,263(*)	-,166(*)	-,208(*)
		Sig.	0,037	0,000	0,013	0,002
	Outdoors advertising	Ro Spearman	0,040	-,379(*)	-,205(*)	-0,093
		Sig.	0,554	0,000	0,002	0,167
	Internet advertising	Ro Spearman	,333(*)	-0,103	0,021	0,092
		Sig.	0,000	0,127	0,758	0,173
	Major events advertising	Ro Spearman	,283(*)	-,185(*)	-0,028	-0,009
		Sig.	0,000	0,006	0,677	0,897

*Correlation significant for 5%.

Conclusions

Concerning the investigation question of this study "Do the different levels of advertising influence on the buying decision lead to different levels of valorization of pieces of clothing attributes?" we conclude that fashion magazines advertising influence the following attributes: used materials, style, durability, cut, treatment, quality, satisfaction, necessity and function.

As for advertising in societal magazines, we see that it influences all studied attribute. As regards catalogue advertising, it influences every attribute except satisfaction. This is a understandable result, since one of the pointed problems for the catalogue selling is precisely the low level of the consumer satisfaction, because he cannot get a clear idea on the product he is about to buy, its color, cloth fitting and cloth attributes (Castro, 2004), and is disappointed with what he bought, since it does not correspond to his expectations. As for advertising on the internet, we noticed differences concerning every analyzed attribute except for satisfaction, what happens for the same reasons concerning catalogues, because e-commerce of clothing has the same disadvantages as catalogues.

Finally, analyzing the existence of an association between the advertising level of influence on the buying decision and the valuation of the clothing aesthetical attributes, we conclude that this association exists, but with a reduced expression. Must be highlighted the positive association between the level of advertising in fashion magazines and on the internet on the buying decision and the valuation of the style attribute. It is also highlighted the negative and considerable association between the level of advertising in newspapers on the buying decision and the valuation of the attributes of color, model, style and look. This fact may result from the low quality of the newspapers printing, concerning its color and look, when compared with other printed means of advertising.

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ATTITUDE-BASED VERSUS ATTRIBUTE-BASED CONSUMER DECISION-MAKING: THE EFFECTS OF INFORMATION DIAGNOSTICITY, PROCESSING OPPORTUNITY AND PROCESSING MOTIVATION

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Abstract

The mode of information processing during memory-based decision-making, in other words, whether product choice is based on product attribute information or on overall product evaluations, is an important aspect of consumer decision-making. Based on the Accessibility-Diagnosticity framework (Feldman and Lynch, 1988) and the MODE model (Fazio, 1986), it was hypothesized that information diagnosticity interacts (a) with processing motivation and (b) with processing opportunity to determine the mode of processing. The results of the present research support these interactive effects and indicate that product choice is attribute-based (attitude-based) when information is diagnostic (non-diagnostic) and processing opportunity is high. In all other cases (high information diagnosticity/low processing opportunity, low information diagnosticity/high processing opportunity and low information diagnosticity/low processing opportunity) processing proceeds based on previously formed overall evaluations. Furthermore, our findings suggest that decision making is attribute-based when product information is highly diagnostic and motivation to deliberate is high. Again, in all other cases (high information diagnosticity/ low processing motivation, low information diagnosticity/high processing motivation and low information diagnosticity/low processing motivation) processing is attitude-based.

Key words: information processing, attitudes, decision-making

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Decision-making is an important aspect of consumer behavior. Researchers have shown a lot of interest in the processes involved in the evaluation of alternatives and the choice rules that lead to purchase decisions (Bettman, Luce and Payne, 1988). Findings indicate that choices can be based on an expected utility framework (Von Neumann and Morgenstren, 1947) or can be based on heuristics and rules that undermine the idea of rationality (Tversky, 1972; Keeney and Raifa, 1993; Russo and Dosher, 1983).

One aspect of consumer decision-making concerns the extent to which decisions and choices are based on overall evaluations of the alternatives rather than on specific product attribute information (Mantel and Kardes, 1999). Although consumer research has examined several aspects of decision-making, little attention has been paid to the mode of processing (attitude-based vs. attribute-based) and, specifically, to the identification of the factors that determine it. In this article we argue that in memory-based choices this mode results from the interactive effect of product

attribute diagnosticity and processing motivation and opportunity respectively.

Memory-based choices refer to those cases where alternatives and relevant information are not present at the time of choice and need to be retrieved from memory. In general, in terms of memory context, three types of decision-making can be distinguished: (a) stimulus-based choices, (b) memory-based choices, and (c) mixed-memory choices. Stimulus-based decision making occurs on-line, as the information required to form a judgment or to make a choice is situationally available (Hastie and Park, 1986). However, in many choice contexts in the real world the products compared may not be physically present or relevant information may not be available on-line. Under such conditions the consumer needs to retrieve information from memory in order to reach to a decision (Lingle and Ostrom, 1979). Finally, there are choice tasks where some alternatives and parts of the relevant information are available on-line, while others need to be recalled (Lynch and Srull, 1982). Decision making proceeds differently in each of the above cases with regard to the choice alternatives, the inputs (information) and the way these inputs are used and processed in order to make a choice (Lynch, Marmorstein and Weigold, 1988).

Conceptual background

Information diagnosticity

Perceived information diagnosticity is a broad concept that has been examined in various research domains. In the context of consumer behavior, Lynch et al (1988, p 171) suggest that “an input is diagnostic for a judgment or decision to the degree that consumers believe that the decision implied by that input alone would accomplish their decision goals (e.g., maximize utility, choose a justifiable alternative, and so on)”. However, even within this context diagnosticity has been operationalised and conceptualised in diverse ways (Lynch, 2006).

Lynch et al. (1988) suggest that diagnosticity of overall evaluations and product attributes determines whether information processing during choice will be attitude-based or attribute-based. In terms of product classification, Yi and Gray (1996) and Hoch and Ha (1986), along with other researchers, examine diagnosticity in terms of product ambiguity and typicality. They refer to it as the extent to which an input can provide a categorization of a product which is perceived as ambiguous. For instance, in the case of brand extensions, research has shown that “the greater the shared associations between two targets, the more diagnostic information about one is for making judgments about the other” (Ahluwalia and Gürhan- Canli, 2000, p 373).

With regard to inference formation, inferences are likely to occur if information is perceived as diagnostic (Dick, Chakravarti and Biehal, 1990; Broniarczyk and Alba, 1994). Dick et al (1990) suggest that consumers also assess the perceived diagnosticity of inferential rules, that is, the probability that the inference process will have a favorable outcome. The choice of the rule (e.g. distribution data, evaluation consistency and correlation-based probabilistic consistency) will vary depending on the context of the task given at hand. Another stream of research on diagnosticity has focused on the negativity effect and information valence. The main proposition is that negatively valenced information is perceived as more diagnostic than positively or neutrally valenced information and, hence, has a greater impact on the formation of overall evaluations (Herr, Kardes and Kim, 1991). However, Ahluwalia (2002) postulates that the degree to which negative information will be perceived as diagnostic depends on the level of involvement and hence, the mode of processing (deliberative and profound vs. spontaneous and less effortful processing). Alongside, similar assumptions have been drawn regarding extremity biases. For instance, in the context of impression-formation, Skowronski and Carlston (1987) suggest that extreme behaviors are more diagnostic than moderate ones.

Attitude-based versus attribute-based decision making

One aspect of assessing choice alternatives is the mode of information processing that is employed (Mantel and Kardes, 1999). A decision can be either based on product attribute information (attribute-based processing) or derive from overall evaluations of the alternatives (attitude-based processing). Attribute-based processing entails the use of specific attribute information and involves comparison of the same attributes across brands. On the other hand, “attitude-based processing involves the use of general attitudes, summary impressions, intuitions, or heuristics: no specific

attribute-by-attribute comparisons are performed at the time of judgment" (Mantel and Kardes, 1999, p 339). This latter type of processing is cognitively less effortful and less time consuming than attribute-based processing. The mode of processing may also be a combination of the above. If, for example, the consideration set comprises a big number of alternatives, overall evaluations may be used to carry out a first sorting and specific attributes may be then used to reach to the final decision. Hastie, Park and Weber (1984) suggest that most judgment tasks follow a dual process model, i.e. both prior overall evaluations and a subset of attribute information are used (Chen and Chaiken, 1999; Kahneman and Frederick, 2002).

Attitude-based processing is cognitively less effortful and less time consuming than attribute-based processing. The consumer simply needs to retrieve (or to form on-line, in the case of stimulus-based decision-making) and compare the attitudes that are related to the specific products. Attribute-based decision making refers to the comparison of specific attributes, which requires more time, effort and deliberation (Mantel and Kardes, 1999). Although it leads to more accurate judgments, in general attribute-based processing can increase systematic biases in preference judgment, such as the direction-of-comparison effect (Sanbonmatsu, Kardes and Gibson, 1991).

In memory-based choice conditions, the consumer might follow various paths regarding the mode of processing. If there are no overall evaluations available in memory and no information regarding the alternatives is externally available, the judgment task may depend on recalled product attributes. However, if the brands have been previously evaluated, the processing may depend on previously formed overall evaluations, regardless of the specific attribute information upon which the overall evaluations were based (Kardes, 1994; Keller, 1987). In the case of a mixed-memory choice, for example, when there is a memory-brand and a stimulus one, the comparison may occur between the recalled attributes of the memory brand and the same available attributes of the stimulus brand. If the consumer's memory is vague regarding the retrieved attributes, processing will depend on the previously formed evaluation of the specific subset of attributes. The choice could also be made by comparing overall evaluations of the stimulus and the memory brand. Overall evaluations, when formed are independent of the attribute information upon which they were originally based (Lunch et al, 1988).

Social psychology and consumer research have produced a only few theoretical models that specify the conditions under which processing will be based on overall evaluations rather than product attributes. Fazio's (1986) MODE model (Motivation and Opportunity as Determinants) suggests that judgement and behaviour can be a result of two processing modes: either a spontaneous one, where relevant attitudes are automatically activated, or an effortful and deliberative one, where information is deliberately retrieved and processed. According to this model, when the consumer is highly motivated to make the right decision and circumstances allow for deep and detailed processing (high opportunity), the decision will be based on attribute information. In contrast, when motivation and opportunity are low, processing is based on attitudes rather than on attributes. In a direct test of the MODE model, Sanbonmatsu and Fazio (1990) presented their participants with a number of statements describing two department stores, Smith's and Brown's. Overall, the former store was described in more favorable terms than the latter. However, the camera department of Brown's was more favorably described than Smiths'. During the critical decision task, participants were told that they were to buy a camera and were asked to choose which department store they would visit. Motivation was manipulated by informing half of the participants that they would later have to justify their decision to a group of students and the researchers (high motivation) and the other half that they simply had to make a choice (low motivation). Furthermore, half of the participants were given a limited period of time to make their decision (high time pressure-low opportunity), while the other half were under no time pressure (high opportunity).

As mentioned earlier, Feldman and Lynch (1988) and Lynch et al (1988) offer a distinct framework (Accessibility-Diagnosticity) which puts forward accessibility and diagnosticity as determinants of the mode of information processing. Their findings suggest that the extent to which a decision will be based on attitudes rather than attributes (and reversely) depends on the accessibility and perceived diagnosticity of the two types of processing input. In conditions of high accessibility and high diagnosticity consumers will most likely engage in attribute-based information processing, while when the two variables are low, processing

will be based on overall evaluations. The model acknowledges the importance of accessibility: the more accessible an input is from memory, the more likely it is that it will be retrieved and utilized. However, even if an input is highly accessible, it will not be employed if it is not diagnostic.

Overview of the present research

The present research integrates the above mentioned theoretical approaches by examining the combined effect of the MODE model and information diagnosticity on the mode of processing. Although previous research has examined these factors and their effects on processing during choice in isolation, we argue that their interaction may produce different results than the two frameworks separately propose.

Opportunity refers to the ability to utilize brand attribute information and apart from determining the type of inputs used during choice (Fazio, 1986), it can also define whether and how diagnostic information will be employed. In the context of group decision-making, for example, Karau and Kelly (1992) argue that time scarcity (low opportunity) should lead to a focus on diagnostic information. Furthermore, according to Kruglanski (1989), "fear of invalidity" (motivation to avoid processing errors and their upcoming costliness) drives consumers to process information more effortfully and with greater cautiousness. In the same context, i.e. information processing, the term has been also described as readiness, willingness, interest and desire to process information (MacInnis, Moorman and Jaworski, 1991). Though these definitions are somewhat different, they all imply increased arousal to elaborate on external stimuli. As in the case of processing opportunity, processing motivation can also affect perceived diagnosticity. Baker (2001), in his work regarding the diagnosticity of advertising-generated brand attitudes in brand choice, postulates that a positive change in motivation to process information can decrease brand attitude diagnosticity. Hence, the following hypotheses are tested:

H1: Information diagnosticity and processing opportunity interact to determine the mode of processing during product choice

H2: Information diagnosticity and processing motivation interact to determine the mode of processing during product choice

Experiment 1

Design and participants

Two experimental studies were conducted in order to test the research hypotheses. The first experiment examined the interaction between information diagnosticity and processing opportunity (H1). One hundred and fifty-eight undergraduate students (53 male, 105 female, Mage = 20.27, SD = 2.15) participated in the experiment in exchange for extra course credit. The design was a 2 (high diagnosticity/ low diagnosticity) x 2 (high processing opportunity/low processing opportunity) between-subjects design. Participants were run in small groups of three to six.

The experiment simulated a real choice between two brands, following Sanbonmatsu and Fazio (1990). The stimulus material was designed in a way such that the respondents' product choice would indicate the processing strategy that they employed (attitude-based vs. attribute based). Participants were presented with a table that contained the description of DLink and UMAX, two compact digital cameras, on five attributes. DLink was generally described more favorably than UMAX except for battery duration. On that attribute UMAX scored higher, either marginally (low diagnosticity) or very distinctly (high diagnosticity). After a short filler task, participants were asked which brand they would purchase in case they needed a compact digital camera with long battery life. They were assigned randomly either to the no time pressure condition (high processing opportunity) or to the time pressure condition (low processing opportunity). It was expected that participants in the low diagnosticity and low opportunity condition would base their choice on their retrieved attitudes towards the products, and hence, select DLink which generally scored higher than UMAX. On the other hand, participants in the high diagnosticity and high opportunity condition were expected to decide based on recalled attribute information and therefore purchase UMAX which had the longest battery life.

Stimuli

Compact digital cameras served as the stimulus product due to students' familiarity with the product category and the product's wide range of

characteristics and applications (attributes). Two pretests were run in order to define the product attributes that would be used in the products' description. In the first pretest (n = 25), respondents were asked to provide a list of attributes (open-ended question) they would take into consideration when purchasing a compact digital camera. In the second pretest (n = 25), participants were asked to rate 47 attributes in terms of their importance when deciding over compact digital cameras on a nine-point scale anchored by 1 (not at all important) and 9 (very important). This list of attributes was based on those attributes most frequently mentioned in the first pretest as well as on consumer reports and interviews with experts. Based on the results of the second pretest, five attributes were selected: image resolution, zoom capacity, battery duration (number of pictures per battery life), guarantee (years), and price-quality ratio.

A third pretest (n = 25) was conducted to select appropriate brand names. In order to control for prior knowledge and familiarity effects on information processing and choice (Kardes et al, 1993), it was decided to use either fictitious brand names or brands that are not widely marketed in Greece. Participants were asked to assess 15 brand names on two nine-point scales with endpoints 1 (dislike, not suitable at all) and 9 (like, very suitable). As they were told that the brand names were all hypothetical and constructed, they were also asked to note whether they thought any of those brands was a real one. Only one participant recognized a brand name, and therefore, this brand name was excluded. Since the two scales were highly correlated, the two items were averaged and the two most preferred brand names were selected: UMAX and DLink. Finally, a fourth pretest (n = 15) was conducted to determine the duration of product information presentation. Respondents were shown the same stimulus material that was later used in the main experiment. They were divided in three groups of five and were given 30, 25 and 20 seconds respectively in order to read and process product information. Afterwards, they rated their perceptions of time pressure using three items (no time pressure-two much time pressure, more than adequate time available-not adequate time available, and need lot more time to do this task-need no more time to do this task). Independent sample t-tests showed significant differences of time pressure perceptions among the groups and hence the time period of 25 seconds were selected as information processing time. The main idea was that respondents would have enough time to form overall evaluations about the products and store specific attribute information in memory, without forming, though, attitudes towards the specific product characteristics (Sanbonmatsu and Fazio, 1990).

Procedure

In the first part of the experiment, participants completed a filler task which familiarized them with the information processing procedure. This was also employed in order to further distract them from the crucial experimental stimuli. Two DVD players were presented in a table formatted as the one used for the description of the experimental products. Participants were told to carefully read and process the product information, as afterwards they would be asked to evaluate the two brands. They had 25 seconds to complete the processing task. Immediately after that, their attitudes towards the products were measured (five 9-point scales with endpoints don't like at all, very negative, very unfavorable, very undesirable, very bad (1) and like very much, very positive, very favorable, very desirable, very good (9)). Following this filler task, participants were randomly assigned to a high or low diagnosticity condition and were presented with the experimental material. After their exposure to product information, participants completed a filler task (50 general aptitude and knowledge questions) which lasted for 30 minutes. This delay was used to clear working memory from product attitudes and attribute information. The process continued with the decision making task and participants were again randomly assigned to the high and low processing opportunity conditions. Finally, after completing the manipulation check items, they were debriefed and dismissed.

Dependent measure

As was described earlier, the main dependent variable, i.e. whether processing would be attitude-based or attribute-based, was operationalised as the outcome of the decision-making process (product choice). Specifically, in the decision-making task participants were handed a two-page booklet, with the instructions in the first page and the dependent measure in the second page. The exact wording of the dependent measure was the following: "Imagine that you need to purchase a compact digital camera with long battery duration.

You can either purchase compact digital camera UMAX or compact digital camera DLink. Which compact digital camera will you purchase?" (I will purchase compact digital camera UMAX / I will purchase compact digital camera DLink).

Manipulations

Battery duration was randomly selected among the five attributes that described the two products in order to create the two information diagnosticity conditions. Following Miniard, Sirdeshmukh and Innis (1992), diagnosticity was manipulated by means of product attribute similarity. Although in their study, Miniard et al (1992) held attribute values identical in the low diagnosticity condition, this could not be applied in the present research. If attribute values were identical for the two brands, participants would choose DLink anyway, as it was more favorably described than UMAX. Instead, in the high diagnosticity (low similarity) condition, the battery life was 220 and 150 pictures for UMAX and DLink whereas in the low diagnosticity (high similarity) condition it was 160 and 150, respectively. It was assumed that a small difference in battery duration would not help participants discriminate between the two alternatives (Pechman and Ratneshwar, 1992), that is, attribute information would not be diagnostic. On the other hand, a relatively big difference would easily single out the best choice and hence, attribute information would be highly diagnostic.

Processing opportunity was manipulated by constraining decision-making time for some participants (low processing opportunity), but not for others (high processing opportunity) (Fazio, 1990). Specifically, participants in the low opportunity condition had exactly 20 seconds to complete the choice task, while participants in the high opportunity condition had no time constraint and were instructed to complete the task on their own pace.

Results

Independent samples t-tests showed that both diagnosticity and opportunity manipulations were successful. Information diagnosticity (4 items, Cronbach's alpha = 0.71) was significantly different in the high- and low-diagnosticity conditions ($t156 = 2.1$, $p < .05$, $M = 5.17$ and $M = 4.64$ respectively). Similarly, there were significant differences in perceptions of time pressure (2 items, Cronbach's alpha = 0.75) between the high opportunity/low opportunity groups ($t156 = -10.07$, $p < .001$, $M = 4.21$ and $M = 7.07$ respectively)

As expected, attitude measures showed that the majority of participants favoured camera DLink to camera UMAX (118 out of 158). Contrary to Sanbonmatsu and Fazio (1990), the remaining 40 participants were not excluded from the analysis, as diagnosticity manipulation occurred prior to attitude measurement. The manipulation did not significantly affect participants' attitudes towards the two products. The main unit of analysis was the camera choice, which was coded as 1, indicating "I would purchase compact digital camera UMAX", and 2, indicating "I would purchase compact digital camera DLink". A 2 x 2 (Information Diagnosticity x Time Pressure) between-subjects analysis of variance (ANOVA) on the camera purchase decision revealed a significant interaction between the two independent variables ($F(1, 154) = 3.97$, $p < .05$). Participants in the high diagnosticity/high opportunity condition were more likely to purchase compact digital camera UMAX ($M = 1.31$) than participants in the high diagnosticity/low opportunity ($M = 1.59$), low diagnosticity/high opportunity ($M = 1.56$) and low diagnosticity/low opportunity ($M = 1.51$) conditions. In decomposing the interaction, we found that information diagnosticity had a significant effect on the mode of processing only when opportunity was high ($t69 = -2.08$, $p < .05$). In particular, participants in the high opportunity/high diagnosticity condition were more likely to purchase digital camera UMAX ($M = 1.31$), indicating an attribute-based product choice, whereas participants in the high opportunity/low diagnosticity condition made their choice on the basis of product overall evaluations and, hence, favoured DLink ($M = 1.56$). On the contrary, when participants were under time pressure (low opportunity), diagnosticity did not affect information processing during choice ($t85 = 0.7$, $p = 0.5$). In both conditions of low opportunity/high diagnosticity and low opportunity/low diagnosticity, the participants favoured digital camera DLink ($M = 1.59$ and $M = 1.51$ respectively).

Experiment 2

Design and participants

The second experiment resembled the first conceptually (simulation of a real choice between two brands), and was conducted in order to examine the combined influence of information diagnosticity and processing motivation on the mode of processing during choice (H2). Furthermore, we followed the exact same process and used the exact same stimulus material as in experiment 1. Seventy-four undergraduate students (17 male, 57 female, Mage = 22.85, SD = 1.28) participated in the experiment in exchange for extra course credit. A 2 (high diagnosticity/low diagnosticity) x 2 (high processing motivation/low processing motivation) between-subjects design was used. Participants were run in small groups of three to six.

Dependent measure

As in experiment 1, the dependent measure, i.e. whether processing would be attitude-based or attribute-based, was operationalised as the outcome of the decision-making process (product choice).

Manipulations

In order to create the two diagnosticity conditions, product attribute similarity was once again employed (information diagnosticity was manipulated exactly as in experiment 1). Processing motivation was manipulated in the filler task and product choice booklets. After completing the 30-minute filler task the participants were handed the booklet containing the critical dependent measure, i.e. product choice. Participants in the high motivation condition were instructed to pay attention to the task as they would later have to justify their choice to the experimenter. As an extra incentive, they were informed that those of them who would choose the correct product (according to the Consumers' Institute), would participate in a lottery for a compact digital camera. In contrast, participants in the low motivation condition were prompted, with similar instructions, to engage in the filler task rather than in product choice. Accordingly, they were told that the one with the most correct answers would enter a lottery for a compact digital camera. Furthermore, they were given no specific instructions for the decision making task other than to simply fill out the booklet.

Results

Independent samples t-tests showed that both diagnosticity and motivation manipulations were successful. Information diagnosticity (4 items, Cronbach's alpha = 0.76) was significantly different in the high- and low-diagnosticity conditions ($t72 = 2.87$, $p < .05$, M = 5.61 and M = 4.66 respectively). Similarly, there were significant differences in processing motivation (2 items, Cronbach's alpha = 0.71) between the high motivation/low motivation groups ($t72 = 4.28$, $p < .001$, M = 6.34 and M = 4.79 respectively).

As in the first experiment, attitude measures showed that the majority of participants favoured camera DLink to camera UMAX (62 out of 74). Contrary to Sanbonmatsu and Fazio (1990), the remaining 12 participants were not excluded from the analysis, as diagnosticity manipulation occurred prior to attitude measurement. The manipulation did not significantly affect participants' attitudes towards the two products. Once again the main unit of analysis was the camera choice, coded as 1, indicating "I would purchase compact digital camera UMAX", and 2, indicating "I would purchase compact digital camera DLink". A 2 x 2 (Information Diagnosticity x Processing Motivation) between-subjects analysis of variance (ANOVA) on the camera purchase decision revealed a significant interaction between the two independent variables ($F(1, 74) = 4.37$, $p < .05$). Participants in the high diagnosticity/high motivation condition were more likely to purchase compact digital camera UMAX (M = 1.22) than participants in the high diagnosticity/low motivation (M = 1.53), low diagnosticity/high motivation (M = 1.73) and low diagnosticity/low motivation (M = 1.58) conditions. In decomposing the interaction, we found that information diagnosticity had a significant effect on the mode of processing only when motivation was high ($t36 = -3.56$, $p < .05$). In particular, participants in the high motivation/high diagnosticity condition were more likely to purchase digital camera UMAX (M = 1.22), indicating an attribute-based product choice, whereas participants in the high motivation/low diagnosticity condition made their choice on the basis of product overall evaluations and, hence, favoured DLink (M = 1.73). On the contrary, when participants were not motivated to process the product information, diagnosticity did not affect

information processing during choice ($t34 = -0.29$, $p = 0.77$). In both conditions of low motivation/high diagnosticity and low motivation/low diagnosticity, the participants favoured digital camera DLink (M = 1.53 and M = 1.58 respectively).

General discussion

Consumer decision-making has long been recognized as an important aspect of consumer behaviour. However, a limited number of theoretical frameworks account for the mode of information processing during choice, i.e. whether processing is based on attribute information or on overall product evaluations. The present study contributes to the understanding of the conditions that determine this mode by examining the combined effect of information diagnosticity with processing opportunity and motivation respectively.

Our findings suggest that the mode of processing in memory-choice conditions is a function of the interaction between information diagnosticity and processing opportunity. Specifically, when information diagnosticity is high and consumers have the opportunity to engage in deliberative decision making, their choices are based on retrieved product attribute information rather than on overall product evaluations. However, even if attribute information helps consumers discriminate between alternatives (highly diagnostic attribute information), it will not be employed if the opportunity to process that information is limited. On the other hand, when information diagnosticity is low, processing during choice will be based on previously formed attitudes towards the products regardless of the opportunity to process. Moreover, opportunity was found to have a main effect on the mode of processing during choice. This latter finding, confirms Sanbonmatsu and Fazio's (1990) suggestion that opportunity is a necessary condition for deliberative, attribute-based processing, but not sufficient to drive deep processing alone.

The results of the second experiment indicate that diagnosticity and motivation also interact to determine whether product choice is attitude- vs. attribute-based in a similar manner. When consumers are highly motivated and attribute information is highly diagnostic, purchase decisions are based on product attribute information. However, diagnostic attributes are not utilized when there is no motivation to deliberate. If there is no fear of making an invalid decision or no desire to process information extensively, consumers will base their product choices on previously formed attitudes rather than recall specific attribute information. In case product information is not diagnostic, though, the processing mode is attitude-based and motivation does play a significant role.

The two experiments showed that information diagnosticity is a critical factor when it comes to whether product attributes will be retrieved from memory and utilized in order to make a decision. However, our findings suggest that situational factors, such as time scarcity, and motivation can actually determine the impact of information diagnosticity on the mode of processing.

The present research contributes to a better understanding of information processing that leads to consumer choices. Precisely, it determines specific conditions under which information processing is effortful and deliberative rather than spontaneous, and vice versa. Although previous research has looked into the factors studied here in isolation, we suggest their interactive effects bring a deeper insight into the complex decision making processes. Our findings might also have important managerial implications. For instance, as many consumer memory-based decisions are made under conditions of low processing opportunity (time constraints, distractions etc.), managers should not only focus on products' overall attractiveness, but also emphasize specific attributes and enhance their accessibility through their communication efforts.

A number of limitations, including the use of a single product category and a student sample restrict the generalisability of the present findings. Further research, with more and different product categories, preferably in a more naturalistic choice setting, is necessary before any conclusions can be drawn. Moreover, in the present experiments the information about the two brands was presented simultaneously in a table format. This might have facilitated the comparison between the two products, and hence, enhanced product and attribute information accessibility. In future research, product information can be presented separately in order to better isolate the combined effects of opportunity, motivation and diagnosticity on the mode of processing. Finally, diagnosticity was manipulated by means of a product attribute which was randomly selected among other important attributes. Manipulating a product attribute of low importance might have produced different results.

Notwithstanding these limitations, the present research can be viewed as a starting point of fully integrating the Accessibility-Diagnosticity framework (Feldman and Lynch, 1988) and the MODE model (Fazio, 1986).

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BRAND-CONSUMER RELATIONSHIP: FROM ATTRACTIVENESS TO COMMITMENT

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Abstract

The paper develops from a literature review on brand scope and goals. Brand is considered both a traditional vehicle of symbolic information and an appropriate tool to boost a company's social capital and therefore the customer's degree of social identification. The paper aims at building a theoretical model or framework for the study/ analysis of the consumer-brand relationship, taking into account the increasing social role played by brands. A case study analysis will provide empirical evidence to support the conclusions reached through the framework.

The model being presented is based on the following assumption: the brand-consumer relationship is evolving from a "dyadic" form, very much based on mutual trust and knowledge, to a "triadic" one, where consumers are fully integrated within groups/communities through their identification with a brand. The article attempts to describe the evolution of the brand-consumer relationship identifying three different stages: (1) "attractiveness", which is about mutual compatibility between the company/brand and the consumer: it is reached when consumers not only get to know the brand, but also feel the brand itself can help them to express themselves better both inside and outside a group/community; (2) "identification", when the company is tuned in to consumers' needs and has managed to establish a durable relationship with consumers based on trust; (3) "resonance/commitment", when consumers move towards active integration within the brand community, taking part in the relational dynamics both with other community members and between the community and the brand/company.

Brand communities, being the result of social dynamics, are changing the traditional approach to segmentation, targeting and positioning in marketing management. Companies need to know how to communicate with brand communities in order to get valuable feedback. This study aims therefore at describing the most appropriate marketing tools (of analysis, evaluation and decision) and the actions companies should undertake in order to be successful. The steps described in the framework might help companies to understand better the dynamic of factors behind the creation of a durable relationship, being above all a vehicle of valuable information, for brand communities.

Keywords: attractiveness, identification, commitment, brand community

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Introduction

The study aims to provide a conceptual framework or model to extend knowledge concerning brand-consumer relations where consumers are both individuals and members of social groups.

The object is to contribute to the studies on consumer-brand relations concentrating on the function a brand can have in the context of an individual's socializing habits underpinned by theories of social psychology and sociology .

Considerations start from the premise that individuals, by nature, tend both to develop their identity/self concept and to identify themselves socially in groups, even though they may not have contact with specific members of the group, where they perceive the group (or the organization) attractive and capable of contributing to the realization of their own social identity (Turker, 1957; Turner, 1982; Schlenker, 1986; Brewer and Gardner, 1996).

These trends have recently generated, new social taxonomies, new forms of social life, in which a propensity emerges for " the community" in which strong sentiments towards firms/brands and consumption become factors of aggregation.

Many scholars define these phenomena as communities of emotions (Bauman, 2001; Fabris, 2008; Maffesoli, 2004).

On these grounds, firms tend to adapt their marketing and communication strategies and tactics, finalizing their behaviour to supporting individuals in their social contextualizing.

The clear expression of this tendency is to be found in the modern symbolic representation of products which in recent years, has surrendered to the wider and deeper concept of humanizing symbols, to the extent of acknowledging the brand with a soul, a character and a personality thanks to which values can be evoked and life styles in which the consumer recognizes himself and thanks to which he identifies himself socially.

In this respect, Fournier considers the brand:

> *"… not as passive object of marketing transactions, but as an active, contributing member of the relationship dyad… One way to legitimize the brand-as-partner is to highlight ways in which brands are animated, humanized, or somehow personalized…." (Fournier, 1998, p 344)*

The paper aims furthermore, to represent the evolving scenario of consumer and firm relations, and the social process that consumers, thanks to the firm/brand, tend to set in motion.

This conceptualization will be undertaken taking into account the social conditions that individuals/ consumers avail themselves of and the marketing and communication efforts that firms put in place to sustain the sociality of their customers.

Theoretical Foundations

1. Dyad Relationship: Attractiveness

Already in the middle of the 1990s, Scholars of Consumer Behaviour such as Tucker maintained that:

> *"...There has long been an implicit concept that consumers can be defined in terms of either the products they acquire or use, or in terms of the meanings products have for them or their attitudes towards products...".*

Subsequently research on consumer behaviour of individuals contextualized in studies on marketing have revealed the importance for consumers of the creation of relations with the firm/brand finalized towards building self-concept (Rosenberg, 1979).

Only towards the end of the 1990s did these studies together with those of marketing, focused on the role of brand, have their outcome in the search for the creation of a bi-univocal firm-individual/ consumer relationship. In this relation, the individual, by means of the informative, symbolic and emotive features of the brand, develops self concept, while the firm on the other hand, achieves its own competitive advantage.

On the basis of these considerations consumers, consequently, evolve, thanks also to the role of the brand, from passive subject in marketing, finalized to soliciting mere commercial transactions, to active subject in the context of relations with the firm.

In the context of this evolving process in terms of relations between firm and consumer, the brand, no longer represents a simple "name, term, sign, symbol or design or a combination of these for identifying goods and services of wholesalers' or groups' to differentiate them from those of their competitors", as Keller defined the brand in the 1990s, but rather, a partner of the relationship with the consumer, to the extent of playing an essential role in the dyadic condition of the relationship (Keller, 1993; Fournier, 1998).

In short, we are at the height of an evolution that started from products, passed to trademarks, evolved towards brands and achieved lasting emotional ties.

A tendency towards relationships, rather than mere transactional relations, is the outcome of the search on the part of the consumer for a link not with an aseptic symbol identifying product/ service but with an element that transmits human (cognitive, value, emotional and social) features. In other words, where individuals/consumers recognize themselves in these features and collocate the brand in their mind, as a partner by means of which a series of relational dynamics can be created.

Firms have put in place this humanizing phase of the brand, by means of communication campaigns based on the popularity of famous testimonials or by means of commercials representing moments of daily life, or simply blurring the firms' boundaries in favour of active participation of consumers in choice of product (Granovetter, 1985; Rao, et al., 2000).

Television commercials launched in Italy in the 1980s already tended to humanize brands associating them to testimonials, or simply to moments of daily life, such as Lavazza coffee and the actor Nino Manfredi; Amaro Averna an after dinner drink associated to the claim "a total taste for living" in a series of commercials proposing reuniting moments in the life of the members of the same family all of whom led busy lives. Another case in point was Barilla which had begun to propose commercials evoking the sense of a united family and slogans with the claim "Buy Barilla and you will taste the South of Italy".

The evolution described above, has led researchers and practitioners to develop a dual consideration on the meaning of brand and on the concept of relation. Consequently, brand can be seen as a combination of perceptions regarding information, values, and emotions collocated in a consumer's mind. The concept of relations is on the contrary, the expression of reciprocal changes and social adaptation both for the firm and for the consumer, of the broader concept of self (Sirgy, 1982; Holt, 1995).

The concept of relational reciprocity, described above, reveals the dyadic nature of the consumer-brand relationship.

The consumer thanks to the brand, achieves social aims such as self-esteem and consensus in the context of reference, the firm on the other hand, to create value, plans , modifies and adapts its tactics and marketing and communication strategies on the basis of the attitudes and needs of the individual who recognizes the brand as a social partner.

The dyadic consumer-brand relation, consequently, reflects the condition in which the consumer, in an observing and evaluating phase, perceives the brand both as a trans-duct – transmitter and translator – of information, values, emotions, relative to a specific firm or product, and as the tool for satisfying social needs linked to self-concept.

In this phase the consumer, in the constant search for personal identity, assumes a status di evaluator and observer of the brands that compose the market, in order to identify the brand or brands capable of expressing a language in line with the benefits sought by the individual.

The identification of the brand and the establishing of a common language mark the state of compatibility reached between the consumer and the firm defined consonance of identity/ attractiveness.

The role of the brand consequently emerges as a vector of identity and subsequently, of the social identification of the individual/consumer, to the extent that Scholars of practitioners of marketing affirm that individuals/consumers are no longer in search of the use value of a product or service but of the value of the bond (Cova, 2002).

Products/brands are consequently, considered an attraction factor around which and by means of which relations are interwoven

Fig 1: Consonance

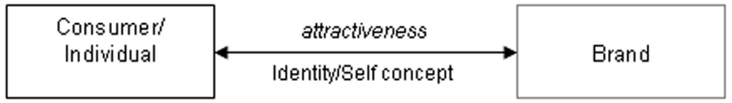
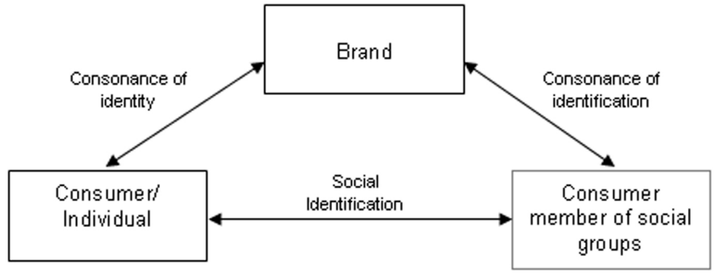


Fig 2: Consonance of identity and identification



2. Triad Relationship: Identification

From the latter statement a broadening of the concept of consonance emerges in reference to social perspectives that the brand vehicles to the individual/consumer.

In effect, the individual by means of the effect of attractiveness established with the brand, identifies the same as the means for developing not only self-concept but also a specific identification in the concept of groups, tribes and communities united by the sharing of a passion or an emotion (Maffesoli, 2004).

At this stage the brand covers a dual function, of partner in the social phase of individual identity emerging and of agorà around. By virtue of which, communities are created or evolve, in the context of which the social identification of an individual is created (Bhattacharya and Sen, 2003).

The identification of the individual in a group, expresses consequently, the degree of perception of self is present in individual terms and as a member of the group in relation with other members and with the firm/brand. This latter level of perception is developed on the basis of sharing with the other members, the relevance – functional and/or symbolic – of specific attributes of product/ brand (Dutton and Celia, 1994).

The condition satisfies consequently, the dual need of an individual to develop self concept and the identification in the context of social groups of belonging (Mael and Ashforth, 1992). In other words, the condition is achieved by means of the creation of sense of belonging on the part of the member both in terms of the group of interest/ community and firm/brand.

In this respect, the definition of brands as lovemarks is becoming quite common amongst researchers and practitioners, based on the concept of brand as an expression of emotional ties between members of groups, no longer irreplaceable but irresistible (Robertson, 2007).

The phenomenon of identification belonging to the theory of social identity, represents the evolution of the relation consumer-brand from dyadic to triadic individual/consumer-brand-individual/consumer/ member of a social group.

In this context the social group or brand community can be interpreted as a social aggregation of members, the expression of a specific cultural capital and their relations based on the brand considered a warehouse of meaning (Maffesoli, 2004).

In support of the above, Scholars of the theory of social identification (Turner, 1982; Mael and Ashforth, 1992) maintain that identification, in the

sense of the aim of an individual/ consumer/ is above all, a perceptive and cognitive construct the achievement of which is not conditioned by any specific behaviour put in place by the individual.

Furthermore, the Researchers maintain that seeing as identification is a condition in which the individual puts in place relational and comparative attitudes with other individuals, the individual himself, in this phase, tends prevalently to contextualize personal identity in the social environment of reference.

To achieve identification the individual needs to perceive himself as psychologically linked to the destiny of the group, but above all to perceive a state of distinctive values (evoked by the firm by means of symbols and behaviour) and group practice differing from that of other groups.

Usually, in effect, the individual is identified with the group either by virtue of emulation of an opinion leader (famous person who evokes the distinction of the brand, an attractive individual in the context of a social group) or by his/her attraction for the brand

("fans" of a brand in the context of the social network). In both cases the individual expresses the characteristics of an emulator or mingler.

Frequently firms or the groups themselves create events in which consumers/perceivers meet and set in motion the social dynamics of the group.

Examples are meetings organized by manufacturers of motorcycles (the most popular are Harley Davidson, Ducati) cars (Ferrari, Porsche, Mini, Smart, 500) to manufacturers/users of software or virtual environments (Linux Day, Facebook party).

Theoretical and Practical Findings

3. Resonance by virtue of Commitment

The approach outlined above aims to create a conceptual basis on which to develop an in-depth study relative to the social evolution of the consumer/individual in relation with the firm/ brand.

On such a basis, the study examines in social terms the evolutions described, revealing significant aspects that contribute to the strategic and operative marketing pianification.

To this aim, reflection on contextualizing individuals in the groups and the roles they play in that such dynamics require firms to develop techniques of analysis that are adequate in satisfying individuals/ consumers new behaviour trends.

In effect, the dynamics can result in the individual feeling not only a sense of belonging to the group but also a commitment, a deep-rooted interest and sharing of the objectives, both of the group and the firm, to the extent that to attempt to contribute to achieving them tale condition can be defined resonance.

This condition describes the triadic relation evolution in which, due to the factor commitment, the individual, within the group, involves a strong awareness of belonging and a moral responsibility sense towards the group and the single members. For these reasons the individual sets proactive behaviours towards achievement of group/firm goals (see Fig. 3).

Resonance occurs above all, if the states of attractiveness and identification are protracted along a timescale, due to the frequency of relations and the quality of informational, emotional and cognitive exchanges.

Furthermore, resonance materializes in the progressive development of the sharing stage, which results in turn, in a gradual blurring of the boundaries between firm and consumer. Achieving this state of resonance is the expression, consequently, of reaching ever greater levels of sharing and trust on trends and perspectives (McAlexander, et al., 2002; Ahearne, et al., 2005).

The consumer/member aware that the firm/brand can help in the building of a social identity, shares the aims of the firms to the extent that he/she participates in decisonmaking concerning products and communication.

The case of Ducati for instance saw the firm propose a model of motorcycle with a single disc brake. However, the members of the community opposed the plan and had the entire braking system changed to dual disc brakes.

Fig 3: Resonance

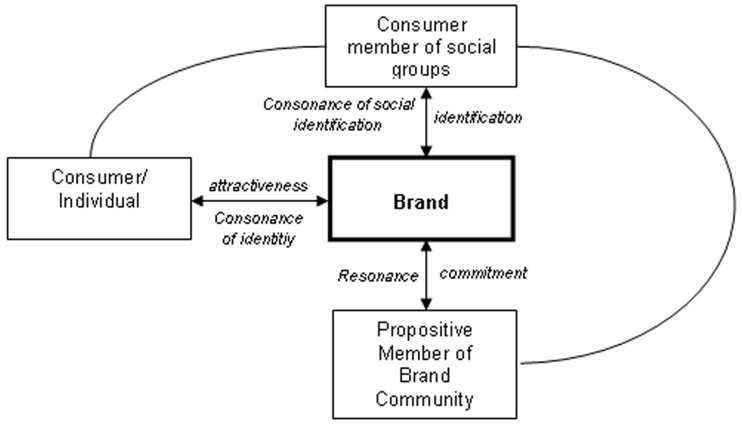
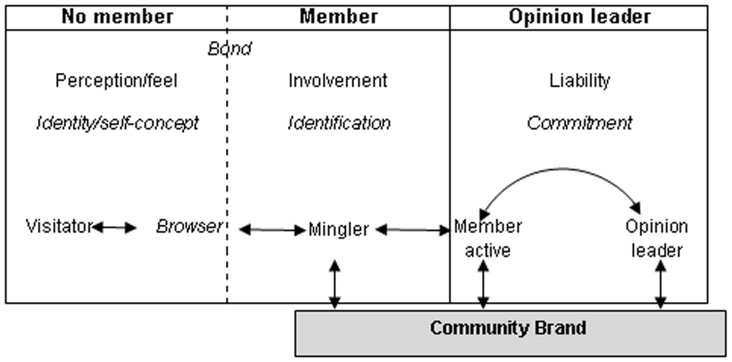


Fig 4: Evolving phase – consumer from individual to opinion leader



This participation, which often materializes in estreme loyalty on the part of the consumer towards the entire business organization, finds effective representation in the willingness not only to accept new products or a brand extension, but also to involve new members in the community and furthermore to support and sustain the firm in moments of crisis.

In the moment in which the consumer becomes an active member/insider of the brand community, the latter, by effect of the two step flow theory, becomes an efficacious sounding board of the firm/ brand. In other words, it becomes a spontaneous communication tool activating word of mouth, both on and offline, encouraging new "fans" or, even, defending the reputation of the brand from judgement on the part of members of the brand communities of competitors.

In this situation the consumer sees his position evolve from simple mingler to molecular opinion leader to insider (Katz and Lazarsfeld, 1955; Kingdon, 1970; Confetto, 2005).

The social evolution of the consumer /individual, from browser to opinion leader, is illustrated in fig. 4.

New technologies also contribute to the proliferating of the community brand. A tool initially blamed for causing the alienation/isolation of the individual, is demonstrating itself as the "territory" on which create the community (Algesheimer, et al, 2005) .

The status of the consumer as member of a social group and the group itself are taken into consideration more and more in the marketing and communication planning phase on the part of firms(Muniz and O' Guinn, 2001; Bagozzi and Dholakia, 2006).

4. Framework and the Italian Case sketches/cartoons

Sociality needs on the part of individuals in relation with the aim for which they create relations with the firm/brand, are consequently, the most important relational variables upon which the object of the study – the framework – has been devised.

On the basis of the combination of such variables, it is possible to identify both the profile of the individual/consumer and the state of relations between consumer and firm (see Fig. 5).

As regards the cognitive aims for participating in the social group, the profile of the consumer/individual with a level of low sociality, characterized as a browser type seeks to receive/perceive a series of information with regard to the product/brand, obtaining the same even from the social groups of reference. In this phase, individuals develop a phase of perception which, if in line with their expectations will lead the way to the subsequent state of attractiveness in terms of the firm/brand.

The combination of behaviour addressed to the search for information by means of a high degree of sociality, on the contrary, presents an individual/consumer profile of mingler or opinion seeker, interested both in the product/brand and in acquiring a social role, by means of the brand itself, in the context of the community of reference.

Furthermore, a propensity for consumption in relation to a high level of sociality provides the profile of active consumer, insider or even opinion leader, inside the group. In short, this type of active consumer means a sense of attachment and commitment to achieve/reach shared objectives/ aims for the firm and consequently, the will to accept or defend corporate marketing efforts.

Finally, in the case in which consumers express a low level of sociality but a propensity towards consumption, the profile is that of an individual plunger (speculator) interested in mere transactions which are both occasional and frequent. This is the case for large scale products of consumption

The framework gives rise to researchers and practitioners about the consumer states in the groups that describe the potential targets. On these basis the firms would involve an interaction-based strategic plan by means of dynamic social evaluation instruments like the network analysis and the n-etnograpy (Kozinets, 1999).

From the figure It can be observed how the cycle evolves, in support of the framework presented - fiat500 case vignette.

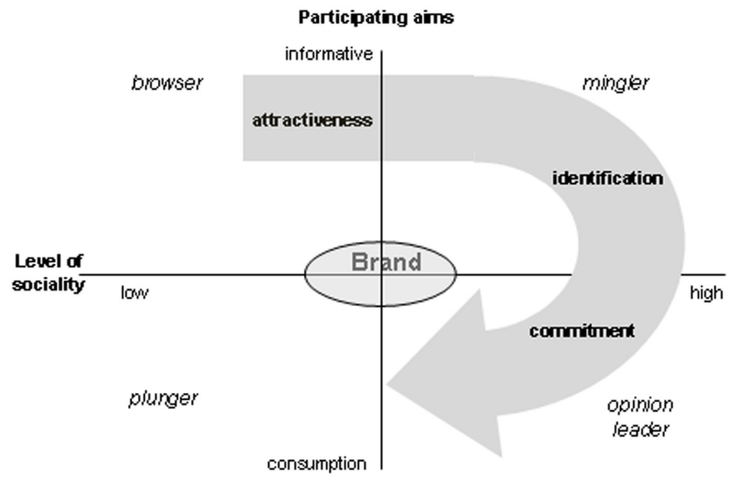
This is the empirical representation of adapting the marketing policies of the firm to the evolving cycle of individuals/consumers.

By visiting the site - www.fiat500.com - the intention is clear on the part of the firm to attract both visitors to the site in search of information and car owners. As regards visitors merely in search of information, these can be identified in the framework context, proposed as browser, i.e. consumers/individuals in relation with the firm in a phase of attractiveness.

As regards car owners on the contrary, space is reserved for them (the community + 500 of the web) to favour meetings with other owners, offering them the opportunity to participate in initiatives/schemes reserved exclusively for them and/or to use the services available, as well as enabling them to express their thoughts freely, their experience and sensations on a community Notice Board and other virtual spaces. This is the phase in which consumers in their status of members and in relation with the firm, express the status of identification, described in the framework .

Furthermore, the search on the part of the firm, to create conditions of attractiveness and subsequently identification, with the objective of transmuting the relation in commitment, emerges, from the opportunity offered to visitors to the site to create/invent commercials, jingles (in one's own language or dialect) as well as to design and customize one's personal 500.

Fig 5: Evolving model of individuals in their relations with the firm



The consumer, according to the framework, on becoming a member, develops a sense of belonging in terms of relations with the firm, and puts in place active strategies to involve other people in the community.

The firm, in the case in point, enables individuals to express their commitment and allows them to become the object of a video channel - the advertisement, and to send it to their friends.

The underpinning dynamics projects consumers into becoming molecular opinion leaders within their group of friends receiving the video channel and who, consequently, will adhere to the community.

From the behaviour of the firm diverse aspects outlined above, emerge;

the firm plans marketing tactics and strategies, sharing them with the consumer, seeking and activating a range of opportunities that go from attractiveness to eventual commitment; the humanizing policy of the "500" brand with which consumers have an active role.

This encourages consumers to perceive, in ultimate analysis, the brand both as a tool for self-development -self concept (by means of the instrumental and symbolic features that an automobile expresses) and which engenders social identification in the context of the group of reference, both in traditional contexts (e.g. meetings) and a virtual context, the community of lovers of the 500.

Taking into account the theory of social identification, which contemplates an exclusively perceptive relation between individual and organization, it can be stated that the individual although not a car owner can play and exude a role in the context of the community by expressing impressions or sensations

5. Conclusion

The framework is the premise for further debate, relative to consumer behaviour, helpful for researchers and practitioners.

From a theoretical point of view, the study illustrates how social processes in which the individual/consumer is involved, are at the basis of significant changes in consumer behaviour.

The worth of this paper is to systematize the studies of the evolutionary path about consumer-brand relations, already in the literature. Therefore, the framework allows at this work to show the evolution of consumer- brand relation both of an emotive point of view, from attractiveness to commitment, and social stand point, from browser to mingler and finally opinion leader.

In the literature, the need of this paper is for the reason that it can show the fact that individual is less sensitive to traditional marketing and more aware in the choice of brand.

The study allows to think that consumer communities are pressing to replace social classes, to the extent that they represent for the firm the homogeneous share of market that was and is still, the aim of strategies of segmentation.

The study, from a practical point of view takes into account the evolution in consumer behaviour on the part of individuals and as members of social groups, not to mention the proliferation of communities - arguments for debate in terms of the effect this is having and likely to have in the near future, on a firm's specific marketing policy.

It also shows, thanks to the case vignette, that the operative marketing planning, in particular as regards products and communication, is strongly conditioned both by the social relations that influence consumers and by the constant interaction that they, by virtue of their being members of a specific social group, seek and put in place together with the firm.

This trend reveals how, particularly in specific sectors like fashion, new technologies, automobile, the product is the result of joint participation on the part of the consumer at the definition of the processes of the symbolic and functional attributes.

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EXPLORING CHINESE WELL-OFF CONSUMERS' BELIEFS, ATTITUDES AND BEHAVIOR

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Abstract

Nowadays, the well-off consumers manifest unique consumption behavior in China, which result many opportunities aiming at such group. In order to help comprehend these people within the context of Chinese transitional economy academically and practically, we conduct six focus groups within Beijing, Shanghai, and Guangzhou. Through deep interviews with 50 Chinese well-off, we uncovered the consumers' beliefs, attitudes and behavior from perspectives of various aspects and theorized our finding into a framework.

Key word: consumer behavior, well-off consumer, Chinese

Introduction

Chinese well-off consumers attract considerable attention while China's economy maintained a fast growth in the recent years. New consumers have demonstrated their purchasing power in the market of luxury products. In China's Louis Vuitton stores people stand in crowded checkout lines waiting for paying for the expensive bags. In London, one Beijing-based billionaire has splashed out a record $500,000 on 27 bottles of red wine from an Antique Wine Company (Reuters 2008). With the belief of a new bull market, more and more world brand companies have opened new branches in China. Ernst & Young (2005) reported that the yearly turnover of luxury goods in China in 2005 was two billion dollars and the growth rate would be from 10% to 20% because of Chinese rapid economy development, increasing urban citizens, and accumulating consumers' experience. China will be the second biggest consumer of luxury goods in 2015.

Is Chinese market bullish? Maybe the answer is no. Some famous luxury brand companies have failed to achieve their expected performance. Hermes closed her franchised store in Hangzhou, the first franchised store selling luxury home products such as China, silver, and crystal patterns. I.T closed the branches in Xi'an and Beijing. Is the first well-off generation affluent? Or is their consumer psychology abnormal? Can their consumption spur economic growth? How to design marketing plans to attract their attentions?

In order to answer these questions, the new class should be explored firstly. After Chinese reforming and opening-up, the growing economic development increases the gap between poor and rich and results in Chinese well-off's being. Began in the late of 1990s, many studies depicted the consumer behaviors of this population. Some scholars investigated the consumer attitude. In 2002 the Zero survey company discovered that high-income groups preferred domestic products and did not like to bargain and shop around to compare the prices and product features in different stores . Li and Zhang (2000) believed that the higher level's purchasing rule was to buy the goods which meet their taste . The description is so

vague that can not help to define their preference. In this paper, we uncover the consumers' beliefs, attitudes, and behavior from various aspects based on the interviews with 50 Chinese well-off in Beijing, Shanghai, and Guangzhou.

Literature review

With the rapid economic growth in the United States in the 1960s, scholars began to study the emerging well-off and reveal their uncommon consumer behaviors. Kroger (1969) suggested that the well-off consumers were careful innovators who were more likely to try the newest fashions and purchase high-priced products. The author also found that Well-off consumers owned more house properties, and increased their service expenditure like personal care, exercises and travels abroad etc . The identification and development of well-off market is significantly important to many financial institutions such as banks and securities because of the potential profitability associated with it. The financial agencies provide funds to uncover their demand modes of financial services Javalgi (1992) pointed out that consideration of the services' characters was different between the well-offs and non well-offs' decision making . Stanley (1987) investigated the relationship between Well-off consumers' use of financial services and their demographic and socioeconomic characteristics . Capon (1994) developed a segmentation scheme based on specific behavioral characteristics of the mutual fund investment decision . Most consumer behavior researches are centralized on their consumption of the financial services because they need wealth management.

In order to explain their special consumer behaviors more reasonably, the research subjects turned to consumer attitudes in 1990s. Both Thomas (1990) and Javalgi(1992) compared well-off consumers and non well-off consumers' attitudes towards financial services and information seeking behavior with a conclusion that well-off consumers appeared to be more ambitious in finance than their non well-off counterparts . Burnett(1991) showed that the well-off consumer elderly exhibited a more cynical attitude towards advertising and had different patterns of media usage . But these researches are so smattering? They can not explain why the well-offs behave specially. In 1899 Veblen explored the beliefs of the well-offs. In his famous book, the theory of the leisure class, individual behaviors were seemed as the results from habits, envies and other psychological outcomes, not the rationalism and egoism. The new bourgeois dignitaries seize every opportunity to catch the others' attention to show their high status. They pay attention to etiquette, elegance, and the signal consumption to differentiate them from the others . Conniff(2002) believed that they liked to play the peacocks and some of them liked to exhibit the wealth ostentatiously while the others liked to ignore the wealth . All these can partly but not perfectly explain their consumer attitudes and behaviors.

The conclusion of the research on the western well-offs can not explain the Chinese well-offs' consumer behaviors and attitudes. There are significant differences in the consumer attitudes and habits among different countries . The differences between the oriental and occidental countries may be more significant. Wong & Ahuvia (1998) found that Asian's luxury consumption was different from that of the western people. They also found that the luxury goods was always used as gifts to exchange within the well-offs and expressed the sense of ascription to certain social class .

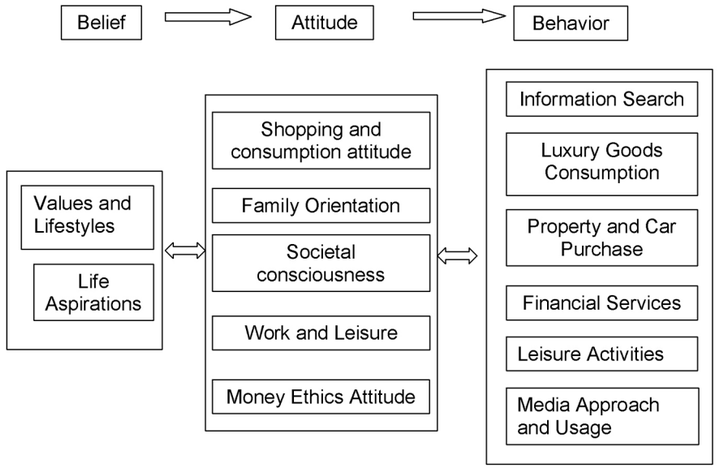
Most of the researches on the Chinese well-offs are concentrated on the consumer behaviors. Some of the researches involved with the consumer attitudes, but not the deep motivation. Ren's research on the consuming layering of the residents in Wuhan pointed out that the residents in higher layer spent more money on dining out than those in lower layer, meanwhile they also went out for dinner more frequently than them. And they cared about brands in purchasing clothes. They had more durable goods and more kinds of leisure activities . Li and Zhang(2000) classified the residents by the Engel index, and found that the higher had more consuming resources, and purchased expensive goods in the luxuriant stores and were engaged in the leisure activities mixed entertainment with knowledge? . Pan(2003) investigated that the well-offs in Shanghai were confident, had high material conditions and rational attitudes, expect high quality material and spiritual life . Li and Zhang(2000) believed that the higher class preferred the goods which had more knowledge, could express their taste and personality, could improve their life quality, thus the purchasing rule was to buy the goods which met their taste .

It is not long before the Chinese well-offs coming into being. The research has short history for about

ten years. The description of the Chinese well-offs is shallow, loose and imprecise. So it is necessary to explore their beliefs, attitudes, behaviors to understand how they think, feel and consume.

Model

In order to depict exactly the well-offs in China, it is necessary to explore their consumer behavior, attitudes and beliefs our research framework are formed as below. The interviewees may intentionally conceal or unconsciously distort their own knowledge and behavior, so only behavior research is not enough to disclose the potential motivation. In our opinion, the behavior, attitudes and beliefs are influenced each other. The totality of a person's beliefs serves as the basis on which the attitudes, intentions, and behaviors are formed. The beliefs and attitudes can be measured by their behavior . On the basis of real knowledge, opinions, or faiths, beliefs are not necessary bring emotional influence, only those beliefs that people formulate about specific products and services, make up product and brand images that affect buying behavior . A person's attitude toward an object is determined by his beliefs about the object's attributes and his evaluations to these. If the beliefs primarily focus on favorable attributes, his attitude will tend to be positive, otherwise, a negative attitude will be formed. Attitudes decide people liking or disliking something, moving people toward or away from them, as a result buying or ignoring one goods, choosing one or another brand. Beliefs, attitudes, or other attitudinal concepts are inferred from observation of a single response, whether it is a verbal form or an act . We will explain these concepts in our framwork one by one below.



Belief

Belief is the psychological state in which an individual holds a proposition or premise to be true . On the basis of direct observation or information received, one forms a number of beliefs about one object. Belief is an important concept in the field of consumer psychology. The needs drive consumer to buy, and beliefs is the most important factor to make the consumer decisions. Research indicates that the consumer attitude depends on two or three important beliefs, and others have less impact on it , so we do not need to analyze one's whole beliefs.

We analyze the well-offs' values and lifestyles, life aspirations to find out the beliefs. We ask the interviewees questions, such as 'what's the most things to worry about? ', 'what's the expectation in the five or ten years' , 'what's the most important things in the life', 'what's the definition of success' and so on, to catch on their cognition and aspiration. The potential consumers' desire decides how they feel, think, believe, behave, and the formation and change of the consumers' attitude.

Attitude

Attitude is a learned predisposition to respond in a consistently favorable or unfavorable manner with respect to a given object . According to James Carmon, this definition implies the essential characteristics of attitude as a behavioral construct, the learned predisposition underlie and guide an overt behavior . Thus we need to explore the newly emerging well-offs' attitudes. The aspects we exploring includes consumer attitudes, family orientation, societal consciousness, work and leisure attitude, money ethics attitude. Consumer attitude is the most direct reason for the consuming decision. The research is focused on their preference to the brands, their opinions to the luxury goods and their purchasing motivation. As the others, the well-offs live in the family and the society. The family orientation and societal consciousness result in their anchoring in the society. We can conclude from the questions including the concerned society problems, the awareness of efficiency and equality and so on. While the poor have enough free time but not enough money to entertain, the situation of well-offs are converse. Their awareness of work and leisure mainly affects the decision in the leisure consumption. Their purchasing power depends on their ethics in financial matters.

Behavior

Consumer behaviors vary in the different market segments. The well-offs have more purchasing power and can afford more commodities, which make them different from the ordinary consumers, especially in the expensive markets, in which earnings is the most important factor to segment the market.

The consumer behaviors are depicted by analyzing their information search, luxury goods consumption, property and car purchasing, financial services, leisure activities, media approach and usage in our research. We choose those goods such as luxury goods, property and cars, financial services and leisure activities, which can differentiate well-off from ordinary people to disclose their unique consumer behavior. The information search and media approach and usage are included in our research for they will influence consumer decision directly.

Method

We use focus group to explore Chinese well-off consumers' belief, attitude and behavior. In China people's income has huge difference between the city and country. Most of well-offs located in the large scales cities, especially in Beijing, Shanghai, and Guangzhou. The samples we choose are those participants who have a personal annual income over RMB 200,000 and have resided in Shanghai, Guangzhou or Beijing for at least five years. To ensure a randomized sample, the authors first contacted 55 people via telephone invitation and recommendation by friends who are willing to participate in this research. In order to make our sample can represent the real situation in these cities, we selected 50 subjects which male/female ratio and the ratio of people from domestic and foreign companies are two to one. Six focus groups were conducted in Shanghai, Guangzhou and Beijing from August 14th to 20th, 2006.

Results

Belief:

Through interviewing we found that almost all the first generation of the Chinese well-offs attached greatest importance to work. And they cherished the collectivistic value and cared about their families as well as the whole society.

Work–oriented value

During the interview, we found that Chinese well-offs attributed their good economic status to their own hard-working since they are the first well-off generation. They almost put all of their efforts into working in order to get success, even in the cost of their health and freedom. They were so keen to get success that left no time to learn how to enjoy their life. Most of them were still in the career ascending stage. They put many pressures on themselves and hoped to make progress in their career in 3 to 5 years, or be promoted to a better position.

City	Scene	Gender		Attributes of the Company		
		Male	Female	State-owned	Private-owned	Foreign-invested
Shang hai	First group	7	2	2	6	1
	Second group	5	3	1	2	5
Guang zhou	First group	7	2	4	3	2
	Second group	4	4	1	7	
Beijing	First group	5	3	1	4	3
	Second group	6	2	2	1	5

Collectivistic value

We found that the Chinese well-offs cherished collectivistic value. In China collectivism has prevailed for over thousands of years, Chinese well-offs regarded family as the spirit support of their life. They cared about the society, and needed the affirmation from others. Family meant very much to them. The happiness of family was regarded as important criteria to judging their success. They cared the health and happiness of their family members. If some family members had some trouble, others will be influenced greatly. They showed great concerns about environment-protection, energy, social system and social problems.

Attitude

Our interviewees were not the real wealthy class yet, and driven by their special values about consumption, they showed unique consumption attitude. On the one hand they believed it was a kind of waste to consume the luxuries, on the other hand, they consumed the luxuries blindly by paying higher prices, and even out of their buying power in order to gain the identification of others. We found most of well-offs were short of consumption knowledge on such goods. They concerned about the society and their family and believed effectiveness was more important than fairness. Work was regarded as more important than leisure so they were willing to give up leisure time for work. They still paid more attention to the accumulation of their wealth.

Shopping and consumption attitude

The attitudes to luxuries seemed a little ambivalent when the well-offs were asked about their consumption attitudes in our focus group interview: on the one hand they felt the consumption of luxuries were unnecessary and wasteful, on the other hand they believed the luxuries standing for high quality and making them differentiated from others. The luxuries were used as the identification goods for them, especially in business and social occasions. Chinese well-offs obviously showed strong preference for foreign brands such as Italian garments, French perfume and Swiss watch. Their preference to foreign brands was stronger in the categories of durable products such as household appliances and cars. Most of them said that they only considered foreign brands to the cars in our interview. In their eyes, foreign luxuries represented high quality and good fame, and could improve to their image which domestic brands couldn't do it. Their friends were important factors to form or influence their consume attitude. If the goods were accepted by their friends or recommended by their friend, it was easy to induce them to try. In some occasions, they would even feel embarrassed without luxury brands, for these top branded luxuries could enhance their self-confident.

Family Orientation

We found almost all well-offs cherished their family and prepared to sacrificed their personal consumption preference to their parents and children since family were most important thing in Chinese culture. Everything they have is seemed

as given by the parents, so they bought a lot to their parents, and lived in the down town rather than in villas in order to look after their parents carefully. They would be together with their families in their spare time and toured with them. The children were attached even more importance than their parents. They said they would do anything for their children, in order to give their children a good habit or education environments, they preferred to spend less or change their own consumption habit. In a word, children were everything for them.

Societal consciousness

The well-offs interviewed by us attached much importance to efficiency than fairness. They thought only high efficiency could bring them development. China was still undeveloped than other developed countries, and efficiency was the most import thing in China. Unfair and gray phenomena were seemed as reasonable, common, and even inevitable problems forming in developing process. Under the low economic level, the society can not be fair to everyone due to the limitation of resources. Some of them even pointed out in the interview that one couldn't make huge money in definitely legal ways. But our interviewee emphasized on the importance on the fair aspect in nation's welfares. They also recognized that if the difference between the wealth and the poor was too much, the poor would be hostility to the wealth, which would damage the competitiveness ability of the society, then threat their living status in the end.

The well-offs showed great concern about the society problem in the meeting, especially the stability of the society and the national politics. Most of them believed the environment pollution was very serious in China, most of foods were polluted, and there was no insurance for the food safety. Most of them were satisfied with their present living condition, and hope they could keep the condition under the safety and stable social environments.

Work and Leisure

These well-offs we targeted were not rich yet, and they still needed to strive for working to maintain their living. Indeed they were so busy and had to give up their leisure time. Sometimes they even worked all night. Most of them said they brought their job to the restaurants. While there were several well-offs showed their desire to keep the balance between work and leisure in the interview. Some of them felt the work was too tired, and wanted to change their work to get more leisure time. Not everyone hold the same idea it was worth of scarifying everything to pursuit the career's success.

Money Ethics Attitude

Accumulation of wealth and management their wealth were regarded as very importance thing for the well-offs in the discussion of their money ethics attitudes. Usually, they were rational consumer and were careful when they spent much money. While they accepted brand concept and agreed with high price representing for high-quality. The price gas they could accept between top brand goods and ordinary good were 3 to 5 times. If the price gas over 10 times, they would be careful decision, the exception occurred only when they met their favorite goods.

Consumer behaviors

The special consuming attitudes of well-offs lead to their special consumer behaviors. In our research, we found the well-offs paid attention to the information collection for valuable goods, for they were still sensitive to the price. In brand selection aspect, they were group opinion follower and they were eager to be identified as different class. So they showed great favorite for the positional goods which could present their status, especially in the consumption of real estates and cars. The wealth accumulation and management were attached great importance to, most of them said they managed the financial by themselves due to the lack of financial experts in Chinese market and their lack of the knowledge related. Being aware of the importance of leisure time they had to depend on traditional media to collect information, and had no time to set up the trust for new media.

Information Search

The information of daily commodity was got mainly from malls promotion, other family members, nursery maids, and friends. In our survey, the well-offs seldom buy such goods by themselves, and they only came to buy expensive goods, such as durable and luxury goods. Usually, they would collect the information from magazines, internet, and TV, they paid attention to the performance versus cost value in such goods, and would collect and compare the information from the

other persons, commercial reports, commercial weeklies, TV, and internet websites.

Luxury goods Consumption

They were longed for top brands but lack of knowledge about them, especially not familiar with foreign brands. Each of interviewees in our research would buy a valuable pen or a durable bag. Everyone had an expensive watch like OMEGA and LONGINE, one or two sets of top-level garment like ARMANI, or one or two LV bags. They won't take the cost into account when they consumed one or two of their favorite goods, for example buying some drawings or root-sculptures. We found that when buying such kind of goods, they were depended on their social circles heavily for they were lack of such consumption knowledge.

The interviewee said there were some limitations for them in pursuit for top brand consumption. Restricted by their incomes, they have no continual abilities to consume luxuries, and could not use them as daily products. When they got married, they would spend more money on their children instead of buying top-level brand products for themselves, would cut the expense on taxi, and would buy things which were in discount or buy a feigned watch instead of the real one.

But going abroad shopping were different things, they would prepare a big sum of money to buy things if had opportunities to go abroad. They showed more intentions to buy luxuries than inland, and they would make purchase not only for themselves but also for friends and families. In spite of this, only 10% of interviewees showed that they would go to HongKong or go aboard to do some shopping in discount season.

Property and Car Purchase

The survey showed the well-offs preferred to the positional goods which could showoff their wealth and status, such as exclusive real estate and expensive cars. They treated the consumption of such goods as an affirmation and encouragement to their success. They put a large part of their money into them and showed great interests to get more if they got more money. Most of them owned one house, some of them had two or three, and some of them already lived in villas. About half of them were still in installment debts. They showed strong wills to living in outstanding communities. Most of them had a normal or middle level foreign-brand cars, few had luxury ones, but none of them would buy low-level domestic-brand cars such as 'CHERY' which were more economical and practical and more propriety to their incomes.

Financial Services

In our survey, our targets seldom used financial services, and only a few of them used services in mainland. Most of well-offs managed their properties themselves at the lack of knowledge related. The statistics in our focus group interview shows their portfolios consisted of house properties (50%), deposit (30%) and stocks and insurances (20%). Although they had good anticipations to house properties investment, but seldom of them bought a house only for investment. They bought house properties to improve living conditions or for their parents. Most of them have stocks, but nearly none of them got good return from them. 10-20% return per year was thought as good to them. They buy funds issuing by HongKong or abroad and also bought insurances for safety rather than investment. Most of the insurances they bought are oblige insurances, life insurances and medical insurances. Minor of them bought property insurances for their house because the house were looked as most safety estate. In their opinion, only those things like antiques and old drawing needed the property insurance. Usually Chinese insurance companies were their major channel to buy insurances products, and some interests also were shown to foreign insurances companies and products. Chinese well-offs kept a lot of deposit because of worrying about risks in future. They also kept some collections such as antiques and old drawings just for hobbies not for investment.

The well-offs we investigated showed great interests in financial investment, almost all of them did it by themselves in spite of lacking of the professional investment knowledge. They seldom knew about the domestic financial service, let alone abroad financial services. They did not trust the financial consultants because most of the consultants belonged to some banks and only sold the funds and bonds for their own benefit. What the well-offs need was an independent professional consultant, who could rank the customer's benefit first. They show great differences when selecting finance institutions, some of them chose them for special relationship, some induced by VIP services, etc. In spite of great dissatisfaction to Chinese state-own banks, most of them saved their money there,

and few of them use foreign bank due to short of branch network. One or two of interviewees show satisfaction to the foreign bank services, the others show they will use the foreign banks if they can offer personal RMB services.

Leisure Activities

In our survey, well-offs were busy with their work and seldom had their leisure time. Most of their spare time was spent in companying their families. They balanced their work and family by carrying out family activities in their spare time including family drive vacation, family tour, playing tennis, playing cards, shopping and cooking with their families. Most of them had many opportunities for touring during business trip, but they still tried to travel with their family members as they could due to traditional family culture education, especially those couple with children. They felt guilty to their children due to lack of accompanying time, so they carried out their children in their spare time to attend some extracurricular activities or cooking at home.

The average long-trip journey in our interview to the well-off was once or twice a year, and short-trip journeys once a month. Travel abroad was seldom. They showed preference to natural scenery rather than big cities. They wanted to enhance their health by physical exercises, and owned several health club member cards such as tennis, badminton, swimming and yoga. Some of them also went to gyms with their friends as a social activity. For women, they also went to hair-dress and SPA. But they could not ensure they had enough time to take part in the leisure activities above regularly.

Media Approach and Usage

The well-off largely depended on the traditional media, such as newspaper and magazine, to get information in their daily life. Almost every one of them read newspaper to get social news as well as financial and economic information. In our research, the well-offs would leave one to two hours to read every day, and would read two to three books every year. Most of the books they read are on management and popular events. Clearly, they preferred traditional media rather than new media in media selecting, because they were familiar with paper-based media and looked newspaper as a way to getting information which couldn't be substituted by others. They would search some detail information in internet on something interesting in newspaper. Some of them could not operate computer very well, and they only send and receive emails. by it. To them, cell phone was only used to make call, to set alarm clock and to send short message.

Most of our interviewees had the experience of buying product on internet, mainly for standard products such as books and computers. Some of them said they could get good service from the internet shopping platform, while some of them felt being cheated in the purchase, and would not use it any more. They rarely bought things from TV, because it was thought to be incredible, overpricing and lack of quality guarantee. In their opinion, the TV shopping was mainly for low educated persons or housewives. For cell phone shopping, most of them believed that they would try it when it was well developed, although some of them worried about extra charges and useless news.

Implications

Previous studies on Chinese well-offs mainly focused on summarizing their consuming behaviors, the consuming values and attitudes were seldom be covered. We summarized all aspects of well-offs including behaviors, attitudes and values, into a theory framework and tried to probing the deep reason to influence well-offs behaviors, which would contribute to the consumer theories research and help marketers to learn about Chinese well-off market.

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STATUS ORIENTATION AND SYMBOLIC CONSUMPTION OF CYPRIOT CONSUMERS

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Abstract

Based on the case study method conducted in the setting of Cyprus, this paper provides descriptive detail on the factors which influence brand related consumer behavior. In addition, a brief analysis of the past political, economic and social developments having led to the status quo has been conducted. Consistent findings resulting from two focus groups with potential brand consumers and 8 interviews with marketing managers, the exploratory research provides a conceptual framework which points to differentiate brand related consumer behavior as to small island populations. The paper highlights the crucial role of the identity and symbolic consumption theory with social identity being regarded as the key motivational driver of brand related behavior. The paper concludes with suggestions for further research in the field and corporate implications.

Key words: Branding, consumer behavior, identity, symbolic consumption, small island populations

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Literature Review

Branding and Culture

The following definitions imply a certain extent of unanimous and patterned reactions of members of a given culture to marketing stimuli. Culture has been defined as the "interactive aggregate of common characteristics that influence a group's response to its environment" (Hofstede, 1980, p. 25), or as the "collective programming of the mind which distinguishes the members of one group or category of people from another"(Hofstede, 1997, p. 5). Referring to cultural dimensions (Hofstede and Hofstede, 2005) governing the respective people's behavior (individualism vs. collectivism, masculinity vs. femininity, power distance, uncertainty avoidance, long-term vs. short-term orientation), Lustig and Koester (1999) reason cultural differences primarily by the individualism vs. collectivism category which emphasizes conflicting views on the nature of humans and society and the underpinning relationships. The following more detailed description by Samovar and Porter (2001) referring to Hofstede points to the applicability of branding in both, individualistic and collectivistic cultures. Whereas, in an individualistic culture, people are symbolized by numerous features believing that they are unique in society and, hence, emphasizing personal preference and competition rather than a co-operative social setting, the needs, views, objectives and, even emotions of the people in a collectivistic culture are conditioned by the group. Conclusively, in individualistic cultures, branding might account for individual preferences by segment specific life style positioning and, in collectivistic cultures the consumption of well known brands might be regarded as constituting a group norm.

Social Class, Group Influence On Consumer Behavior

A basic group categorization refers to social classes. A social class can be defined as a "group of people within a society who possesses the same socioeconomic status" (Encyclopedia Britannica, 2007) with status meaning the extent of honor or prestige attached to an individual's position in society (Marmot, 2004). Status related socioeconomic factors refer, for example, to family income, occupational status (Tracy and Trethewey, 2005), educational achievement and lifestyle. Compared to formal groups (Wood et al, 2004) which are designated by formal authority to serve

a specific purpose, or normative reference groups guiding individual's behavior (Dawson & Chatman, 2001), i.e. in terms of Corporate Design, branding from a consumer behavior perspective seems to refer more to informal groups that emerge unofficially. These informal groups might serve as a kind of reference group whose presumed perspectives or values are being used by an individual as the basis for his/her current behavior, affective and cognitive response patterns and sense of self-identity (Olson and Peter, 1996; Hawkins et al, 2004). Furthermore, comparative reference groups might be seen as relevant as well in this context. Comparative reference groups set norms which serve as a benchmark or standard for behaviour. Influencing individuals' feelings and behaviour comparative reference groups give individuals a basis for comparison with other individuals and /or groups (Dawson and Chatman, 2001).

A very important type of a reference group for this research is regarded to be the identification reference group. Puiu (2008, p. 1137/1138) describes the identification influence of a reference group in the following way:" The reference group is used to validate, by comparison, the consumer's opinion, attitudes, norms and the actual behavior. The individual behaves in a manner consistent with the group's values, because the individual's values and the group's values are the same". In contrast with the other types of reference groups mentioned before, individuals tend to comply with identification groups' standards for the desire to be affiliated. Correlated with the identification reference group, is the aspirational reference group an individual consumer wants to join or be similar to by satisfying symbolic needs. For the time being, this type of consumer does not hold membership to such groups yet but it is his/her wish and goal to gain membership into the group that epitomizes his/her aspirations. These groups have a positive influence on the buying behavior of individuals since they modify their buying behavior in order to match the buying behavior of the aspirational group (http://www.geocities.com/lazaridous/consumer.htm). This insight is utilized by the promotional image strategy (Shimp, 1997).

Symbolic consumption and identity

People who have achieved or even inherited a higher status or group membership tend to consume certain products that signify their status and membership. Thus, consumption can be considered as a factor that reveals status and/or group membership. In this case, consumption is called symbolic consumption. Consumers purchase products for their symbolic meanings as well as for functional reasons. Goods are symbols of personal attributes and goals in addition to social patterns and motivations (Levy, 1959). People's identities are cultivated and preserved via the symbolic use of possessions (Belk, 1988). Not only do people use consumption for acquiring or maintaining an aspect of self-concept, they also use it to facilitate other kinds of identity change, namely, for temporarily or permanently laying aside an aspect of identity (Kleine et al., 1999). In fashion, for example, consumers can be quoted by stating that "they want to reinvent themselves" with a different type of dress code or brand. People may attempt to change their entire identity (Schouten, 1991, in Kleine and Kleine, 1995), but adult self-cultivation often involves a piece of the self, labeled as social identity (Stryker, 1980, in Kleine and Kleine, 1999). The main reason that people try to change their identity is that they feel that they should advance on their lives. Thus, they try to adopt different behaviors than before and at the same time try to take different roles that fit to the ideal identity they want to achieve.

Identity is a holistic concept applied in psychology, social psychology, social anthropology and sociology (Cote and Levine, 2002) that explains people's behavior based on its core physical and spiritual repertoire. "In sociology and political science, the notion of social identity is defined as the way that individuals label themselves as members of particular groups such as nation, social class, subculture, ethnicity, gender etc (Cote and Levine, 2002, p. 32)".

This definition of identity links the concept with membership in a group, a subject that was analyzed in the previous section.

Kaufmann, Zagorac and Sanchez (2008) provide a chronological literature review on the identity concept which experienced various differentiations over time as to social, personal or self-identity, ethnic, national, cultural, political as well as group identity. Referring to Ward (1974), Laverie (1995), Reed (2002), Baer et al (2001) or Arnett et al (2003) the authors also interlink the notion of salient identity to consumption in general and to social consequences of consumption in particular. This interrelation is reflected in the following brief

summary of Laverie's (1995) findings who, as one of the first scientists considered the effects of group activities such as tennis and aerobics on purchasing behaviour and the identity salience interrelating social identity with purchasing behaviour. „Over time, people form and maintain consumption patterns associated with particular activities" (Laverie, 1995, p.2). According to Laverie, the affiliation to the group affects the purchasing behaviour not directly, but indirectly by the personal estimations of group members to the product. Latter, again, affects the emotions of the individual to the product. Consequently, the feelings to the product, which one consumes in the context of the group activity lead to the salient identity: „the personal and social appraisals lead to positive feelings which make participation into the activity more important to the self. As the activity becomes more important to the individual, he or she participates in the activity more often" (Laverie, 1995, p. III). Hence, Laverie (1995, p.2) supported by Ward (1974) reject the traditional view that products are only consumed in isolation due to bare individual needs and personal experiences but due to social considerations.

A brief historical environmental analysis of the Republic of Cyprus

In the following, the respective periods providing the backstage for the development of the consumer behavior pattern of Cypriots are pinpointed. In doing so, key economic criteria such as GDP (GDP per capita per annum from 1960- 2006), gross average salary development (from 1980- 2006) and tourist arrivals (from 1959-2006) as well as some non economic reasons such as educational peer influence and political reasons have been investigated by analyzing data provided by the Cyprus Government Statistics Department. As to GDP there was a continuous increase in all years except in the year 1975 due to the Turkish invasion in 1974. This event divided the country, and the economy had to shift to new industries, mainly tourism to survive (Maital and Pierides, 2003). However, after this tragic event an impressive increase in GDP occurred and the Cyprus economy boomed by double digit growth rates between 1976 until 1995 and more moderate, single digit growth rates thereafter up to a level of 14.317,57 mio Euro. (2006). The average gross monthly income increased mostly in the interval 1980-1990 by 8.7%. The following interval 1990-2000 showed high growth rates until 1994 with more moderate growth rates thereafter averaging a growth rate of still 6.1%. The decreasing trend continues in the interval 2000-2006 with an average growth rate of 5.1% to level of Euro 1.900. Implicitly, in the period 1976-1994/1995 Cypriots might have become more status orientated due to the high level of economic well-being. Coinciding with the rise in GDP is the development of tourist arrivals. This general economic picture is confirmed by the development of tourist arrivals. From 1959 (19642) to 1973 (264066) the tourist arrivals increased by 32.6% annually, albeit with strong fluctuations. In the war year of 1974 the figure dropped to 150478 followed by a further downturn in 1975 to 47084 tourists arriving in Cyprus. However, since this time the tourist arrivals dramatically increased between 1975 and 1985 by an average annual growth rate of 45%. In the next interval between 1985 and 1999 tourist arrivals continued to grow by annually 8.87%. Since 1999 the level of tourist arrivals stagnates and achieves 2400924 tourists in 2006. Taking additionally the increased TV household penetration into account it might be concluded that Cypriots tried to emulate international consumption patterns, a way of life or status introduced by the tourists. Accompanying this development a gradual rise of university degree attainment can be noted, especially during the 1980s and 1990s. Higher levels of education might trigger a more prevalent status orientation. Furthermore, people who did not achieve a higher education might attempt to compensate this through symbolic consumption. There is some evidence that Cypriots pursue symbolic consumption due to other reasons relating to the small size of the island and to the influence of the media. This links to the next paragraphs which provide the methodology and the analysis of the qualitative empirical findings.

Research methodology

Due to its idiosyncratic political and economic development, Cyprus might be considered a unique case. In addition to the aforementioned idiosyncratic more recent political and economic development, Cyprus was conquered by a variety of international conquering powers who wanted to capitalize on the strategic position of the island being ideally strategically located at the crossroads of the three continents of Europe, Asia and Africa. This unique cultural background might imply unique aspects of consumer behavior be it consciously or unconsciously (De Mooij, 2003). In order to achieve

the research aim, which was to investigate the underlying reasons governing consumer behavior of Cypriot consumers as to branding, the qualitative research focused on the why and how of decision making as compared to the what, where and when of quantitative research. A need was perceived for smaller but focused samples (Denzin and Lincoln, 2000). The research objectives were to investigate and conceptualize the concrete factors of brand related consumer behavior of Cypriots which might inform corporate branding strategies. The derived research question was if symbolic consumption and the other notions on identity described above might be determining factors of consumer behavior as to branding in the age group 25 and 40. This age group purposive sample was chosen due to their anticipated pursuit of a higher social status. Purposive sampling is regarded as useful for situations where the researcher needs to reach a targeted sample quickly and where sampling for proportionality is not the primary concern (Trochim, 2006). As to subcategories of purposive sampling, expert sampling and quota sampling were applied. Expert sampling was used for two reasons: first, the specific strategic and operational knowledge of experts representing a variety of categories of status revealing products, such as technology, fashion, cars, mobile phones or cosmetics; second, expert sampling might provide evidence for the validity of another sampling approach chosen. Hence, 8 interviews with marketing managers where interviewed on their perception and capitalization of symbolic consumption. As a second sampling method for two focus groups with respectively 7 potential brand consumers aged between 25 and 40, proportional quota sampling was applied to assure a proportion of respectively 50% female and male participants. Due to the perceived uniqueness of the Cypriot setting the research method of a case study was chosen where a focus on a limited number of cases allows for a holistic, in-depth investigation eliciting rich information (Feagin, Orum and Sjoberg, 1991; McNamara, 1997). As a qualitative research technique the focus group was applied to uncover, possibly surprising, information by an interactive group setting where participants are free to talk with other group members (Rushkoff and Douglas, 2005). Moreover, focus groups are a powerful means to test new ideas or assumptions. As a structural guideline for conducting the focus groups McNamara's (1997) suggestions were applied. The qualitative data were analyzed to elicit meaning and symbolic content (Seidel, 1998) and to specify the presence of certain words or concepts using content analysis (Neuendorf, 2002).

Findings

The following category grid summarizes the frequencies of statements resulting in the respective categories which are further elaborated on in the following narratives.

Table 1 - Categories Elicited by Interviews

Business People	Collectivism	Preferred Lifestyle	Preferred Identity	Group Influence	Media	Small Society/ Population	Show Off issues	Age	Gender
PAM	X	X		X	X	X	X		
PAP		X	X			X	X		
KCT		X	X	X		X	X		
PPT		X				X	X		
LFT	X	X	X	X		X			
DGM	X	X		X	X		X	X	X
DAS		X				X	X	X	X
XST	X	X	X (JOB)	X		X	X		

Table 2 - Categories Elicited by 1st Focus Group

1st FOCUS GROUP	Collectivism	Preferred Lifestyle	Preferred Identity	Group Influence	Media	Show Off issues	Age	EASY BORROWING
EJF		X		X	X		X	
APF	X	X	X (JOB)	X	X	X	X	
XPM	X		X (JOB)	X	X			
PPM					X	X		X
ATF	X			X	X			
IPM	X	X		X	X		X	X
CCM		X	X			X	X	

Table 3 - Categories Elicited by 2nd Focus Group

2nd FOCUS GROUP	Collectivism	Preferred Lifestyle	Preferred Identity	Group Influence	Media	Show Off issues	Age	Gender
AKF	X		X	X			X	X
JFF	X		X	X	X		X	X
JSM	X		X		X	X		
AIF	X	X	X (JOB)	X	X			
IPF	X		X	X	X	X		
PHM	X		X		X	X		
OKM	X	X	X (JOB)	X		X	X	X

The findings suggest that brand consumer behavior of Cypriots is mainly determined by aspects related to social Identity, comparative and identification reference groups. is the dominant factor that influences the other factors.

Social Identity/preferred group influence:

Five of the marketing managers (KCT, PAM, XST, DGM, and LFT) confirmed the influence of the group, where the consumers want to become members of, on brand consumer behavior. One possible reason was provided in that people have the need to belong somewhere and, at the same time, to advance socially. Therefore, they are more likely to modify their behavior according to the preferred group conditions compared to that group they are already belonging to. PAM said, "Indeed, people may change their buying behavior so as it is the same as the one of the members of the group that they want to join in order to be accepted". Similarly, LFT said that "people whose goal is to move socially upward believe that, by exhibiting the behavior they believe their target group has, the transition to that group will be easier and smoother since they will be accepted faster". Two marketing managers (PAP and DAS) said that the group that consumers already belong and the group that consumers want to become members are equally influential. Finally, one of the eight interviewed marketing managers (PPT) said that the most influential group is the one that the consumers already belong to. The statements of the marketing managers were confirmed by ten out of the fourteen members of the focus groups. Accordingly, the preferred group's influence is regarded as a dominant factor that influences symbolic consumption, but there were some variations in their answers. EJF, APF and ATF, three women in their 30s, as well as PPM, a man in his early 30s, who have very similar demographic characteristics since they currently belong to the middle class differentiate according to age. They said that when they were younger, at school and at college, the most influential group for them was the group that they wanted to join. Now, this group

is still influential but not to the same extent. That is probably because young people always want to be in the group with the most popular people and, thus, conform to their buying behavior in order to be accepted into the popular group. Concordantly, EJF said: "I remember when I was in school and at college that I used to buy the same things as a specific group of popular girls so that they would accept me as a friend, but this reduced as I got older". APF agreed by stating: "Something similar has happened to me, too. I can also say that this happens more when you are younger". Thus, it is obvious that age plays an important role as to the extent of adaptive status orientation. XPM pointed to another dimension on which almost everybody agreed. He copies the extravagant consumption patterns of his colleagues at work in order to be accepted by them. He said: "I had to start behaving as they did and buying the same expensive things as they did, so that I could join the group and be part of the team". OKM. IPF and AIF from the second focus group provided reasons for the attraction of people to a group in terms of the social position of the group members rather than the members themselves. The statements imply that Cyprus might be considered to emphasize personalization as a reflection of a being orientated culture rather than personalization as a characteristic of a doing orientated culture (Usunier and Lee, 2005). This is something very similar to what JPM said who talked about lifestyle. IPF said: "I think that we all have the need to socially advance. Some people in Cyprus, however, overdo it. I know many people who have no credentials or education but act and buy things like millionaires in order to be accepted in a higher status group".

Showing off- normative comparative and/or identification reference groups

Seven out of the eight marketing managers interviewed (PAM, PPT, KCT, DAS, PAP, DGM, XST) held that Cypriots like to show off their wealth to an extreme. This would make them engage in symbolic consumption and buy branded goods that signify wealth. PPT, in this context, said: "In my opinion, everybody shows off in Cyprus. Sometimes it goes beyond the limits as it becomes some kind of a competition between neighbors, for example". Similarly, half of the participants in the focus groups agreed with this statement. This is reflected in statements as: "we are all show-off maniacs in Cyprus and this is the main reason that we buy branded things" (PPM); or: "In my opinion it is a kind of competition between most Cypriots. The winner is the one who shows off the most expensive and luxurious material goods" (IPF). It is very interesting that this informal "competition" was mentioned by both, the marketing managers and the consumers. A possible reason for this might be the small size of the society, population and geographic area of Cyprus as always all marketing managers mentioned it. XST is quoted: "Because we live in a very small society and everybody wants to show off their wealth and social position". This is confirmed by another interviewee: "When you live on a small island like Cyprus where everybody knows everybody's business you feel you are under pressure to look your best and because women in Cyprus tend to talk and to show off a lot, you feel you are not performing well if you are not dressed in designer clothes". This is confirmed by a manager of a boutique stating: "if you look at the Cypriot women's magazines there is a huge difference. Women are pressurized into buying expensive clothes, if you don't then you are cheap" (Cyprus Mail, 2006, p. 2). This perception of pressure to conform signals a very strong normative character of comparative and/or identification reference groups not referred to in literature.

Culture:

Even though most Western societies are considered to be individualistic societies, there seems to be a high degree of collectivism regarding the consumer behavior of Cypriots which is in line with the emphasis on the personalization aspect and the strong normative character of comparative and/or identification groups. People seem to feel conditioned in their brand consumer behavior in order not to be considered to be different.

Collectivism

Four of the marketing managers agreed on the significance of collectivism influencing the consumer behavior of Cypriots. Thus, since most are status oriented, the rest tend to copy this behavior: "We know that people are watching us and making comments. The issue is not the personal mentality but the collective mentality. We are expected to behave in this way and so we do" (LFT). In the same vein, PAM stresses: "They don't want others to consider them different or think less of them if they see them using inferior or unbranded products".

The participants in the focus groups were more explicit in their comments confirming the findings of the interviews. Most of the 11 out of 14 who gave this as a reason said that they do what everybody else is doing so that they are not considered to be different and also to avoid negative comments. ATF said: "We buy the brands so that we are not different from the rest". PHM said: "Trying to avoid comments by trying to be the same with others is a reality in Cyprus. People tend to buy the same brands, go to the same restaurants, clubs or cafes and generally behave like a flock in order not to be different and to avoid becoming a target due to their difference".

Salient Identity

Preferred Lifestyle

All marketing managers who were interviewed unanimously agreed that lifestyle and, to be more precise, the lifestyle which people would like to have is a very important determinant of the buying behavior of Cypriots. PPT said that "if we want to achieve a certain status that has a certain lifestyle attached to it we start modifying our behavior, especially our buying behavior in order to suit that lifestyle and the people who have already achieved that lifestyle". In their opinion, Cypriots tend to buy products that represent the lifestyle that they would like to emulate. Thus, the symbolic meaning of these brands is the lucrative lifestyle, social position and status. To be more precise, six marketing managers said that lifestyle is one of the greatest determinant factors, because people seek membership into these groups in order to achieve their goal of moving socially upwards and enjoy the lifestyle that these people are enjoying.

Interestingly, the responses of six members from both focus groups were very similar to the answers given by the marketing managers. The focus group members said that lifestyle is one of the most important determinants and provided a similar justification: "Most times, people do not want to join a group because of the group members but because of the social position of the group members. Sometimes, the lifestyle of these people is what attracts us to them rather than the group members themselves" (OKM). It is obvious that there is a strong interrelation between preferred lifestyle and preferred group/class membership.

Preferred Identity

It might be concluded that Cypriots want to change their identity by their brand purchases in an attempt to either advance socially or to join a group with a higher status. Four of the marketing managers confirmed this view: "They are people who achieve their identity without having the actual qualifications for that identity through their wealth that is visible from the products that they buy" (KCT). Similarly LFT said: "You can see more extreme symbolic purchases from them rather than from those who are already members of the target group since they are trying to adopt the identity of that group without really deserving it most of the times".

Ten out of the fourteen participants in the focus groups agreed with the statements of the marketing managers: "We try to impress the group's members by adopting an identity that might not really be our own, so that this group's members will accept us" (IPF). Similarly AIF said "Many times we try to advance socially by adopting an identity that other people who belong in an upper class have, so that we can be friends with them. We usually do that by buying the same things that they buy". It can be seen again that both, preferred lifestyle and preferred identity are interrelated with target group influence.

Job Role

Some of the participants in this research linked preferred identity to job role. Summarizing, they said that Cypriots adopt an identity which is in accordance with their job or work environment and work group. One of the marketing managers mentioned: "There is a group of people who consider their jobs to be managerial; they buy a mobile that suits their position" (XST)

Four participants in the focus groups gave a similar explanation. XPM said that groups are influential but for him the most influential group is the group of people with whom he works since he had to modify his behavior and buying behavior in order to fit his new work environment and be accepted by his new colleagues as a member of the team. OKM echoes this view: "an equally important factor that influences our buying behavior is our job and work environment. If you are an accountant, a doctor, a lawyer or a bank employee, you are expected to wear a nice suit and drive a nice car".

Media

Two of the marketing managers said that television is a very influential factor since it sets standards with which people must comply: "In my opinion what influences Cypriots is television, the stupid box, which dictates certain standards of behavior to the society that if someone does not comply with, he becomes alienated from the rest" (PAM).

Ten out of the fourteen participants in the focus groups agreed on the normative role of the media: "I think that actually we are influence by TV and other media that expose these famous people" (EJF).

Categories of Status Revealing Products

The interviewed marketing managers mostly agreed on this subject. Although some of them, like DAS, said that all products are potentially status revealing, they reached the same opinion on the main categories of status revealing products to be the following:

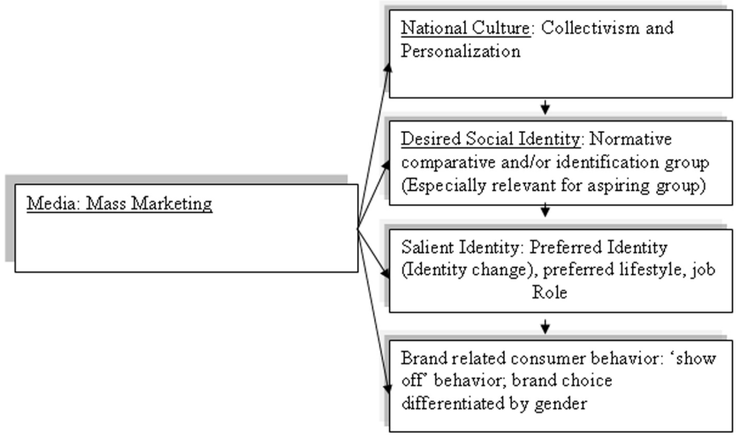
- Housing
- Automobiles (cars and other means)
- Technology (mobiles, home appliances, TVs, computers and other).
- Clothing, Footwear and Accessories.

The focus group members contributed to this discussion by a clear differentiation on the basis of gender. Women stated that for them products like clothes, shoes, bags, cosmetics and mobile phones are status revealing (categories of Clothing, Footwear & Accessories and Technology) whereas men stated cars, houses, mobiles and TVs which lie in the categories of Housing, Automobiles and Technology.

Conclusions and recommendations

Brand related consumer behavior of Cypriots seems to be embedded in a national culture characterized by collectivism and personalization. Whereas culture refers more to formal role organization, the applicability of the identity concept epitomizing the spiritual and behavioral repertoire of people was confirmed by this research. A preferred social identity is regarded as the underlying driving force of brand related consumer behavior and as creating the salient identity of Cypriot consumers. This preferred social identity, however, is not only reflected in a sense voluntary belonging to the aspired group or social class, but also in a perception of a strong normative character or even pressure by the comparative and/or identification group and even the media. This normative perception, however, decreases with achieving and establishing the accepted membership in the desired group and/or social class. The preferred social identity, in line with Laverie (1995) creates the salient identity expressed by preferred identity or desired identity change, preferred lifestyle and the job role by symbolic consumption. Finally, the brand related consumer behavior seems to be characterized by an excessive 'show off' behavior and a brand selection which has to be differentiated by gender. The brand related consumer behavior is summarized in the following figure 1.

Figure 1: Brand related consumer behavior of Cypriots



The limitations of the research refers to its exploratory nature. Explanatory research based on inferential statistics is suggested to validate the qualitative research and to provide for weight and direction of the factors and to more clearly differentiate brand related consumer behavior as to socio-demographic aspects, especially age. A further limitation refers to the lack of differentiation between national and international brands. Last but not least, it is suggested to investigate possible contributions of retailing (i.e. in the sense of conative retailing), preferably in concerted strategies with academic education providers, to strike the balance towards a more individualistic, voluntary and self-determined identity development of the brand consumers considering seemingly neglected elements of identity such as character or existential identity. This would be in accordance with the underlying mission of the micro sociological/micro psychological concept of identity in the sense that the consumers should draw other social or emotional benefits from its application rather than only economic ones (Arnett et al, 2003). This aspect coupled with the finding of normatively perceived influence of the comparative and/or identification group might be used as a starting point for research to develop brand consumer behavior conceptualizations differentiated as to small island populations. Suggestions for corporate brand strategies refer primarily to position the family and/or individual brand highly based on image, status and, in tendency, highly priced. TV advertising is recommended due to its high level of intimacy penetration and status perception. Another preferable promotional mix element to be suggested refers to event marketing, as fashion shows, executive parties and, most importantly, charity events. The use of testimonials representing the desired social identity is also recommended.

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REGIONAL CONSUMPTION PATTERNS: THE GREEK CASE

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Introduction

The aim of the paper is to provide a method of analysis that can give a quantified description of the industrial interrelations among regions. This approach indicates the degree to which industrial and regional activities are dependent on the level of each industry operation in each region.

Theoretically, the specification of regional and interregional transactions within the interindustry or input – output framework requires that each commodity flow be identified by industry and region of origin as well as destination. That is, the total transactions of a region are presented in a form which, for each industry, those transactions taking place wholly within the region are differentiated from those that are between region. Moreover, interregional flows are indentified as being on either interindustry or final demand account. Likewise, interregional flows are similarly identified as being directed towards producers or ultimate consumers.

The additional element that enters into the interrelations of industries and regions is the regional consumption sector. Incorporating the regional consumption sector into the interindustry analysis requires that regional sector's expenditures be disaggregated so as to indicate the amount that this sector alots to the consumption of each commodity. This was accomplished by means of the consumption vector. This vector represents the industrial distribution of consumer expenditures.

Multipliers incorporating the interrelation between producers and producers and regional or zone consumption sector give a quantified description of consumption patterns among regions.

The interregional model

The interregional flow table is a mathematical expansion of the input – output model. The use of superscripts A for zone A, B for zone B, and C for zone C, describes regions and regional flows. Sectors are presented by subscripts.

$$X_i^A = x_i^A + x_i^B + x_i^C + Y_i^A + Y_i^B + Y_i^C$$

$$X_i^A = x_{ij}^{AA} + x_{ij}^{AB} + x_{ij}^{AC} + Y_{ij}^{AA} + Y_{ij}^{AB} + Y_{ij}^{AC}$$

$$X_i^B = x_{ij}^{BA} + x_{ij}^{BB} + x_{ij}^{BC} + Y_{ij}^{BA} + Y_{ij}^{BB} + Y_{ij}^{BC}$$

$$X_i^C = x_{ij}^{CA} + x_{ij}^{CB} + x_{ij}^{CC} + Y_{ij}^{CA} + Y_{ij}^{CB} + Y_{ij}^{CC}$$

Interpretation of the xij' s is as follows: Xi is the output of sector i for the nation. X_i^A, X_i^B and X_i^C is the output of sector i for respective regions or precisely zones. X_{ij}^{AB} is the output of sector i to sector j from zone A to zone C, and so on. The Y's require special interpretation.

The term final demand has two meanings in regional input – output models. The first corresponds to that employed in national input – output analysis. In this case final demands refers to those of the sectors in each region for which no functional interindustry relation is postulated and which must be given or known from outside the system. Here final demands refer to the commodity receipts of ultimate consumers. The second meaning makes provision for the fact that each region may contribute to the commodity receipts of ultimate consumers who reside in regions outside of that in which the commodities are produced. In these sense final demands refers as shipments. The difference then is that the former relates to levels of industrial output.

The data requirements for the solution of interregional model are technical input requirements for each sector in each region or zone and trade flows for goods between zones.

To determine trade coefficients we must know how much each region purchases (r) for each good from every region, including itself. From the above data each region's total receipts (R) of every good are obtained by summation.

In addition trade coefficients are obtained by division. Since they are proportions, the trade coefficients in any column add up to unity. The matrix of interregional trade coefficients T represents for each commodity the per cent of each region's total receipts.

A matrix having both technical and trade characteristics can be derived from the trade and technical coefficients matrices. This table TA represents the interregional interindustry model. Each row of the table indicates the disposition of that part of the output of each sector in each region which is delivered as intermediate products in each sector in each region. Conversely reading down a column indicates the amount of each sector's output in each region requires by the sector associated by the column to produce a unit of output

Using the above symbolic notation, if TA is the matrix of direct interindusty requirements, the interindustry multiplier of total requirements matrix is of the form (I – TA) – 1. These interregional multipliers incorporate the direct plus all indirect input requirements that would result from a unit change in the activities of any specific sector.

Interregional interindustry multipliers can be derived for each of the zone system. These multipliers are a quantified representation of the interrelation between sectors and zones as producers and consumers of intermediate inputs. However, an additional element enters into the interrelation of sectors and zones. That is the regional consumption sector.

Assuming that the ratio of zone production for the zone consumption to total zone production remains constant, it is possible to determine the amount of production generated by this sector per euro of zone industry production. If P is total production by zone sectors and C is the amount of zone production consumed by the zone consumption sector, the multiplier is of the form:

$$K = \frac{1}{1 - \frac{C}{P}}$$

Given these multipliers, zone consumption expenditures can be related to each industry's activity as follows. The amount of production generated per unit of industry's output is represented by the coefficients of Interregional interdependence matrix. Summing these coefficients for each sector in each zone yields total production generated by a unit of the sector's production. This value times the zone consumption multiplier yields total zone consumption sector expenditures per unit of each sector's output.

Multipliers incorporating industrial and consumer interrelations, can be represented symbolically as M = (I – TA)-1 + (I-TA)-1 CMK where C is the consumption vector showing the industrial composition of national consumption sector expenditures. M is the zone sector multiplier, and K represents the zone consumption multiplier

Empirical Results

The empirical implementation of the interregional model was accomplished by using regional from 2000 data of commodity flows between the zones.

The Greek nation is divided into three distinct geographical zones. The model comprises sixteen productive sectors, after aggregation of the 2000 input – output table. The domestic output of sector j, measured in euro.

The first set of parameters are the trade coefficients, Table 1. A matrix having both technical and trade characteristics is the matrix TA, Table A - 1 (Appendix).

An indication of the relation between trade dependence and the interregional effect of interindustry activity is found in Table 2. The coefficients in this table are multipliers indicating the direct plus indirect interindustry effect that a unit of each sector's production in each zone has on the level of economic activity in each zone. Thus, a euro' s worth of agriculture, hunting, forestry in zone A (North Greece) generates 0.1488 and 0.0334 worth of economic activities in zone B and C of Greece, respectively. Similarlry a euro's worth of the same commodity produced in zone B (Central Greece) generates 0.0743 and 0.0175 of activity in zone A and zone C, while the corresponding production in zone C (Islands of Aegean and Krete) generates 0.0767 and 0.0903 in economic activity in zone A and zone B.

TABLE 1 - TRADE COEFFICIENTS - ZONE A, B and C of Greece, 2000.

CODE	SECTORS		A	B	C
A	Agriculture, hunting, forestry	A	0.4768	0.4135	0.3396
		B	0.3771	0.4490	0.2217
		C	0.1461	0.1375	0.3687
B	Fishing	A	0.0137	0.4289	0.3119
		B	0.6099	0.0	0.6729
		C	0.3764	0.5711	0.0152
C	Mining and quarrying	A	0.0358	0.8180	0.6612
		B	0.6864	0.0208	0.3220
		C	0.2778	0.1612	0.0168
D	Manufacturing	A	0.3727	0.4161	0.2259
		B	0.6011	0.5455	0.4778
		C	0.0262	0.0384	0.2963
E	Electricity, gas and water supply	A	0.2380	0.6323	0.3550
		B	0.6323	0.2380	0.4778
		C	0.1297	0.1297	0.2963
F	Constructions	A	0.0152	0.7401	0.3394
		B	0.8449	0.0254	0.6489
		C	0.1399	0.2345	0.0117
G	Wholesale and Retail trade	A	0.1175	0.6086	0.2886
		B	0.7687	0.1988	0.6171
		C	0.1138	0.1926	0.0943
H	Hotels and restaurants	A	0.0	0.5092	0.2991
		B	0.7088	0.0	0.7009
		C	0.2912	0.4908	0.0
I	Transport and communication	A	0.2255	0.4351	0.2349
		B	0.6507	0.3648	0.5682
		C	0.1238	0.2001	0.1969
J	Financial intermediation	A	0.5024	0.2313	0.1513
		B	0.4409	0.6908	0.3967
		C	0.0567	0.0779	0.4520
K	Real estate, renting	A	0.2616	0.5037	0.3209
		B	0.5992	0.3240	0.4727
		C	0.1392	0.1723	0.2064
L	Public administration, defense and social security	A	0.0	0.7401	0.2246

TABLE 2 - INTERREGIONAL INTERINDUSTRY MULTIPLIERS - ZONE A, B, C of Greece, 2000.

E	SECTORS	To		A	B	C
	Agriculture, hunting, forestry	From	A	1.1154	0.0743	0.0767
			B	0.1488	1.0741	0.0903
			C	0.0334	0.0175	1.0556
	Fishing		A	1.1463	0.1495	0.1193
			B	0.2256	1.1703	0.1914
			C	0.0365	0.0401	1.0808
	Mining and quarrying		A	1.1508	0.2096	0.1388
			B	0.2462	1.2044	0.2061
			C	0.0438	0.0534	1.0837
	Manufacturing		A	1.3469	0.4896	0.2165
			B	0.5197	1.4666	0.2632
			C	0.1117	0.1191	1.1265
	Electricity, gas and water supply		A	1.1143	0.2261	0.1969
			B	0.2590	1.1295	0.2022
			C	0.0693	0.0536	1.0569
	Constructions		A	1.2818	0.6655	0.2239
			B	0.4153	1.5880	0.3382
			C	0.0630	0.1843	1.1464
	Wholesale and Retail trade		A	1.1872	0.2254	0.1643
			B	0.3294	1.2226	0.2607
			C	0.0661	0.0721	1.1055
	Hotels and restaurants		A	1.2192	0.2610	0.1899
			B	0.3551	1.2615	0.2885
			C	0.0716	0.0813	1.1192
	Transport and communication		A	1.1231	0.1851	0.1146
			B	0.2209	1.1795	0.1868
			C	0.0430	0.0603	1.0687
	Financial intermediation		A	1.5027	0.4152	0.3196
			B	0.6443	0.7465	0.6009
			C	0.1213	0.1476	1.3582
	Real estate, renting		A	1.0443	0.0711	0.0480
			B	0.0849	1.0531	0.0705
			C	0.0186	0.0232	1.0209
	Public administration, defense and social security		A	1.2494	0.3317	0.2049

Summing each of these sets of figures in each of the three zones, give the total output generated from each sector, in the nation as a whole. So, the total interregional interindustry multipliers are comprised of the output generated in the three zones.

For example, a one euro increase of output for agriculture, hunting, forestry output in zone A, will have an increase in output in the zone's. A economy by 1.2976.

The largest interregional multiplier is found in zone B construction sector 2.4378. The second largest interregional multiplier is associated with the zone's B financial intermediation sector 2.3093.

The Multipliers presented previously indicate the degree to which industrial and zone activities are dependent on the level of each industry's operation in each zone. Multipliers effects are related to the technology and organization of sectors at a given time, in this case 2000. The time element is important because the technology and organization influence interregional logy and organization influence interregional interindustry interactions. Also the values of zone multipliers are related to the size and diversity of the zone economy. The tendency is for multiplier values to be greater the larger the region.

Ranking sectors on the basis of their interindustry interregional multipliers, Table 5, shows remarkable similarities in the industrial structures of the three zones. This indicate that per unit of product, the total national effect of a sector is invariant to production location.

TABLE 3 - INDUSTRIAL DISTRIBUTION OF CONSUMPTION EXPENDITURE

E	SECTORS	Per cent of Consumption Expenditure
	Agriculture, hunting, forestry	0.0262
	Fishing	0.0048
	Mining and quarrying	0.0000
	Manufacturing	0.2639
	Electricity, gas and water supply	0.0145
	Constructions	0.0054
	Wholesale and Retail trade	0.1646
	Hotels and restaurants	0.1980
	Transport and communication	0.0580
	Financial intermediation	0.0143
	Real estate, renting	0.1416
	Public administration, defense and social security	0.0036

With respect to the values of k for North Greece (zone A), Central Greece (zone B), and Islands of Aegean and Crete (zone C) are 1.4901, 1.5647, 1.3984 respectively. The estimated interregional multipliers times the above consumption multipliers yields total zone consumption sector expenditures per unit of each sector output. Incorporating the zone consumption sector into the analysis requires that the zone sector's expenditures be disaggregated so as to indicate the amount that this sector alots to the consumption of each commodity. This is done by means of the consumption vector presented in Table 3. This vector represents the average distribution of national consumer expenditures.

Having determined the effect on zone consumption of each commodity per unit of production in each zone, multipliers incorporating the interrelation between producers and between producers and the regional or zone consumption sector can be obtained, Table A - 3 (Appendix). The coefficients in this table indicate the magnitude of interdependence between industries both as suppliers of intermediate products and of consumer goods to the zone consumption sector. The regional or zone consumption pattern when interindustry and regional consumption sectors are incorporated into the multiplier analysis, is indicated in Table 4.

The pattern of structural similarity is maintained when the regional consumption sector is included in the multiplier calculation, Table 6.

TABLE 4 INTERREGIONAL INTERINDUSTRY AND REGIONAL CONSUMPTION SECTOR MULTIPLIERS - ZONE A, B, C of Greece, 2000

E	SECTORS	To		A	B	C
	Agriculture, hunting, forestry From		A	3.3568	0.2870	0.2363
			B	0.5329	3.1492	0.2919
			C	0.1077	0.0625	2.9047
	Fishing		A	3.6580	0.5729	0.3923
			B	0.8590	3.8129	0.6438
			C	0.1257	0.1408	3.2249
	Mining and quarrying		A	3.7026	0.7859	0.4460
			B	0.9027	4.1097	0.6783
			C	0,1466	0.1871	3.2750
	Manufacturing		A	5.4682	1.8025	0.6828
			B	1.9059	6.3387	0.8653
			C	0.3679	0.4086	3.9160
	Electricity, gas and water supply		A	3.5762	0.8019	0.6160
			B	0.9029	3.7249	0.6538
			C	0.3679	0.1853	3.2362
	Constructions		A	4.7119	2.5260	0.7404
			B	1.6199	7.1667	1.1532
			C	0.2194	0.6619	3.8976
	Wholesale and Retail trade		A	4.1930	0.8146	0.5196
			B	1.1566	4.3957	0.8394
			C	0.2169	0.2469	3.6475
	Hotels and restaurants		A	4.4477	0.9746	0.6052
			B	1.2948	4.7307	0.9395
			C	0.2360	0.2776	3.8167
	Transport and communication		A	3.5712	0.6885	0.3678
			B	0.7971	3.9845	0.6088
			C	0.1441	0.2108	3.1967
	Financial intermediation		A	6.4642	1.7166	1.1797
			B	2.6113	7.9121	2.3111
			C	0.4670	0.6014	5.6267
	Real estate, renting		A	3.0112	2.2871	0.1557
			B	0.3052	3.1433	0.2319
			C	0.0632	0.0901	2.8022
	Public administration, defense and social security		A	4.4731	1.3060	0.6658

TABLE 5 - RANK ORDER OF INTERREGIONAL INTERINDUSTRY MULTIPLIERS - ZONE A, B, C of Greece, 2000

E	SECTORS	A	B	C
	Agriculture, hunting, forestry	13	13	13
	Fishing	9	10	9
	Mining and quarrying	8	7	8
	Manufacturing	2	3	4
	Electricity, gas and water supply	7	8	7
	Constructions	3	1	2
	Wholesale and Retail trade	6	6	6
	Hotels and restaurants	5	5	5
	Transport and communication	10	8	10
	Financial intermediation	1	2	1
	Real estate, renting	14	15	14
	Public administration, defense and social security	4	4	3

TABLE 6 - RANK ORDER OF INTERREGIONAL INTERINDUSTRY AND REGIONAL CONSUMPTION MULTIPLIERS - ZONE A, B, C of Greece, 2000

E	SECTORS	A	B	C
	Agriculture, hunting, forestry	13	14	13
	Fishing	9	11	9
	Mining and quarrying	7	7	8
	Manufacturing	2	3	3
	Electricity, gas and water supply	8	9	7
	Constructions	3	1	2
	Wholesale and Retail trade	6	6	6
	Hotels and restaurants	5	5	5
	Transport and communication	10	8	10
	Financial intermediation	1	2	1
	Real estate, renting	14	13	14
	Public administration, defense and social security	4	4	4

Conclusions

The objective of this paper was to construct step by step a model for the estimation of interregional interindustry impacts of activity changes and consumption patterns within a regional system. In this study the interregional interindustry model has been empirically implemented for a regionalised Greek economy consisting of three broad zones.

The results of estimating interregional interindustry multipliers and regional or zone consumption multipliers would be helpful to regional analysis and regional consumption patterns in general.

Interregional interindustry multipliers estimated for the three zones system, could be used to show what producing sectors and in what extent could give the maximum economic growth in each zone. Furthermore, multiplier effects are related to the size and diversity of the zone economy.

Ranking sectors on the basis of their multipliers, shows remarkable similarities in the industrial structure of the three zones. This means that per unit of product, the total national effect of a sector in invariant to production location.

The regional consumption pattern of structural similarity carries out to the consumption multipliers.

There is an indication that the impact of a sector to others does not coincide with the impact of one sector on the nation as a whole. This implies that projects designed to stimulate those sectors which have the greatest impact in the zones, will not coincide with those which have the greatest impact on national activities.

The estimated multipliers are realistic because the data are based on regional and are not based on national data. From this standpoint, attempts to introduce a greater measure of compatibility into regional input – output tables would be beneficial to interregional model.

While there is empirical limitations of this study, they do not prevent the basic objective. What has been attempted is the construction of an interregional model with regional consumption patterns. The model is generally applicable and the study provide a general indication for further research.

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PERCEPTION OF CHOCOLATE BRANDS IN THE CZECH MARKET: THE CASE OF DORINA

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Abstract

Companies' environments today change more rapidly than ever. Being an integral part of any companies' environment, consumers change quickly too. Consumers' behaviour, their needs, preferences, perceptions and buying power change and it is up to companies to make sure they follow all relevant changes closely. In order to do so, market research is performed.

This paper investigates perception of the Croatian chocolate brand Dorina in the Czech market. The biggest Croatian confectionery manufacturer Kraš is present on the Czech market for quite some time, but its chocolate brand Dorina held 1% of Czech market in 2007. Why was that so and how could Kraš improve were questions we aimed to investigate.

In order to reach the answers, a primary research was conducted. Based on data already available and internal Kraš resources, the framework for a qualitative research was developed. The empirical study was performed in a form of focus groups with Dorina consumers. Objectives were defined as obtaining more insight into perception of chocolate as a category and perception of Dorina brand in the Czech market. The research propositions were: 1. perception of chocolate as a category should be observed through multiple dimensions, such as functional characteristics and emotions; 2. Dorina is perceived as a middle segment brand, from a trusted producer; 3. Dorina needs to be more visible on the market. There were 6 focus groups held in September 2007, with five to ten participants in each focus group.

Analysis of data gathered pointed out that chocolate category could be perceived through products' functional characteristics, emotions related to consumption (before and after consumption), types of chocolate and situational factors of consumption. Czech consumers can place 22 chocolate brands present on their market into three major segments: premium, middle and lower segment. Both propositions related to Dorina brand were also supported by the research results. Dorina is perceived as a quality product from a trusted producer. However, its packaging needs adjustments, assortment should be widened and distribution index increased, as well as the promotion efforts.

The paper ends with recommendations to the producer on how the market share for Dorina could be increased. The added value of the paper reflects in the overview of the Czech chocolate market from the Croatian producer's point of view and the internationalisation of Croatian brands, as the findings could be useful not only to Kraš in aspect to its brand Dorina and other active brands in the Czech market, but to other Croatian exporters to the market of the Czech Republic.

Key words: chocolate, perception, Dorina, Czech market

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Introduction

In the 1990-ties Croatia began the process of transformation into an open economy. Transition brought about competition and opened doors for Croatian companies to step out into the region. Although Croatian biggest confectionery manufacturer Kraš is not a newcomer to the Czech chocolate market, it is affected by the rapid environment changes and needs to stay on top of them.

In Kraš's domicile market the competition was more severe every day and a characteristic of the confectionery products being price elastic pointed the company towards the regional market. As a confectionery manufacturer, in the Czech Republic Kraš had a market share of 2,9% in 2006 (Datamonitor, 2007). However, its market share in chocolate products was close to 1%. In order to identify how could Kraš strengthen its market position and gain more market share, a research was performed.

This paper investigated perception of the Croatian (Kraš) chocolate brand Dorina in the Czech market. As Dorina held 1% of Czech market, we aimed to investigate why was that so and how could Kraš improve.

In order to reach the answers, a primary research was conducted. Based on data already available and internal Kraš resources, the framework for a qualitative research was developed. The empirical study was performed in a form of focus groups with Dorina consumers. Objectives were defined as obtaining more insight into perception of chocolate as a category and perception of Dorina brand in the Czech market.

This paper is organised in 5 sections. An introduction is followed by description of confectionery market in Central Europe and a closer insight into the Czech chocolate market. In the methodological chapter described are goals, content and the methodology of conducted research. Next are research findings and discussion, while the paper ends with final remarks.

Characteristics of the confectionery market in the Central Europe

Total combined sales for the Top 100 confectionery companies in the world hit $91 billion in 2007, an $10 billion increase since 2006 (Rogers, 2008). Global players are increasingly targeting developing markets (Hughes, 2008), so Croatia's entry into integration processes and elimination of trade barriers encouraged arrival of further manufacturers to Croatian confectionery market. That led Croatia in 2006 to a high tenth place of all Caobisco's trade partners as it was a destination where 2,1% of extra EU25 confectionery exports were absorbed (Caobisco, 2007). However, priority for Croatian confectionery manufacturers stays the domicile market where they realise majority of their profits, but described trends provoked a necessity to observe the confectionery market within the region.

Another trend that supports monitoring of the regional confectionery market is increase of confectionery consumption in Croatia (market potential is approximately 80.000 tons per year). Nevertheless, despite that growth in consumption, Croatian confectionery market is becoming saturated and major domestic manufacturers are loosing their market shares. According to Rajh, Vranešević & Tolić (2003) research results, Dorina had 35% market share while Milka had 59% in 2003. Hence, entering regional markets is an imperative for Croatian manufacturers to survive.

Recent market reports indicate that a strong polarization of the market is occurring: consumers prefer either premium products or cheaper products. The chocolate market is undergoing a congruent change in the nature of the demand for chocolate (ICCO, 2008). On one side, there is an increasing appeal of premium chocolates (ibid.) and on the other side, increase in market shares of cheaper products, that is, private label products (Willmer, 2007). Market research results indicate that the retail brand market grew strongly in Europe from 2005 to 2006. Western countries had a significant private labels growth, despite strong competition from brands, however, the biggest change occurred in Central and Eastern Europe. Large private label chocolate market share increases were observed in Czech Republic, Hungary, Poland and Slovakia (ibid.).

Croatian consumers have less buying power every day and they often turn to private label

products, whose value market share for chocolate increased from 8% in 2006 to 15% in 2007 (Gfk, 2008), and to cheaper products from Poland, Romania, Slovakia, Czech Republic, Bulgaria and especially Turkey. Confectionery manufacturers from mentioned countries have lower input costs, primarily for labour and raw materials, so they can engage in price competition in Croatian market.

However, the same markets, in particularly ex Yugoslavia countries and Central Europe (Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria) are attractive to Croatian confectionery manufacturers. Most of these countries are the European Union members and trade is free of customs' taxes, which is a fundamental precondition for effective sales and market competitiveness.

The following tables will demonstrate the chocolate market potentials in Central Europe.

Nestle S.A. is the strongest manufacturer in the region, apart from Hungary and Poland. Kraš is visibly present in only one market of the region and has a 3% market share in Czech Republic in 2006.

Table 1. Confectionery manufacturers' market shares (value) in 2006, in %

Manufacturer/Country	Bulgaria	Czech R.	Hungary	Poland	Romania	Slovakia
Nestle S.A.	27,9	44,3	16,3	10,2	31,6	32,0
Altria Group, Inc.	15,1	15,4	34,9	13,6		23,9
Cadbury Schweppes plc.	24,8			28,7	25,6	
Barry Callebaut			18,7	18,8		
Mars, Inc.		11,7	11,4	9,7		
Ferrero		6,0	5,5	5,1		
Wawel				9,7		
Gyori Keksz			9,5			
Elysia s.r.o.		8,0				
Kraš		2,9				
Perfetti Van Melle			2,0			
Other	32,2	11,7	1,7	4,2	42,8	44,1
Total	100,0	100,0	100,0	100,0	100,0	100,0

Source: DATAMONITOR – 2007 Report

Table 2. Chocolate consumption in Central Europe, in 000 tons

Country/Year	2002	2003	2004	2005	2006
Bulgaria	28.425	29.253	30.078	30.879	31.638
Czech Republic	39.547	40.244	40.975	41.760	42.292
Hungary	26.099	26.505	27.028	27.445	27.817
Poland	186.650	196.011	205.054	210.916	219.242
Romania	48.096	48.291	48.507	48.752	48.911
Slovakia	10.991	11.287	11.633	12.004	12.391
Region total	339.808	351.591	363.275	371.756	382.291

Source: DATAMONITOR – 2007 Report

From data in Table 2. it is visible that the chocolate market in the region is constantly increasing in the observed period at the rate of 3% annually. In the next segment, we describe the Czech chocolate market in more details.

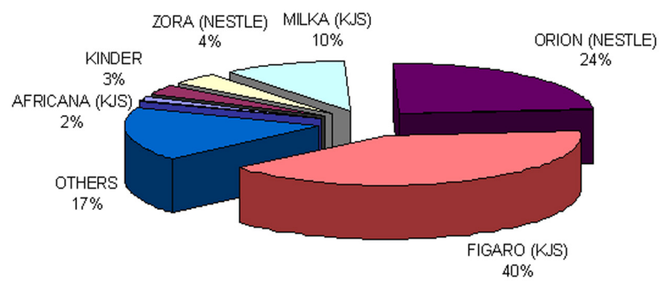
Chocolate market in the Czech Republic

In last 6 years, the Czech consumers ate over 40,000t chocolate every year, with a constantly increasing trend (Datamonitor, 2007). An also increasing trend is the share of private label confectionery, which went from 5,7% to 18,6% of the market between 2005 and 2006 (Willmer, 2007). There were 25 different chocolate brands present in the market in 2006 (PMG, 2006):

Lindt (KJS) Figaro (KJS) Kinder Africana Gorenjka Orion (Nestle) Manner Schogetten Pionir Cote Di Ore Nestle Milka (KJS) Toblerone Kent Bal Stollwerck Dorina Olimp Wavel Zora (Nestle) Ritter Sport Alpen Gold Kandit Ulker Milano

Their market positions are shown in 3 following pictures, describing chocolate brand quantity and value market shares, together with the manufacturers' market positions.

Picture 1. Quantity market shares of the most important brands in the Czech market

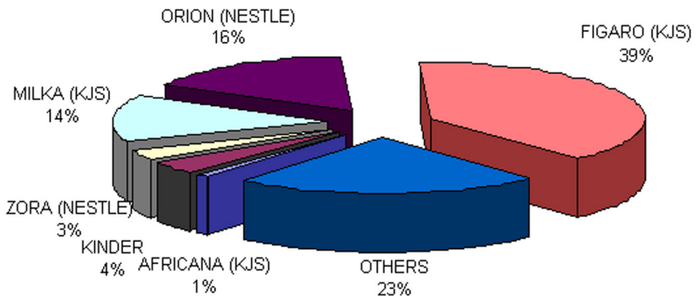


Source: PMG, 2006 report

The most sold brands are Figaro and Orion, followed by Milka, while all other brands have less than 5% The strongest brands measured in value market shares are again Figaro and Orion, but with a bit lower shares, which indicates that these two brands are lower price products. Milka's value share is third, but bigger than its quantity share. It is followed again by Zora, Kinder and Africana.

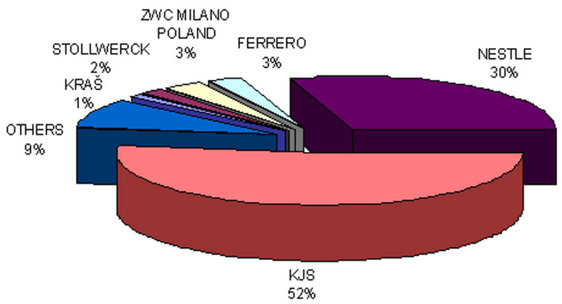
In the manufacturers' market share structure, the dominant company is the KJS with 52% and Nestle follows with also strong 30%. Ferrero has 3%, just like the ZWC Milano Poland, Stollwerck has 2% and than appears Kraš with 1%. Other manufacturers sell 9% of total confectionery quantities in the Czech market. In Paul Rogers' list of the Top 100 global confectionery companies Kraš took 57th place and none of the Czech manufacturers made the list (2008).

Picture 2. Value market shares of the most important brands in the Czech market



Source: PMG, 2006 report

Picture 3. Quantity market shares of the most important manufacturers in the Czech market



Source: PMG, 2006 report

Kraš in the Czech market

Kraš is present in the Czech confectionery market for numerous years. Market entry strategies varied over the time, resulting in a decision to operate through own branch office. Such an approach requires complete infrastructure development and closer analysis and monitoring of the market.

First results of such an approach were a narrowed assortment, that is, focus on some 40 products, and a 2% market share of the Griotte brand in the pralines segment. Another Kraš's brand, strong in the domestic market, is chocolate Dorina. In the Czech market, Dorina is present in minor quantities and it should make an effort to increase its presence. Main aims in these efforts should be increased sales and market share, distribution channels set up and augmented distribution index. However, in order to define priorities and tactics, it is necessary to analyse the chocolate market in detail. We researched the perception of chocolate brands in the Czech market, which will be described in the next paragraphs.

Perception of chocolate brands in the Czech market

A brand of the product is often used to identify its origin: who produced it and who is responsible for it (Vranešević et al, 2008). In order to manage a brand properly, it is necessary to realise the relationship between the brand and its consumer

(Vranešević, 2007). It is therefore highly relevant for food producers and retailers, among others, to gain insight into the consumer quality perception process in order to reach the desired position in the food marketplace (Hansen, 2005). Information on category and market perception are the basics so as to evaluate the consumers' opinion, brands' positions and the potential of the own brand. Chocolate is an indulgent, rather than essential, food group (Hughes, 2008) and a consumer perceives it as a product that arouses many emotions, delight, pleasure, relaxation and even an 'addiction'. However, as the aroused emotions vary, other consumers' characteristics differ too, such as needs, wants, habits and behaviour (Vranešević, Vignali, Vrontis, 2008). It is inadequate to observe all chocolate consumers as one unit, so consumers are segmented according to their needs, wants, habits and behaviour. In product and brand development, manufacturers choose the segments they plan to target and position, and create their product lines accordingly. Segmentation, targeting and positioning process could employ various criteria (ibid.). One of the criteria sets used for positioning chocolate products is quality and price (Kotler, 2003). Within the category, products are classified into:

- high class (premium) chocolate
- middle class chocolate
- lower class chocolate.

High class products are thought to have good quality, excellent taste, exclusiveness, attractive packaging, promotion, higher prices and the target market are high income consumers, hedonists.

Middle class products are thought to have a bit weaker quality and taste than high class products, they are distributed through big format stores, promotion is frequent, price is lower than high class products, target market are middle income consumers, who do not understand the chocolate too well and are satisfied with the average quality.

Lower class products are thought to have poor taste due to lower quality ingredients, weak identity and low prices, target market are low income and price sensitive consumers.

Research methodology

Detecting emotions, beliefs and attitudes related to brands is possible in various ways, including qualitative research techniques (Vranešević, 2007). Research should provide cognition of how consumers perceive the brand in comparison to competitors, what is the perceived brand quality, what elements consumers consider when evaluating a brand, how would they evaluate the price-quality ratio, is there a relationship between consumer characteristics and their brand quality perception and buying behaviour, etc. (ibid.).

Based on data already available and internal Kraš resources, the framework for a qualitative research was developed. The empirical study was performed in a form of focus groups with Dorina consumers. Focus groups involve carefully planned discussions with usually six to twelve people, developed to elicit participants' range of opinions across several groups (Kehagia et al, 2007; Malhotra & Birks, 2003; Marušić & Vranešević, 2001). The method aims to gain insights by creating an environment where participants feel sufficiently relaxed to reflect and portray their feelings and behaviours, at their pace and using their language and logic (Malhotra & Birks, 2003).

In addition, because of their participatory nature, focus groups are exploratory and open to themes not anticipated by the researcher (Calder, 1977; Malhotra & Birks, 2003). Malhotra and Birks (2003) defined a list of advantages focus group technique offers over other data collection techniques and called them the 10 Ss: synergy, snowballing, stimulation, security, spontaneity, serendipity, specialisation, scientific scrutiny, structure and speed. Focus group disadvantages are called the 5 Ms: misjudgement, moderation, messiness, misrepresentation and meeting (ibid.). Accordingly, in the research process, we benefited from focus group advantages and were highly aware of disadvantages.

Objective of this research was to gain insight into perception of chocolate as a category and perception of Dorina brand in the Czech market. Aims were to gain insight into the perception of:

- chocolate as a category
- chocolate brands, with focus on Dorina
- image of Dorina

- strengths and weaknesses of Dorina.

The research propositions were:

1. Perception of chocolate as a category should be observed through multiple dimensions, such as functional characteristics and emotions.
2. Dorina is perceived as a middle segment brand, from a trusted producer.
3. Dorina needs to be more visible on the market.

There were 6 focus groups held in September 2007, with five to ten participants in each focus group. Participants were allocated to focus groups according to their age and each session lasted about 2 hours. Researched population was chocolate consumers, that is, consumers of Dorina chocolates. The location of research was Prague, Czech Republic, and participants were invited to participate in the research in stores Ahold Hipernova, Tesco and Globus, plus a wholesale facility Luboš Dejl. Focus groups were held in the store facilities. Discussions were video and audio taped, so that the moderator can focus on conversation. Moderator was a research team member, fluent in local language.

The question guide was prepared to facilitate covering of all research areas and gathering sufficient information to answer the research questions. The question guide for these focus groups is in brief shown in Table 3.

Detailed question guide was initially developed in Croatian and then translated to Czech. Iteration was conducted in order to ensure persistency in meaning and then the final version in Czech was developed.

Characteristics of each focus group are shown in Table 4.

Table 3. Focus groups question guide

Subject	Timing (min)
1. Introduction	5
2. Chocolate purchase and consumption habits	10
3. Chocolate brands and Dorina vs. Milka (the strongest competitor)	55
4. Dorina package design - present	30
5. Closing	5

Table 4. Break down of participants in focus groups

Focus group	Age	Number of participants	Gender
1	14-18	7	M - 3; F - 4
2	18-23	10	M - 5; F - 5
3	23-30	8	M - 3; F - 5
4	30-40	9	M - 5; F - 4
5	40-50	7	M - 4; F - 3
6	50 i više	5	M - 2; F - 3

The opinions, information and suggestions of the participants in the focus groups were transcribed. Content analysis (Wilkinson, 2004) of the transcripts was carried out by disaggregating the data into meaningful and related parts. Results of the analysis are described in the next section.

Research results

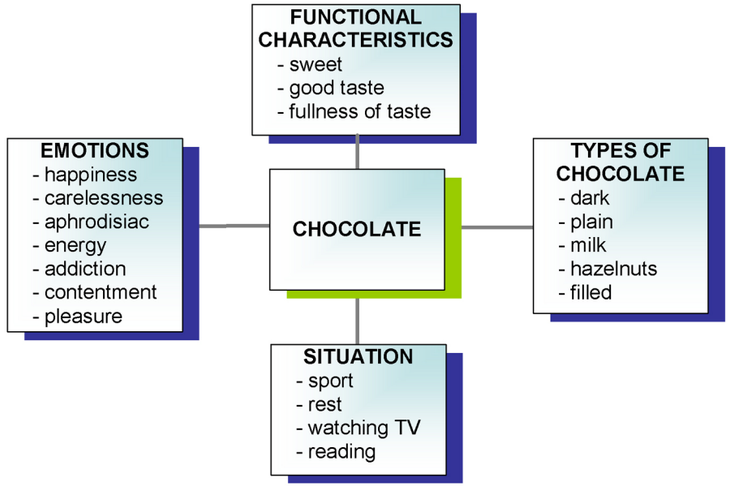
After the general introduction, initial topic in focus groups discussions was perception of chocolate as a product category. Participants listed their associations to chocolate, which were classified into types of chocolate, emotions that chocolate enhances, situations when chocolate is consumed and chocolate's functional characteristics.

As various types of chocolate, participants differentiated dark, plain, milk, hazelnuts, and filled. Emotions that eating chocolate enhanced were happiness, carelessness, aphrodisiac, energy, addiction, contentment and pleasure. Chocolate is usually consumed during sport activities, rest, watching TV and reading. As functional characteristics of chocolate were identified sweetness, good taste and fullness of taste. These findings support the proposition 1, namely, perception of chocolate as a category should be observed through multiple dimensions and this research identified four dimensions. The dimensions of perception of chocolate as a category are shown in Picture 4.

Research results indicate that for most participants chocolate provokes positive emotions that stimulate relaxation. Male participants more often mentioned energetic effects of eating chocolate, while females focused more on its stimulant to relaxation.

Participants use chocolate as a cure to daily negative emotions, such as nervousness, stress, fatigue and tension, because it helps to bring about positive emotions and good vibrations. Emotions before and after consumption of chocolate are shown in Picture 5.

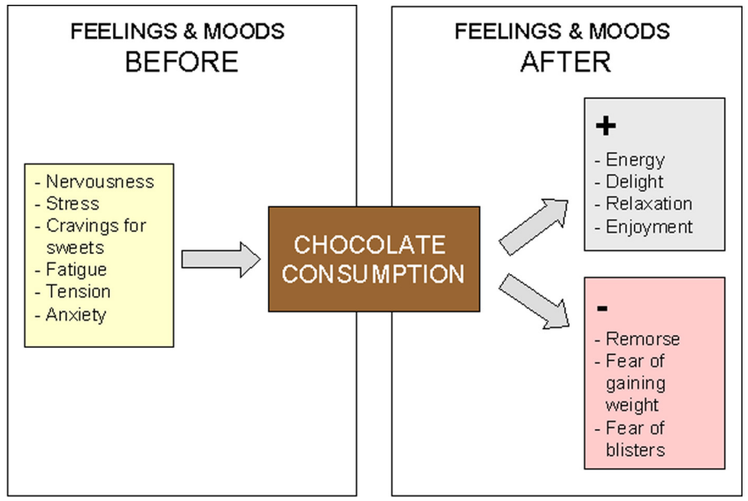
Picture 4. Associations to chocolate



Feelings and moods after chocolate consumption are divided into positive and negative ones. As positive effects, most participants listed energy, delight, relaxation and enjoyment. Negative emotions occur rarely, but those that do occur are remorse, fear of gaining weight and fear of blisters.

In the next segment of research, participants were asked questions about chocolate brands in the Czech market in general, and afterwards, more specific questions about brand Dorina. Czech consumers recognized more than 20 brands that could be grouped into 3 categories, based on participants' comments. Categories are high segment, middle and low segment products. Lindt is a typical example of high segment products and is recognized by all age groups. However, Lindt is a brand primarily intended for high income consumers, who know their chocolate, expect high quality, that is, hedonists and gourmands. Thanks to its image, this brand is suitable for gifts and presentation.

Picture 5. Feelings and moods related to chocolate consumption



Middle segment products are perceived by participants as a bit lower quality and lower taste than high segment products, but of lower price as well. Dependant on their age group, participants used various criteria to describe middle segment brands. Hence, 3 subcategories of middle segment chocolates were identified: higher middle class, middle class and lower middle class. Participants under 23 years found Milka and Figaro to be higher middle class brands, while participants aged 30-40 years found Orion and Dorina best brands in the middle class chocolates. All participants named Milka as the most recognizable middle class brand, but could not point out the most typical brand in this segment. Middle class chocolates are intended for average income consumers, who do not know the chocolate and are happy with the average quality taste. These chocolates are often bought in impulsive purchases, they are distributed through big and large retail formats and their promotion is intensive and well noticed. Target markets include children and young consumers.

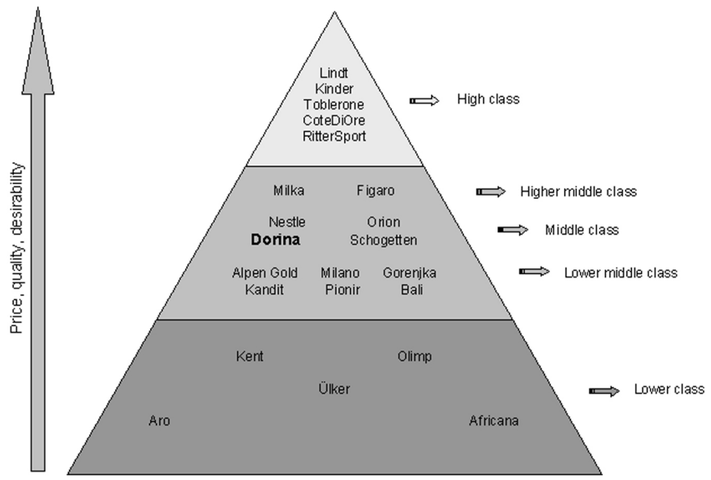
Characteristics of lower class chocolates are bad taste, low quality ingredients with low cocoa share, low market visibility, poor package design and very low prices. Typical segment brands are private brand products, Czech producers' brands and products from Poland, Romania and Turkey. Primary motive to buy such products is price. Target market is low income consumers, which includes children, students and pensioners. Perceived hierarchy of brands in Czech Republic is shown in Picture 6.

According to research participants' perception, 5 brands are in high class segment, 11 brands plus Dorina are in the middle class segment and 5 brands are thought to be in lower class chocolates. This research result supports the proposition 2, that is, Dorina is perceived as a middle class product.

Brand Dorina is fairly new in the Czech market, it has a low distribution index and some of the flavours are not well known amongst consumers. Nevertheless, Dorina is a well known brand amongst younger research participants (30 years and younger), which is a positive result, as this age category is actual Dorina's target market.

Younger participants often equalize Dorina with the manufacturers' name Kraš, good taste and enjoyment. On the other side, older consumers associate Dorina with good chocolate and a female name for chocolate. Next observation is that participants have noticed several types/flavours of Dorina chocolate and a majority has tasted them, too. Younger consumers noticed flavours milk and ice-filling, while the older population noticed chocolate with hazelnuts, chocolate with filling and dark cooking chocolate.

Picture 6. Perception of chocolate brands in the Czech market



Dorina is considered a middle segment chocolate brand, with inclination towards higher middle class. It is a brand with a portfolio of quality and tasty products, well known and from a good manufacturer that is trusted. With this statement, the second proposition is fully confirmed: Dorina is perceived as a middle segment brand, from a trusted producer. In general, younger consumers are more positive about Dorina chocolates, which is a good thing, as they are Dorina's primary target market.

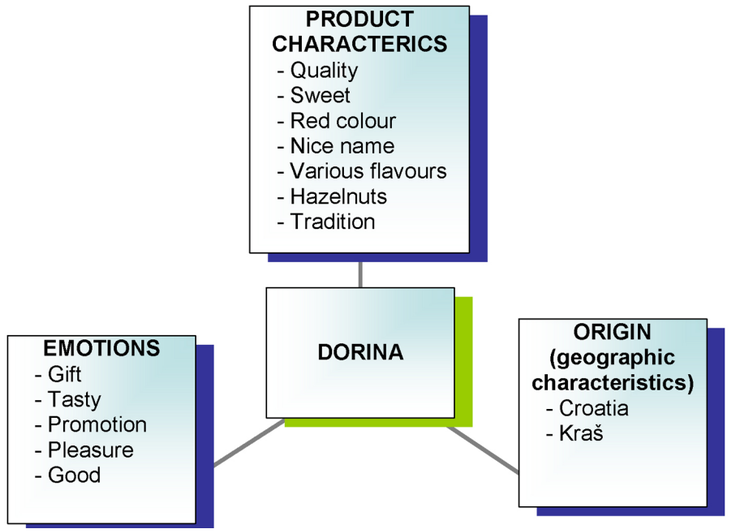
As negative characteristics of brand Dorina, participants named poor packaging, low flavour visibility on the package (all chocolates have very similar design), shallow assortment, that is, small variety of chocolate flavours (at early market presence, only 8 out of 25 flavours were present on the Czech market). Consumers suggest change or improvement of package design. Perception of brand Dorina in the Czech market is shown in Picture 7.

Dorina is in the Czech market marked by consumers as a quality product, worth the trust and buying. However, at the end of focus groups, consumers gave their suggestions to Dorina's manufacturer:

- Stronger promotion and more adds.
- More relaxed and funny promotion messages, they were too serious and old fashioned so far.
- Promotion campaign should be more consistent, elements should be more interrelated.
- More focus on Kraš logo, as it has significant market value and stands for tradition and quality.
- Better coordinate market communication and brand image, increase the recognisability of brand Dorina.
- Focus market communication more on the product itself – chocolate.
- Improve the package design.

These suggestions are in favour of our third proposition and summarized they indicate that Dorina indeed needs to be more visible in the Czech market.

Picture 7. Dorina brand perception in the Czech market



Conclusion

Kraš is the biggest Croatian confectionery manufacturer, but internationalisation made its home market too small and Kraš turned to the region market. In the Czech Republic market, Kraš is present for quite some time, Griotte brand has a 3% of pralines market, but the chocolates held only 1% of the market in 2007.

In order to find out why was that so and how could Kraš improve, we conducted a qualitative primary research. 6 focus groups were conducted so as to obtain more insight into perception of chocolate as a category and perception of Dorina brand in the Czech market.

Focus groups were exploratory in nature and results should be interpreted with caution, keeping in mind the limitations of this qualitative method. So, research results pointed out that chocolate category could be perceived through products' functional characteristics, emotions related to consumption (before and after consumption), types of chocolate and situational factors of consumption. Dorina is perceived as a quality middle segment product from a trusted producer. However, its packaging needs adjustments, assortment should be widened and distribution index increased, as well as the promotion efforts. Finally, all 3 propositions were supported by research findings.

Based on presented results, Kraš could develop a market strategy for the next period in alignment with consumers' needs and wants. Dorina is a valued brand, but its market mix needs enhancement, particularly product packaging and product variety in the Czech market.

Findings on perception of Dorina as a Croatian brand among Czech consumers should be beneficial to Kraš, but to other Croatian food manufacturers too. The integration and globalisation processes encouraged business across borders and increased the competition, which should be used as a positive incentive for manufacturers to be better and enable consumers from the region the wider choice.

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THE INFLUENCE OF PRODUCT DISPLAYS ON CONSUMER BEHAVIOUR IN THE FASHION MARKET

DAMIEN O'REILLY

KATIE DODDY

Introduction

The problem to be examined in this study is which of the four product display types, hanging, rail, folded and mannequin (Kerfoot, et al. 2004) are most likely to increase approach behaviour from the store's target customer. The purpose of this study is to find out the effect each product display can have on consumers' approach or avoidance tendencies and as a result browsing behaviour.

The aim is to determine if certain display types increase customers approach behaviour and as a result their likeliness to browse, therefore, can the retailer customise their product displays to elicit approach behaviour leading to better use of floor space.

The secondary research used covers atmospherics leading down to product display types and approach-avoidance behaviour theory which stems from Mehrabian-Russell's (1974) PAD Model.

The study uses displays as a moderating variable to the reaction of approach behaviour. The focus area in the research is the fashion retail sector.

The Stimulus

Kotler (1973) used the term atmospherics to describe the conscious designing of space to create certain affects on potential and actual users of that service environment; the effort to create an ideal environment which will elicit desired emotional reactions from users, in turn enhancing their satisfaction.

Markin et al., (1976) recognised that the proximate environment that surrounds a shopper is never neutral; the retail store is a bundle of cues, messages and suggestions which communicate to shoppers. Kotler (1973) noted that in some cases the place, or more specifically the atmosphere within it, is more important to consumers' shopping decisions than the product itself. Kotler (1973) suggests spatial aesthetics be used similarly to pricing and advertising in influencing the consumer purchase decisions.

An important aspect noted by Kotler (1973) is the difference between the intended atmospherics and perceived atmospherics. Bitner (1992) highlighted the fact that managers continually plan, build and change an organisation's physical surroundings in an attempt to control its influence on patrons, but often do this without fully understanding the impact of a change on customers. For that reason researchers such as Bitner (1992) and Turley and Milliman (2000) encourage further research in the area of environmental cues.

Kotler (1973) notes the atmosphere is most valuable in situations where the product is purchased or consumed in the atmosphere, and/or, where the retailer has atmospheric design options. Within this article Kotler (1973) states that atmospherics also become more relevant as the number of competitive outlets increases, or competition becomes more fierce; and particularly in industries where the product and/or price differences are small. Finally Kotler (1973) recognises that atmospherics are more relevant as an asset when product entities are aimed at distinct social classes or life-style buyer groups. These factors are often the case in the fashion retail industry.

Kent (2003) remarks visual appearance matters as much as functionality with impulse purchases and when targeting the customers' wants rather then needs.

Hart and Davies (1996) note, with non-food retailing, shoppers may develop a unique

relationship with a stores ambience, the location of the product could encourage greater browsing and product displays may dispose consumers to buy on impulse. Newman and Patel (2003) studied Topshop and The Gap and perceptions of the target markets towards their atmospheres. Their study demonstrated the importance customers place on a fashion stores atmosphere. Newman and Foxall (2004) point out that fashion retailing is a dynamic and competitive industry and those atmospheric elements, particularly the arrangements of stock, fixtures and fittings are the fashion retailers' tools to delight their customers.

In 1995 Berman and Evans divided atmospheric stimuli into four categories, the store's exterior, general interior, layout and design variables and point of purchase as well as decoration variables. It was in this study that visual merchandising was recognised as an influential aspect in atmospherics. Turley and Milliman, in 2000, added the human variable as a fifth category of atmospherics (see Table 1). Turley and Milliman (2000) point out that the category breakdown allows managers to begin to identify and tailor the appropriate atmospheric elements, to communicate a desired image or environment to their target market, and induce the desired result from their shoppers. Turley and Milliman (2000) go on to break down each of the five sections into sub sections. In this chart product displays are recognised within the element of point of purchase and decoration variables.

Visual merchandising is defined by Walters and White (1987) as the activity which coordinates effective product selection with effective product displays.

Lea-Greenwood (1998) notes four major benefits:

1. Communicating a cohesive brand image,
2. Differentiating the offer from competition,
3. Integrating promotional efforts across the brand,
4. Increasing availability of technology to facilitate the process.

Oakley's (1990) literature highlights visual merchandisings use as a differentiating tool which is particularly important in saturated and highly competitive markets.

Kent (2007) remarked that displays should go past the window and onto the shop floor to design a better selling space to target customers. Donellan (1996) remarked that displays increase interactions between customers and products. Hu and Jasper (2006) remarked that shopping has become a leisure activity. Carbone, (1999) recognises that it is important retailers create cues to draw the customer into a more fulfilling experience, especially in time of heightened competition.

Within point of purchase and decoration variables is the subsection of product displays (Turley and Milliman, 2000). Studies have generally found that more prominent displays can significantly influence sales (Curhan, 1974; Chevalier, 1975; Wilkinson, Manson, and Paksoy, 1982; Gagnon and Osterhaus, 1985).

Omar's (1999) classification of interior display types, these being merchandise, point-of-sale and architectural, is widely used. Displays have been the subject for many studies, such work has considered: layout (Levy and Weitz, 1996; Berman and Evans, 1995); fixturing (Levy and Weitz, 1996; Donnellan, 1996); product displays (Davies and Ward, 2002; Kerfoot et al., 2003); presentation techniques (Buchanan et al., 1999); colour (Koelemeijer and Oppewal, 1999), packaging (Bruce and Cooper, 1997; Da Costa, 1995) and architectural (Grossbart, Mittelstaedt, Curtis and Rogers, 1975).

Shari Waters (2008) highlights the fact that an attractive product display can draw customers over, promote a slow moving item, or highlight new stock. Buttle (1984) states that a display must attract a shoppers' attention and that the product shown must be easy to pick up and look as if it is selling well.

Kerfoot, Davies and Ward (2003) studied numerous atmospheric elements in a fashion apparel retail setting. The department store House of Fraser was used with brands within the store being studied, for example Miss Sixty. The researchers found that the atmospheric elements most strongly related to purchase intentions were presentation styles, product displays, path finding and lighting. Kerfoot et al., (2003) found that while the liking of the display does not totally determine a purchase it does make it four times more likely.

In the study by Kerfoot et al., (2003) one of the aspects studied was product displays. Kerfoot et al., (2003) classified four methods for fashion retailers to present their products:

1. Hanging (hanging front-facing),

2. Folding,

3. Rail-based (side rail) and

4. Mannequins

Their research found that hanging was the most attractive form of presentation as everything was visible, outfits could be imagined and it reduced the need to rummage. Folding was seen as neat but difficult to assess and can be seen as too neat thus limits the likeliness to browse. Rails were viewed as irritating as shoppers only saw a sleeve although they were seen as neat and uncluttered. Mannequins received positive responses as it was possible to see the entire outfit and imagine it on. These responses support the previous studies and theories on mannequins by Kotler's (1973), Levy and Weitz (1996), and Moranstein and Strongin (1992) that report that mannequins encourage multiple purchases, and Kerfoot et al., (2003) found that areas without mannequins were viewed negatively.

Orderliness of displays was seen as an attractive feature. Previous literature often encourages order in displays, for example Diamond and Pintel (1997), however, an important distinction between an orderly display and one that is perceived as being complicated or even muddled which is unattractive was made. Berman and Evans (1995) advocate that the retailer should hang the product to ensure neat arrangements but, in the study by Kerfoot et al., (2003), respondents found that rail based displays were unattractive disorganised, confusing and disorderly, which supports the study by Levy and Weitz (1996). Kerfoot et al., (2003) suggest that the preference for the display types and their level of orderliness differs from target markets.

Lea-Greenwood (1997) recognised that there is a difficulty in assessing the area of visual merchandising because it is a perception of creativity and as a result is difficult to test, but that retailers often create their displays based on inadequate information and are weak at researching the area. Lea-Greenwood (1997) stated that visual merchandising has not received as much attention as is needed. While further research has been done in the area of visual merchandising since 1998, the area of product displays still needs more analysis (Kerfoot et al., 2003).

Within atmospherics the use of product displays plays an important role in shaping the service environment and should be examined specifically by management (Kerfoot et al., 2003).

The Response

McGoldrick and Pieros (1998) explored the issue of the social-psychological significance of store space through four hypotheses:

1. Space is an important modifier and shaper of behaviour (Markin et al.,1976) ;

2. The retail store as a proximate environment affects behaviour by a process of stimulation (e.g., customers lower their voices on entering a bank);

3. The retail store affects customers' perceptions, attitudes and images (e.g., Baker et al., 1994; Grewel and Baker 1994; Akhter et al., 1994), customers learn while they perceive;

as a result space utilisation and store design can be deliberately and consciously programmed to create desired customer reaction.

Considering these theories by McGoldrick and Pieros (1998) it is important, as Bitner (1992) states, that the first consideration when designing the atmosphere is to decided what is the desired consumer reaction is (figure 1). The model, designed by Bitner (1992) incorporates the environment, the organism and their possible responses; it also outlines the likely resulting behaviours.

With cognition the environment can create or add to the beliefs about a place, its products and the people in it (Bitner 1992). Bitner (1992) concludes that perception of the service environment and associated positive (negative) cogitations can lead to positive (negative) beliefs and attributions associated with the organisation, its people, and its products. Also the fact that the perception of the environment influences how people categorise the organisation means the environment serves as a differentiation tool (Bitner 1992).

The perceived service area may elicit emotional responses that then influence behaviours. Bitner (1992) highlights that Mehrabian and Russell (1974); Russell and Lanius (1984); Russell and Pratt (1980); and Russell and Snodgrass (1987) conclude that the environment elicits two emotional qualities: pleasure - displeasure and arousal

– non-arousal (i.e. the amount of stimulation or excitement). Bitner (1992) concludes that pleasure increases approach behaviours, and arousal, except when combined with unpleasantness, increases approach behaviours; the perception of greater personal control increases pleasure, complexity increases emotional arousal; compatibility, natural elements and the absence of nuisances enhance pleasure; and finally, perception of the service environment and associated positive (negative) emotions can lead to positive (negative) feelings associated with the organisation, its people and its products.

The Mehrabian and Russell Model (1974) noted that shoppers respond to an atmosphere with one of two responses, approach or avoidance (figure 2). Environmental stimuli are said to affect the emotional states of pleasure, arousal and dominance, which, in turn, affect approach or avoidance behaviours (Baker, Grewal and Levy, 1992).

Mehrabian and Russell (1974) recognised a Stimulus-Organism-Response (S-O-R) paradigm. The model offers a description of intervening variables and resulting behaviours of the stores customers. Spangenberg, Crowley and Henderson (1996) noted that in the retail environment, the S-O-R paradigm can be applied, atmospherics are the stimuli (s) that cause a consumer's evaluation (o) and cause behavioural responses (r) as approach or avoidance behaviour; discussed by Mehrabian and Russell, (1974) and Donovan and Rossiter, (1982). The stimulus factors in the Mehrabian and Russell Model are physical features (e.g. product displays) of the environment. The emotional states generated by the physical environment are pleasure, arousal and dominance, with the resulting reaction of approach or avoidance behaviour (Mehrabian and Russell 1974, Russell and Pratt 1980, Donovan and Rossiter 1982).

The Pleasantness-Unpleasantness dimension in the Mehrabian-Russell Model (1974) relates to the degree to which the consumer feels happy, pleased, satisfied, or content in the environment. The Arousal spectrum from high-low distinguishes between feelings of stimulation, excitement, or hysteria and arousal and relaxation, boredom or sleepiness. The Dominance to Submissiveness spectrum relates to the extent to which a person feels in control, influential, important, and autonomous or on the other hand passive and lacking control (Mehrabian and Russell, 1974).

Pleasantness and Arousal dimensions were very beneficial in describing the atmosphere in an environment, however, the dominance spectrum was not found to have a predictable or significant effect on the respondents, such researchers include Russell and Pratt 1980; Russell et al., 1981; and Ward and Russell 1981.

Mehrabian and Russell (1974) further suggested an interaction between pleasantness and arousal in determining individual approach-avoidance behaviour. In pleasant environments, an increase in arousal was argued to increase approach behaviours, whereas in unpleasant environments, an increase in arousal was suggested to motivate more avoidance behaviours.

Donovan and Rossiter (1982) found a positive relationship between pleasantness and arousal and intentions to remain in the environment and to spend more money in the store. Baker et al., (1992) found an increase in pleasantness and in arousals influence the consumers' intention to buy and the amount of visits. Mattila and Wirtz (2001) found that a combination of pleasantness and arousal leads to increased levels of approach behaviour and as a result impulse purchases. Donovan et al., (1994) reported that in unpleasant settings arousal was associated with what they labelled as 'un'-spending.

Donovan and Rossiter (1982) found that in-store stimulated pleasure was positively associated with consumers' willingness to buy. Store-induced arousal influenced the time spent in a store and willingness to interact with sales assistants. This study made a major contribution to the literature regarding retail environmental effects which established the validity of the relationship between store environments, emotional states, and behaviour intentions (Baker, Grewal and Levy, 1992).

Following Mehrabian and Russell (1974) and Donovan and Rossiter (1982), it was hypothesised that:

- Pleasure experienced within the store would be positively correlated with unplanned time spent in the store and unplanned purchasing;

- Arousal is positively correlated with unplanned time and purchasing in pleasant environments (i.e., for those reporting pleasant experiences), but inversely correlated in unpleasant environments.

- It was further hypothesised that:
- The emotional variables of pleasure and arousal experienced in the store would contribute to extra time spent in the store and unplanned spending independently of the cognitive variables of perceived merchandise quality, variety, specials, and value for money.

(Donovan et al., 1994)

Mehrabian and Russell (1974) noticed that consumers react depending on their preference or lack of preference to an environment from the pleasure-arousal-dominance factors, in approach or avoidance behaviours.

Moye and Giddings (2002) identified that approach behaviours are the reaction showing a consumer's willingness to stay in the environment, often leading to browsing in it, which can also lead to them verbally expressing preference for that environment. Avoidance behaviours are described by Moye and Giddings (2002) as showing a desire to leave an environment, rarely resulting in browsing behaviour.

Donovan and Rossiter (1982) noted that consumers' approach-avoidance behaviours can be related to in-store browsing and repeat shopping frequency, as well as time and money spent in that retail outlet. Turley and Chebat (2002) noted that approach behaviours are in positive responses to an environment, including a desire to explore it and willingness to stay in it for relatively long periods of time. In contrast, avoidance behaviours are associated with negative reactions to an environment, including the desire to leave and not return. Lovelock and Wirtz (2004) state that by looking at the simple cognitive process the tangible cues impacts can be recognised. Lovelock and Wirtz (2004) use the basic theory that pleasant environments result in approach behaviour and unpleasant environments result in avoidance by the customer, arousal levels amplify approach or avoidance behaviour (Lovelock and Wirtz, 2004).

Turley and Chebat (2002) state that a store's environment clearly influences a consumer's desire to undertake what can be called browsing behaviour, that is staying in a retail environment and exploring it. Turley and Chebat (2002) highlight the fact that browsing behaviour is likely to directly impact on both planned shopping and impulse purchasing behaviours. Turley and Chebat (2002) also note that although customers may shop in environments they consider unpleasant and unattractive, research on the subject shows they are more likely to spend less time (Donovan and Rossiter 1982; Bellizzi and Hite 1992; Donovan, Rossiter, Marcoolyn and Nesdale 1994; Hui, Dube and Chebat 1997; Sherman, Mathur and Smith 1997) and money (Donovan and Rossiter 1982; Bellizzi and Hite 1992; Baker, Levy and Grewal 1992; Donovan, Rossiter, Marcoolyn and Nesdale 1994; Sherman, Mathur and Smith 1997) in these stores.

With product displays Kerfoot et al., (2003) found that hanging the items was considered the most attractive presentation technique. This was because the product was readily visible, and it also reduced the need to rummage. It was also noted that the respondents showed preference for hanging because it mad it easier to visualise the outfits and mix and match items available.

Folded items were viewed as neat but the display technique made it difficult to visualise the product and some respondents noted that if the display looked too neat they avoided it. Kerfoot, Davies and Ward (2003) found that in fact a surprising number of respondents said they would not browse if they felt it would disturb the display.

Rails as a form of product display received negative responses, leading to avoidance behaviour. Respondents said that they were irritated by this presentation technique because the customer could only see the sleeve.

Mannequins as a form of product display on the shop floor received a positive response in the study by Kerfoot, Davies and Ward (2003). The interviewees liked mannequins as they were able to see the designs, the entire outfits and were able to imagine what the clothes look like on. These comments did not surprise Kerfoot et al., (2003) as they state that the results support the previous suggestions that mannequins can lead to multiple purchases (Kotler, 1973; Levy and Weitz, 1996; Morganstein and Strongin, 1992). Respondents in the study by Kerfoot, Davies and Ward (2003) also remarked that mannequins were very visual. These positive responses which went as far as to report dissatisfaction with displays not featuring mannequins support why mannequin use has been deemed to stimulate browsing (for example Lea-Greenwood, 1998).

Kerfoot et al., (2003) found orderliness in displays as a positive attribute; this supports the literature on display where orderliness is often perceived as essential (Diamond and Pintel, 1997). However, Kerfoot et al., (2003) did find that there was a level of orderliness where the display elicits approach behaviour and at any other level the display is perceived as being complicated or muddled leading to avoidance. Berman and Evans (1995) found that by hanging garments displayed on rails the retailer presents an uncluttered and neat arrangement, however, in the study by Kerfoot et al., (2003) respondents suggested that such displays were unattractive and disorganised and in fact, as Levy and Weitz (1996) suggested, are seen as confusing and disordered. Kerfoot et al., (2003) conclude with the result that the extent and nature of the orderliness perceived as approachable differs with four various presentation techniques. This suggests that the advice for order in displays in the literature, whilst appropriate, need to be developed to accommodate the differences between display types (Kerfoot, Davies and Ward, 2003).

Moye and Giddings (2002) recommend a simple and easy store layout free of clutter to appeal to the older customers. Moye and Giddings (2002) conclude that it is vital to realise your target markets wants and especially their needs from their surroundings.

A study carried out by Cunningham and O'Connor (1967) showed that in fact consumers did not react to changes in product presentation styles and price changes in the way that management expected, which highlights the fact that management do need to consider these issues more carefully. The results showed that reduced prices did not lead to as great an increase in sales as the more prominent display types did. Bitner (1992) states that management often design their service areas but frequently do this without understanding the impact of those changes on their customers.

In conclusion the store environment impacts in three ways: cognitively, emotionally and physiologically; these responses will result in feelings of pleasure, arousal and dominance at different levels, which will result in approach or avoidance behaviour (Bitner 1992). Approach behaviour increases the consumer's likeliness to browse which will increase the chance of a purchase by four times (Kerfoot et al., 2003). Therefore by creating an environment that can impact positively on in-store behaviour it will cause approach behaviour which will increase the likeliness to browse and therefore to purchase. As Turley and Milliman (2000) highlighted this increase time spent in the retailers store; this will not only increases the likeliness of more sales, but also decreases the time available to the consumer to spend in other stores.

1. Donovan and Rossiter (1982) noted three reasons why it is especially difficult to measure effects of store atmosphere:
2. Such effects are basically emotional states and thus difficult to verbalise,

They are transient and therefore difficult to recall;

1. They influence behaviour within the store, rather than external behaviour such as store choice.

Baker, Grewal and Levy, (1992) note that one of the limitations of the Mehrabian-Russell (1974) model is the lack of a classification system for specific environmental features.

The Industry

The re-emergence of fashion boutiques in Ireland in the late 2000's highlights the increase in popularity for this form of retail. This has opened up more niche markets for the independents to focus on, targeting socio-economic and age groups in many cases. However, with the increase in numbers of smaller boutique stores, competition will increase among them, forcing these retailers in particular to ensure they cover every aspect of their offering.

The industry's rivalry has increased due to the decrease in consumer spending and the increase in the number of outlets. Retailers need to use every aspect available to their advantage.

The analysis highlights the fact that the situational factors Kotler (1973) describes as increasing the importance of atmospherics as a strategic tool are in place in the current Irish retail industry. That is the number of retailers in the market is increasing and consumer spending is decreasing, this is resulting in a considerable increase in rivalry amongst retailers.

The industry analysis also shows that the strategic tool of atmospherics is even more important for boutique retailers; this is de to the fact that they have greater design options and are usually targeting a

particular segment of the market. Boutique retailers are also usually appealing to the consumers' wants and impulse purchases and so the tool is more valuable to them. It is also highlighted that atmospherics can be a differentiating strength for the smaller retailers as they can give the personal touch many larger retailers cannot. Due to the fact that they have this strength it is important that the boutique retailers use it to off set other weaknesses and compete.

Methodology

Malhotra (1999) described qualitative research as unstructured exploratory research aiming to provide insight and understanding into a defined problem area, it seeks new ideas and aims to provide insight and understanding into an area. The most common direct approaches are interviews and focus groups.

Qualitative data takes into account perception, motivation and attitudes (Chinsall, 1991). Malhotra and Birks (2000) stated that qualitative research can be more useful as it allows the interviewer to tap into the interviewee's subconscious and open them up with the use of open ended questions and discussion and this is more likely to give a complete picture. For these reasons it is the most appropriate form of research for this study.

However, it is important to realise that the results from this form of research are subjective because they are not numerical and so cannot stand up to statistical testing (Malhotra and Birks, 2007).

Exploratory research is the form of qualitative research that will be used. Zikmund (2000) describes it as providing information to use in analysing a situation. It is a more flexible form of research and can be used to gain additional insight (Malhotra and Birks 2000). It uses small samples but studies them in detail.

As Kerfoot et al., (2003) note qualitative research is most appropriate for the central topic of visual merchandising, and within that product displays, as it has not been investigated thoroughly and the aims of the research focus on developing an understanding of the stimuli that cause particular responses in the consumer. Kerfoot et al., (2003) state that it is therefore necessary to explore respondents' feelings and views in relation to a particular presentation; as a result a more open approach is needed.

For this study the author will conduct semi-structured interviews with twenty-five respondents. Open ended questions to guide the interview have been designed, (see interviews in the section below), but they will not necessarily be followed, depending on the flow of conversation.

Advantages of interviews:

1. The interview can be tailored depending on the respondent/situation.
2. Both the researcher and respondent can explore questions and negotiate topics.
3. The response rate is higher than to surveys.
4. Misunderstandings can be checked immediately.
5. More than one issue can be covered per interview.
6. Peer group pressure is not an issue.

Disadvantages of interviews:

1. High time and money costs.
2. Potential problems of interview bias from direct contact between researcher and respondent.
3. A need to build up a relationship between the researcher and the respondent.
4. May be difficult to prove validity and truthfulness of information gathered.

(Lang and Heiss, 1991)

Participants in this research are:

- The Retailer

A small boutique in south Co. Dublin was used for the research. It is a popular boutique in the area, selling a range of brands including Save the Queen and Marco O Polo. The boutique's owner describes the store's regular customers as stylish women, typically ranging in age from thirty five and up, who follow fashion and like up-to-date trends.

A boutique retailer was used because atmospherics as a tailored strategic tool is more applicable to

a smaller retailer with a more focused target market.

- Interviewees:

The twenty-five respondents were selected based on a description by the store of their target market, but who have not studied or worked in the retail industry. The interviewees were chosen so that they did not previously have direct contact with the interviewer but who were highly recommended. This deals with issues two, three and four above (Lang and Heiss, 1991).

The Interviews:

In total twenty-five semi-structured interviews were carried out. Each interviewee was met separately, shown all four photographs together to measure approach and browsing preferences, and then each photograph individually.

- The questions covered:
- Liking/disliking of the display types.
- Approach/avoidance tendency.
- Likeliness to browse/search.
- Why the display elicited these responses.
- Identification of what was and was not attractive.
- Reason for wanting to browse.

In order to gather information respondents were asked to rank forms of display based on which they would be most likely to approach, to the least likely, if not avoid; the same was done for browsing behaviour. Respondents were asked to imagine each display at the same distance on entering the store; all other elements remained constant in each photograph therefore responses were based solely on the form of display used. Order of the layout and individual photographs shown varied to ensure that this did not influence the response.

For browsing behaviour in the case of mannequins the respondents were asked if they would be likely to touch and feel the materials, look closely at the details, and check the tags, as browsing like with other forms of display does not apply. The respondents were also asked about their likeliness to seek out the products shown.

A single interviewer carried out the process and each meeting took roughly twenty minutes.

The Photographs:

A professional photographer took photographs of each of the four display types, hanging front facing, folded, rail and mannequin; which were used in the interviews to determine the respondents' preferences. The photographs were used by the respondents to compare and contrast each of the display types and then comment on each display individually.

Photographs of the displays were used because they can eliminate the bias that could be created towards a display due to other atmospheric stimuli. The clothes, lighting, background and hangers stayed constant for each display; therefore none of these aspects influenced the respondents' decision.

By using photographs the human variables were excluded as no people or crowds were featured. External variables were also excluded, as all the photographs were taken inside the shop.

General interior variables were not included in the study, and so in the photographs these factors were excluded where possible or else controlled. P.A. usage, scents, width of isle, and temperature were all not an issue by using photographs. Flooring, colour schemes, wall composition, paint and wall paper and ceiling composition were constant and featured in the photographs at a minimum. The merchandise, cleanliness and lighting were kept constant in each photograph.

Layout and design variables were kept to a minimum by keeping photographs centred on the featured display. By doing this, work station, equipment and cash register placement; waiting areas and rooms, space and design allocation, department locations, traffic flow, racks and cases, waiting cues, furniture and dead areas were all not featured. The grouping of the merchandise is kept consistent in each photograph.

Point of purchase and decoration variables are also excluded bar the area of product displays which is the area being studied. Point of purchase displays, signs and cards, wall decorations, pictures, art work, usage instructions, price displays and teletext were all excluded from the pictures. The hangers used were wooden as were

aspects of the mannequin. The shelves, table and rail displays were all a mixture of iron and glass.

The shop and brand names used were kept from the respondents and any labels on the clothes were covered so that these aspects could not be an influencing factor.

As a result the product displays are the only influencing atmospheric in the respondents choice as they are the only elements in the photographs that change.

Due to the fact that Kerfoot et al., (2003) found that customers felt strongly about a display being messy or too neat, care was given to ensure that the displays were neat but did not look untouched.

The study could also focus on the emotional responses described by Bitner (1992) as cognitive and physiological factors are excluded through the use of photographs.

The photographer did take pictures of a table display for folded displays but the author thought the actual table became too much of a feature and the products looked flat in the print, as a result the shelving display was used.

A3 size photographs were used so the interviewee would get a complete picture of the display in use.

The points Buttle (1984) makes, that it is important the display is located where most people will pass and should be changed frequently to maintain impact, are removed from this study through the use of photographs.

(See photograph 1, 2, 3 and 4)

Miles and Huberman's (1994) data preparation and analysis steps were followed.

1. Data Reduction: Reducing, abstracting and transforming information from the volume of data.
2. Data Display: The information is organised and compressed to show conclusions.
3. Conclusion and Verification: Conclusion is verified depending on the subjectivity of the data collected.

The data for the study was collected through face to face semi-structured interviews where the interviewee was asked their opinion on the different product displays. The interviewee was not given a copy of the photos before the interview in order to be able to record their immediate reaction to the display, as would happen in the retail environment.

Notes taken during the interviews were studied and themes from the interviews were highlighted as part of the thematic analysis that is recommended (Kerfoot et al., 2003). The themes were used to analyse the effects of the product display types on liking, approaching and browsing.

The information was compressed by selecting keywords on each display type and shown as a per cent of people who mentioned the word during the interview. The forms of display were then compared and contrasted for the conclusion.

From the interviews a chart based on the per cent in the ranking of approach and browsing preferences was drawn up. Keywords from interviews were established highlighting the pleasure and arousal levels achieved by each display. The per cent of respondents reporting these emotions was also recorded. The reports of each display, the remarks made, and the per cent applied could therefore be compared and contrasted.

To test the effects of the atmospheric stimuli on consumers' in-store behaviour, a flow chart has been designed incorporating the Service-Scape Model (figure 1) Bitner (1992), The Mehrabian Russell Model (1974) (figure 2), Applying Environmental Aesthetics to Retailing (figure 3) Gilboa and Rafaeli (2003) and The Influence of Retail Atmospherics (figure 4) Turley and Milliman (2000). This model applies directly to the area of study focusing in on product displays, the target market, pleasure and arousal and the resulting approach or avoidance behaviours. The consequences of a positive emotional response are also included. (See figure 5) The findings were applied to figure 5.

Donovan and Rossiter (1982) noted three reasons why it is especially difficult to measure effects of store atmosphere:

- Such effects are basically emotional states and thus difficult to verbalise

By using semi-structured interviews the respondent was given the opportunity to express their opinion. Also many aspects that may cause reservations

were eliminated by using photographs and not conducting the interviews in the store.

- They are transient and therefore difficult to recall;

By using photographs as stimulus material recollection was not needed, respondents could express their opinions at the time.

- They influence behaviour within the store, rather than external behaviour such as store choice

This issue was eliminated by interviewing respondents on their behavioural intentions; therefore, the researcher could record their likely behaviour.

The Results

Bitner (1992) states the first step in designing an atmosphere is to determine what the desired reaction is. The author will be determining the likely reactions by applying the findings (see tables 2, 3, 4, 5, 6 and 7) to the model created, figure 5, The Effects of Atmospheric Stimuli on Consumers' In-Store Behaviour. The elements of pleasure and arousal and the resulting behaviours will be examined. Hypothesise by Donovan et al., (1994) will also be applied to the findings.

By using product displays that the target market finds most attractive the retailer could elicit a positive emotional response as the reaction would be positive to the environment (figure 5). This is supported by the study Bitner (1992). This is assuming no other element of the atmosphere elicits a negative cognition.

The results from this study show clear emotional responses to displays with 40% of respondents using hate to describe folded displays and 52% of respondents using love to describe hanging displays. Clearly hanging displays elicit positive emotional responses resulting in pleasure which, according to the Mehrabian Russell Model (figure 2), is more likely to result in approach behaviour. On the other hand folded displays result in displeasure for almost half respondents, which according the Mehrabian Russell Model encourages avoidance; this can be seen by 20% of respondents stating they would avoid the display.

The fact that 56% of respondents said they liked mannequins, and 88% of respondents like the hanging form of display, because they give them ideas for style and trends, shows these forms of display result in stimulation and/or excitement for customers and so have high levels of arousal as a result, therefore encouraging approach and browsing behaviours.

Physiological remarks made on the display types include feeling uncomfortable moving folded products and fear of knocking over mannequins. These would result in displeasure and so, other things equal, result in the response of avoidance behaviour, again highlighted by the 20% avoidance rate to these displays.

It could be argued that by seeing the hanging display, and as 44% of respondents remarked, the expert outfit put together for them, customers feel more important and so dominant in the environment. On the other hand when the clothes are folded, and the customer does not want to unfold them, it may be because of the sales assistants' effort put into the display and therefore customers feel submissive in the environment and therefore will not approach. However, this is more speculative as the respondents were not studied in the environment and so this suggestion would need much more investigation to clarify.

Donovan and Rossiter (1982) found a positive relationship between pleasantness, arousal and intentions to spend more time and money in that environment; and Baker et al., (1992) found an increase in pleasantness and arousal influenced consumers' intention to buy and return; Mattila and Wirtz (2001) found that a combination of pleasantness and arousal leads to increased approach behaviour resulting in impulse purchases and Donovan et al., (1994) reported that in unpleasant settings arousal was associated with what they labelled as 'un'spending. Based on these findings it is vital that management tailor their displays to be as pleasant for consumers and elicit arousal from them in order to increase time spent in the store and sales,

Donovan et al., (1994) hypothesised that:

- Pleasure experienced within the store would be positively correlated with unplanned time spent in the store and unplanned purchasing;

By using hanging, rail and mannequin displays, while taking into account the comments made

by the target market, the retailer can ensure high levels of pleasure in-store.

- Arousal is positively correlated with unplanned time and purchasing in pleasant environments (i.e., for those reporting pleasant experiences), but inversely correlated in unpleasant environments.

To ensure arousal along with pleasantness the retailer can ensure the products shown on the mannequin are easy to find and can use the hanging form of display taking into account suggestions such as the order of items and space around the display.

- The emotional variables of pleasure and arousal experienced in the store would contribute to extra time spent in the store and unplanned spending independently of the cognitive variables of perceived merchandise quality, variety, specials, and value for money.

Turley and Chebat (2002) state that the stores environmental elements clearly influence in store browsing behaviour. By using the forms of display correctly taking into account criticisms made by the target market the retailer could ensure that this was the case.

The findings shown prove that the hanging and rail based forms of display are favourites with the target market. With no negative remarks and few constructive criticisms, hanging displays achieved the most positive response. Rail displays received criticisms that should be taken into account for the target market, and while mannequins did not receive the praise previous literature such as Lea-greenwood (1998), Kerfoot et al., (2003), Kotler (1973), Levy and Weitz (1996), and Morganstein and Strongin (1992), would suggest, they are liked by the target market and should be used, taking criticisms into account. Pleasure and arousal can be elicited using each of these forms of display and so the retailer would create the ideal shopping environment with their use.

However, folded forms of display create low levels of pleasure resulting in a declared 20% avoidance rate. There was only one case of the display eliciting an arousal response, where the customer was curious, and 40% of respondents emotionally felt strongly about the display using the word “hate” to describe it.

It should be noted that results on the rail form of display in particular were quite different to the similar study carried out by Kerfoot et al., (2003). The different result could be, at least to some extent, due to the different target market studied in each, and so highlights the fact that it is important that the retailer realises its own target markets preferences.

The results can be seen in figures 6 to 9.

Implications

Newman and Foxall (2004) recommend that in order to differentiate themselves fashion retailers should use tools, such as arrangements of stock, to delight customers. As folded displays were not viewed this way by the target market the study recommends it only be used when necessary. The results would imply that retails should aim to use another form of display wherever possible over the folded form, and when necessary use slanted shelving or tables for displays. Management could also consider displaying products that are easier to see from a side angle and to move, therefore touch and browse, such as bags, jewellery and other accessories.

Sheri Waters (2008) states that an effective display can attract a customer and so promote a slow moving item or advertise new stock. As hanging was the most well received form of display retailers should use this method for this purpose. Due to the fact that the majority of interviewees enjoy looking at mannequins retailers should use these to give customers ideas on new trends and to show the latest stock. However, retailers could look at using hanging displays instead of some in-store mannequins because as one quarter of respondents remarked it offers the best of both worlds, mannequin style outfits but with the benefits of being able to brows a rail display.

By using hanging, rail and mannequin displays retailers create a pleasurable environment and in many cases elicit arousal, therefore creating the ideal shopping experience. It is important that retailers take in to account the critique given by respondents to ensure pleasure levels are as high as possible.

It seems important that retailers strike a balance with the display types. As the majority prefers the hanging form the author recommends this form of display be used the most, followed closely by rail

displays. Mannequins should be used to show the latest trends on offer and they could even be limited to use in window displays. Finally, retailers in this market should avoid the use of shelving wherever possible and, when it is a necessity to fold, retailers should use slanted shelving or tables.

By applying these findings practically and rotating stock, an increase in sales is likely and management could control stock levels more efficiently. The store would be able to reduce the number of product options held as satisfaction with the products featured, and as a result sales, would increase. As a result there would be lower levels of discounted stock and write off stock, therefore greater profits. These implications would result in less space being needed in the stock room and so the retailer could expand their selling space.

Conclusion

While Kerfoot et al., (2003) found that their study did not cover the area of visual merchandising and the affective responses adequately and in enough detail, the author believes that by concentrating on the area of product displays and carrying out a qualitative study, it has been shown that the target market has a strong opinion on the different forms of display and that these are not always in line with the beliefs of the stores designer. While the study was for a specific market it highlights the need for every retailer to study what forms of display would be most effective for them.

Turley and Milliman (2000) recommend that the retail environment should be arranged with the particular consumer in mind. Turley and Milliman (2000) note that smaller retailers, who aim at narrow target markets, will be more able to offer a tailored atmosphere.

As Lea-Greenwood (1998) recommends the effective use of displays in a retail fashion context can differentiate a retailer from its competition. Carbone (1999), states that by creating customer cues the retailer will draw the customer in to a more fulfilling shopping experience. This was definitely the case with the respondents reactions to hanging and even rail based displays saying they “love” them and enjoy shopping them.

With the current industry structure it is important for every retailer to use every asset available to them to compete. A major differentiation tool is atmospherics and as Kotler (1973) highlights, even more so with the current economic climate. These results show that the correct use of display to cater for the target market will result in approach and browsing behaviour (Mehrabian and Russell, 1974). While this does not necessarily result in an increase in sales it does make it four times more likely (Kerfoot et al., 2003), and as Turley and Milliman (2000) note it will increase the consumers time spent in the store, which leaves the consumer with less time available to spend in other stores.

Turley and Milliman (2000) stated that more effort is needed to explain, predict and control the consumers’ reaction to atmospheric elements.

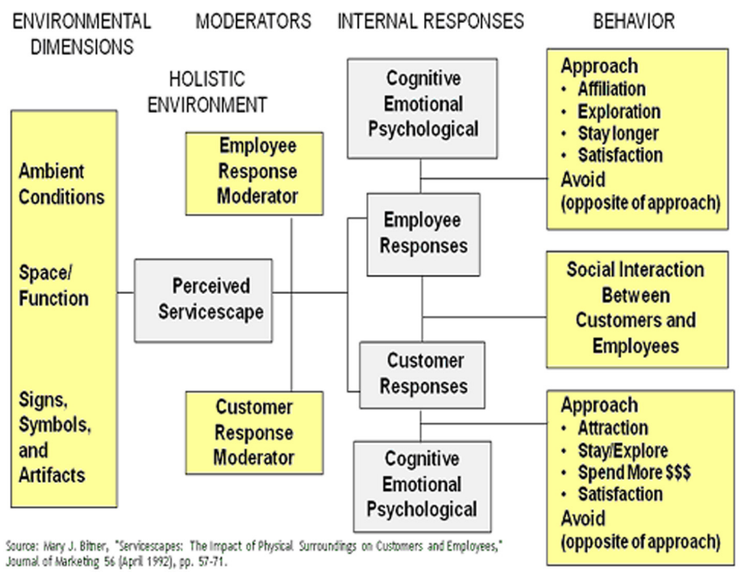
This study attempts to analyse the atmospheric element of product displays in more detail focusing on pleasure and arousal feelings resulting in approach behaviour (Mehrabian-Russell Model, 1974).

Within the area of displays a study on the form of folded displays would be beneficial to a retailer. As respondents often remarked that slanted shelving or tables were a preferred method of display over eye level flat shelving, further inquiry into the different forms of displaying folded products could help influence approach behaviour further.

Also the study focuses in on one section of the fashion retail industry, boutiques, and concentrates on a specific market segment, thirty-five plus age group. It is important to note, as Turley and Milliman (2000) state, an atmospheric element that produces certain responses from one group may elicit entirely different responses from another target market. Gulas and Schewe (1994) found that reactions to environments vary by age and Yalch and Spangenberg (1990) found variation by gender. The author recommends that retailers carry out their own study for their specific area in retail and their market segment in order to appropriately design their selling space.

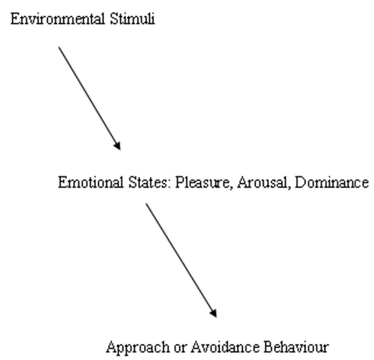
It is important to note that product displays are a subsection of one of the five elements of atmospherics (Turley and Milliman, 2000) and it is crucial that retailers use every element, and their subsections, of atmospherics to the best of their ability to create the ideal selling space.

Figure 1 Bitner's Service-Scape Model



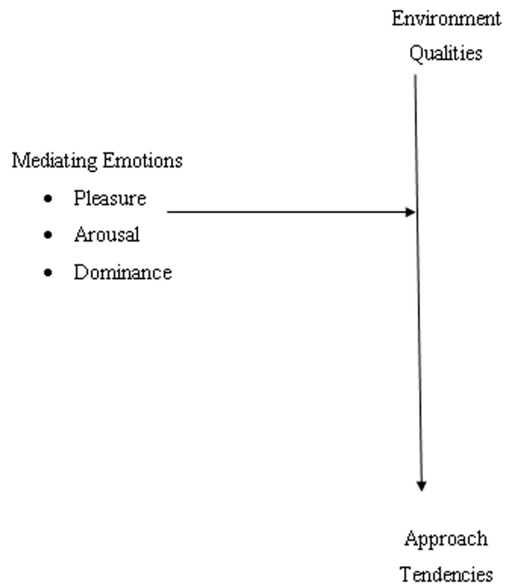
Source: Mary J. Bitner, "Servicescapes: The Impact of Physical Surroundings on Customers and Employees," Journal of Marketing 56 (April 1992), pp. 57-71.

Figure 2 The Mehrabian-Russell Model (1974)



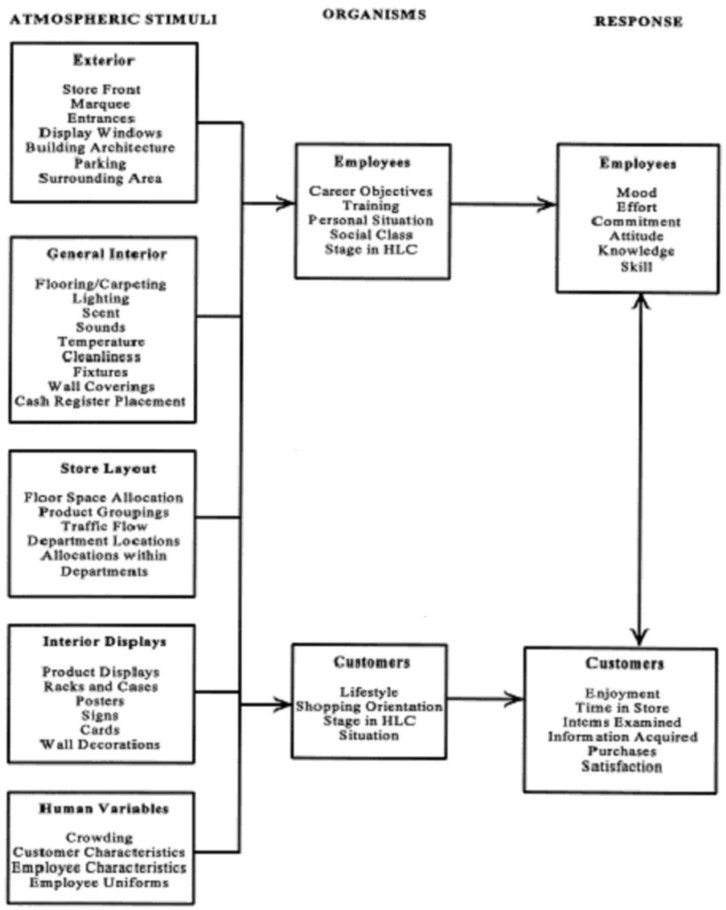
(From McGoldrick and Pieros, 1998)

Figure 2.3 Applying Environmental Aesthetics to Retailing



Gilboa and Rafaeli (2003)

Figure 4 The Influence of Retail Atmospherics



by Turley and Milliman (2000)

CONSUMER TRENDS AND BEHAVIOUR IN VIDEO GAMES. ITALY AND SINGAPORE

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In recent years one of the more rising market in retailing has been the one devoted to the video game, both in hardware and in software. This paper aims to give at the former an overview about the world market of video games, going deeply into the Italian market and into the Singaporean one, hence wants to investigate about the behaviours of consumers of video games, the video gamers, analyzing students aged from 18 to 25 years old belonging to two different universities: the Nanyang Technological University in Singapore and the University of Calabria in Italy. The research is aimed to study the different kind of video-gamers and their behaviour, furthermore it wants to investigate on the ways in which these two cultures put themselves towards such important sector from a retailing point of view. A questionnaire has been developed in order to understand the time and the money spent in video game and the source of information's that players adopt when concerns the acquisition of information about, new games or games remake. The differences between the two cultures are quite important, above all in the time spent by users on playing with console. In Singapore more than the 70% of respondents use console, mainly like Play Station Portable, for 2 hours per day or more and above all during their transportation movements and at home, besides in Italy the majority states that they use to play less than an hour per day, and mainly in a not portable device. For what concerns the global market analysis, taking a look to the sales trends in video game over the last decade, it is evident that the market value has shifted in the direction of video game hardware, this thanks to the cutting edge of prices due to the cyclical nature of video games market and to the price wars between producers in order to keep console sales up and stimulate game sales. The trends gathered from the questionnaire are even proved by the specific market analysis related to the sales of console and of videogames in the two countries. In fact, even if in big growth in Italy, in the recent years, are still far from the one related to the Singaporean market. Another issue analyzed among the questionnaire is related to the new trends that this sector is facing, the trend of the serious game, that is taking place in Europe, in Us and in Asia too. This new category of video games is based on the simulation of reality matters, such as catastrophic events, building construction simulations, and even on learning game to facilitate the process of acquiring knowledge. This trend takes place because the players of today will be the actors of the tomorrow's environment. Hence understanding their behaviour will lead to a better and customized global strategic policy for the video game producers.

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Introduction

In recent years one of the more rising market in retailing is the videogame one, both in hardware and in software. This paper aims to give at the former an overview about the world market of video games, going deeply into the Italian market and into the Singaporean one, hence wants to investigate about the behaviours of consumers of video games, the video gamers, analyzing students aged from 18 to 25 years old belonging to two different universities: the Nanyang Technological University in Singapore and the University of Calabria in Italy. The research is aimed to study the different kind of video-gamers and their behaviour, furthermore it wants to investigate on the ways in which these two cultures put themselves towards such important sector from a retailing point of view. The home video game market emerged in the mid-1970s with the release of "Pong" by Atari that was the first video game machine designed to be connected to a home television set (Cox 2008). Nowadays industry is dominated by the "big-three" oligopolistic firms (Sony, Microsoft and Nintendo), who each offer a competing and incompatible device designed to connect at home television

set and enable the owner to play a range of video games titles via optical disc.

Worldwide, traditional toys and games sales are being displaced by video game sales. The new tech-savvy generation of consumers are comfortable and familiar with digital technology from a young age, bringing the age of video game consumers down. There is now a quicker "weaning" from traditional toys and games, especially among boys. The Video Game World Market

In 2006/2007 the world market growth of 41.15% respect the year before, and of 26.30% in the next year. This period saw the exit of new platforms, like Play Station 3 and X-Box 360, that lead to the price fall of the previous one, like the Play Station 2 and the X-Box, giving to customers the possibility to buy them. Nowadays the market is still dominated by the "big-three", who are still performing several strategies in order to acquire always more market share. One of this strategy is the cutting price: "the increasing war about the cutting prices is taking all consumers worldwide to own a console, furthermore this war is designated to continue, above all now that Sony, one of the leading producers of console decided to rule out cutting the price of Play Station 3 before Christmas 2008, but for the same price will offer more features on its product"(Harding R. 2008).

Videogame and Video-gamers type and behaviours

Rolling and Adams (Rolling and Adams, 2003) state that a game is a form of interactive entertainment where players must overcome challenges, by taking actions that are governed by rules, in order to meet a victory condition.

According to Barr (Barr et al, 2006) video games are an extremely influential form of computer software. Furthermore computer games involve many cognitive abilities. Lynch, as early as 1983, stated that cognitive abilities as attention, concentration, reaction time, visual tracking, memory, hand-eye coordination, mathematical ability represent key components in computer games (Barlett et al 2008). Hence a video game is a game that involves interaction with a user interface to generate visual feedback on a video device. The electronic systems used to play video games are known as platforms; examples of these are personal computers and video game consoles. These platforms are broad in range, from large computers to small handheld devices. The input device normally used to manipulate video games is called game controller, which varies across platforms. Early personal computer based games historically relied on the availability of a keyboard for game-play, or more commonly, required the user to purchase a separate joystick with at least one button to play (Cox 2008). Many modern computer games allow the player to use a keyboard and mouse simultaneously.

Beyond the common element of visual feedback, video games have utilized other systems to provide interaction and information to the player. Chief examples of these are sound reproduction devices, such as speakers and headphones, and an array of haptic peripherals, such as vibration or force feedback and ultimately infrared support and web cameras to permit an immersive the interaction through the human and the system.

Games and play become something worth studying academically due to their commercial importance, their cultural importance and their application on non-play or serious domains (Zaphiris & Ang 2007). Some areas of game studies are: Theoretical issues – the study of games as a system including narratives or interactive stories, rules and simulation, semiotic system and formal models -, Methodological issues – methodologies in design and evaluation which are most closely related with Human Computer Interaction. It explores various evaluation methods such as player-centred design, player (user) testing, usability and playability -, Technical aspects – it is the traditional computer science research involving algorithm and artificial intelligence, mathematical solutions for graphics and visualization, technicality on video/audio/network -, Social Cultural aspects – these studies are gaining much popularity due to the emergence of Massively Multiplayer Online Role Playing Games (MMORPG) in which player-player interaction plays a very important role. Video games are being used in always more and more areas; they are emerging as an increasingly popular instructional tool in education (Lacasa et al 2008, Orvis et al 2008), industry and military (Burgos, Tattersall & Koper 2007) and furthermore has been proved that knowledge acquisition and transfer of the skills learned in the game to the real-world tasks is very efficient (Gopler, Weil & Bracket 1994). According to a research done by de Aguilera and Mendiz (de Aguilera & Mendiz 2003) the majority of the studies conducted

on videogames share the view that the use of videogames can be instrumental in acquiring abilities and skills like: spatial perception and recognition, development of visual discernment and separation of visual attention, development of inductive logic, cognitive development in scientific/ technical aspects, development of complex skills, spatial representation, inductive discovery, iconic code construction and gender construction (de Aguilera & Mendiz, 2003). Even from a Human Computer Interaction there is an increasing interest in approaching game studies, according to Barr (Barr, Noble & Biddle 2007) the majority of HCI literature on video games does explicitily focus on how games are different from the traditional domains of HCI.

The Italian Market

During 2008 the video game market in Italy grew of the 27,7%, the sector accounted for €1.3 billion, of which hardware accounted for 50.2% while software accounted for the remaining 49.8%. The Italian retail sector is highly fragmented: retailers that do not belong to large chains sell more than 50% of videogame. The leader in video game hardware in 2007 is still Sony thanks to the launch of the Play Station 3, even if it lost 1% of market share because of Nintendo affirmation of Wii and Nintendo DS. From the software side the subsector is dominated by the Digital Bros Spa, as a distributor and as a co-publisher, which adapts videogames to the Italian culture, language and market, manages advertising campaigns and Public Relations activities, and organizes events. In 2007 the sales of hardware and software rise up due to the launch of the new consoles done by Sony with its Play Station 3 and by Nintendo with its Wii and DS. Furthermore the sector has been helped by the new target of producers, that if before focusing on young people now they target families, adult and middle-aged, with brain training and languages courses games. In 2008 the faster growing sector was video game hardware increasing the sales of 38.4% from their 2007 level. This was due even to the success of the portable consoles, such as Play Station Portable and Nintendo DS. Even the software sector grow up of 27.7% from its 2007 level due to the demographic and technological factors, in fact the growing population becoming video gamers include an always increasing percentage of females. Despite the double digit percentage of sales related to the software subsector, sales would be higher in the absence of counterfeit software, that is why piracy is a big problem for the Italian video game market, since sharing games is considered a social behaviour that saves money. The leading and distribution channel for the video game purchase is the leisure and personal goods retailers with a market share of the 29%. After all the Italian videogame market is still underdeveloped, in fact penetration console is only the 6.9% of the total population and spending on console and videogames is only the 0.044% of the Gross Development Product, values that result to be lowest among North America and West European countries.

The Singaporean Market

The video game hardware in Singapore grew by 61.5% to become the leading subsector. Beside Italian market where the leading console is the Play Station 3, in Singapore the Nintendo Wii become the surprise winner capturing the 26.3% of the entire video games sector, signing an unexpected result even if launched in May 2007 against the PS3 launched in March 2007. But this trend is not forecasted to continue because, due to the fact that the leading position for console is directly proportioned to its game library, Sony is expected to put on the market games that will show the full console potential by the end of 2009. Instead, for what is concerning the handheld game console market, Sony is still the leader with its Play Station Portable, that, beside the rest of the world, is more affirmed that the Nintendo DS; this is due to its games library that allows many PS2 games to be played on it. Furthermore, Sony will be helped in gaining back its 2007 loss from another major development in January 2008, when Sony's Blue-Ray disk became the industry standard for high-definition content. The availability of high-end video games that make full use of the new video game consoles is the single most important factor affecting purchasing decision in the videogame subsector, this to confirm what stated above. The leisure and personal goods with the 15,9% of sales represent the most important channel in this subsector.

The case analysis of Italy and Singapore:

To compare the two countries a correlation index has been defined. This index has been calculated dividing the Singaporean population for the Italian population, in order to get their relation; hence

when the different value will be compared the Italian one will be divided by this index in order to have an accurate comparison. According to the website www.indexmundi.com the Italian inhabitants in 2008 are 58.1455.321 while the Singaporeans are 4.608.167; hence the relation index will be given by the division between Singaporeans and Italians, and it is equal to the percentage of 7.925. It means that the number of Singaporeans inhabitants is equal to the 7.925% of the Italians one. In order to be compared all Italian values will be divided by this index and then linked to the Singaporean one. All values will be shown in Euro, and the change rate used has been taken from the website www.xe.com that states 1S$ equal to 0.515703€. The following table is showing the sales of Video Game by subsectors, video game hardware and video game software from the 2004 to the 2008 (all values are in Millions of Euro):

Table 2: Personal elaboration of market values from 2004 to 2008

	2004		2005		2006		2007		2008	
	ITA	SG	ITA	SG	ITA	SG	ITA	SG	ITA	SG
VG HARDWARE	€ 33.60	€ 19.65	€ 31.94	€ 24.96	€ 33.70	€ 27.18	€ 60.64	€ 43.89	€ 83.92	€ 61.42
VG SOFTWARE	€ 45.11	€ 16.24	€ 53.21	€ 21.14	€ 59.91	€ 23.67	€ 70.36	€ 27.90	€ 83.31	€ 36.31
VIDEO GAMES	€ 78.71	€ 35.89	€ 85.15	€ 46.10	€ 93.62	€ 50.85	€ 131.00	€ 71.79	€ 167.23	€ 97.73

For a better comparison of the two market, the annual growth percentage has been calculated and showed in the following table:

Table 3: Growth percentage from 2004 to 2008 in Italy and Singapore

Geography	2004/2005	2005/2006	2006/2007	2007/2008
WORLD	10.73%	17.08%	41.15%	26.30%
SINGAPORE	28.32%	10.51%	41.04%	36.15%
ITALY	8.18%	9.94%	39.94%	27.65%

It is visible that the Singaporean market is quite more rising than the Italian one; this is even due to the fact that in Singapore there is a strong government support for developing and raising the profile of videogames development. In fact the government regards the subsector as a part of the media industry in its media development plans. The Singaporean Media Development Authority (MDA) introduced of a new games classification system in early 2008 as part of its ongoing plans for expanding the scope of socially acceptable media in Singapore.

The research methodology

To understand the basilar differences between Singaporean and Italian video-gamers, a questionnaire has been submitted to 100 people in each of the two countries. Hence a quantitative research has been chosen to gather statistics data and questionnaires have been structured in order to understand the habits video-gamers have regarding the time spent and the place where to play, the amount of money dedicated to the video games purchase, the source where they gather information on the new products of the videogame market, and finally their knowledge about the ultimate trends Europe, US and Asia are facing towards the production of the so called "Serious Game". Before submitting the questionnaire the interviewed were asked if they were familiar with videogames, hence to their positive answer they were compatible with the fulfilling of questionnaires. All interviewed people were chosen of an age between 18 and 25 years old, male and female, in the course of their studies; in Singapore all of them belong to the School of Computer Science

of Nanyang Technological University, while in Italy they belong to the Faculty of Engineering of the University of Calabria. Because this work didn't aim to understand their attitudes, but their habits, no Likert's scale has been used, but simple and closed questions in order to understand basic behaviours that would be helpful for future production strategies for video game developments.

Results analysis

The interviewed two hundred people belong to Nanyang Technological University in Singapore, and precisely to the School of Computer Science, and to the University of Calabria in Italy, Faculty of Management Engineering; before giving them the questionnaire all where asked if familiar with videogame, this in order to have a direct interviewed subject on video-gamers. The Singaporean students interviewed were 100, where the 73% male and the 27% female, while in Italy on 100 interviewed the 80% was male and the remaining 20% female. From the data Singaporeans seem to be more addicted to videogames, in fact for what concerns the console owned (including the PC or MAC if used as a video game medium) the 47% in Singapore owns 3 consoles while in Italy only the 25% owns the same number of console, the 43% of Italians interviewed subjects owns 2 consoles against the 35% of Singaporeans, 1 console is owned by 16 Singaporeans on 100 and by 29 Italians on 100. But more interesting is the results related to the time spent and the place where to play: the 70% of Singaporeans spend 2 hours playing per day, while the 69% of Italians plays 1 hour or less per day and only the 27% plays for 2 hours; during the week the 66% of Singaporeans plays for more than 12 hours while the 32% of Italians from 4 to 8 hours, only the 27% from 8 to 12 hours and the 26% from 1 to 4 hours. Regarding the place where to play, the 58% of Singaporeans use to play inside bus or metro, during their route to University and back, and the remaining 42% in their own place, the majority of Italians, the 86% prefer to play home and the 10% of them use to play at friend's place, thing that none of the Singaporeans answered. For what concerns the money spent on Videogame both Singaporeans, the 83%, and Italians, 94%, use to spend less the €50 per month, and only the 17% of Singaporeans stated to spend between €50 and €75 per month. The main source of information in both countries is Internet: the 84% of Singaporeans stated it, while the 13% retrieve information from magazines; the 63% of Italians get news from the web, while the 19% use to gather information from friends, things that only the 1% of Singaporeans stated. The videogame category preferred from the 50% of Singaporeans is Adventure, the 37% of them likes the shooting war games, while the remaining percentage are 5% for Sports and 8% Strategy; in Italy things are different, in fact the 38% prefers to play Sport games, the 29% Adventure games, the 26% shooting all games and the remaining 7% strategy games.

Conclusions and future works

Moreover the different regions behave similarly, except for few characteristics related to cultural issues, Italians seems to be more social oriented, in fact they like to play at friend's place while none of the Singaporean choose this preference, furthermore even one of the information source of Italians has been chosen to be for the 19% friends against the only the 1% of Singaporeans. Another issue that states this founding is the preferred category of gaming: for Italians it is Sport, a social activity, while for Singaporeans it is Adventure and shooting war, more individual games. The time spent to play unified with the place where to play underlines this behaviour too. In fact the 70% of Singaporeans use to play for 2 hours while the 69% of Italians for 1 hour per day, and the 66% of the Singaporeans use to play for more than 12 hours per week, while in Italy the 32% plays for 4 to 8 hours per week; furthermore the place where to play for Asians is inside means of transport, 58%, and their own place, 42%, while Italians play for the 86% in their own place and for the 10% in friend's place. After the aim to study the different behaviour between the two cultures analyzed the research wanted to investigate on the level of knowledge of people related to the serious-game, this new trend that the world is facing. Zyda (Zyda 2005) defines serious game beginning from the definition of game, then videogame and after serious game: a game is a physical or mental contest, played according to specific rules, with the goal of amusing or rewarding the participant; a video game is "a mental contest, played with a computer according to certain ruled for amusement, or winning a stake", a serious game is "a mental contest, played with a computer in accordance with specific rules that uses entertainment to further government or corporate training, education, health, public policy, and strategic communication objectives". In 2002 there has been a Serious Game Initiative, launched

by the Woodrow Wilson International Center for Scholars in Washington D.C., where games where made for non-entertainment purposes. Other research centre as the Evolutionary System Group at the University of Calabria use them as a tool to preserve and promote the cultural heritage (Bertacchini & Feraco 2008). The area of application of the serious games is huge, the following picture give a broad map of it.

Future works will be aimed to go in deep inside the serious games, and focused on understanding how consumers rely with them in order to develop a general behavioural model for Italian consumers of this product, to achieve this task a larger part of Italian population will be investigated.

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A STUDY ON GLOBAL CONSCIOUSNESS AND FASHION INTEREST AFFECTING FASHION STYLE PREFERENCE

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Abstract

Nowadays consumers not only consume the products of their own countries, but also purchase and use the products of many other countries in everyday life. The levels of consumers' global consciousness appear to be influenced by their personal factors. And it is expected that a part of one's taste can be determined by the global consciousness. Especially, fashion is the area where traditional elements and globalized (whether, westernized) elements meet and therefore, the preference for fashion style will be differentiated according to global consciousness. The purpose of this study is to identify the influence of global consciousness on style preference. Since fashion interests are generally considered as one of essential factors which determine fashion style preference, this study intended to observe the relationship between global consciousness and fashion interest, and to identify the influence of fashion interest on style preference. Empirical data were collected by self-administered questionnaires distributed to 178 respondents at three universities and two high schools during August and September 2005. A measurement, including one preference variable and 23 image adjectives to evaluate eight fashion stimuli (Style A to H), and five global conscious statements and six fashion interest statements, was developed. Seven-point Likert-type scale was applied. Data were analyzed by descriptive statistics, correlations, and ANOVA. The mean scores of global consciousness and fashion interest were 5.26 and 4.04, respectively. And the correlation between global consciousness and fashion interest was positively significant. The respondents were divided on the basis of the scores of global consciousness and fashion interest. By deleting medium group, high and low groups in global consciousness, and high and low groups in fashion interest were determined. The results showed that people with high fashion interest liked feminine, decorative and unique image styles. In addition, even though the significant difference was not great, it was possible to conclude that high global conscious group accepted exotic images more willingly. As globalization proceeds, more researches concerning consumers' global consciousness are expected.

Key words: global consciousness, fashion interest, style preference

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Introduction

Thanks to the development of transportation and communication, people freely move across the borders and extend their interests over to foreign countries. Nowadays consumers not only consume the products of their own countries, but also purchase and use the products of many other countries in everyday life. Yang (2004) argued that the product preference could be driven from cultural meaning suitable to global segmentations in today's global market.

The levels of consumers' global consciousness appear to be influenced by their personal factors. And it is expected that a part of one's taste can be determined by the global consciousness. Taste can be regarded as a phenomenon or a living mode related to complexity of physical and mental aspects of any person (Lee, 1995). Especially, fashion is the area where traditional elements and globalized (whether, westernized) elements meet and therefore, the preference for fashion

style will be differentiated according to global consciousness.

It is difficult to find any research paper concerning global consciousness, even though some articles on globalization have given a certain insight. The world society is in the process of globalization while world citizens are developing their global consciousness. Therefore, the concept of global consciousness is worth to be studied in depth from various aspects.

The purpose of this study is to identify the influence of global consciousness on style preference. Since fashion interests are generally considered as one of essential factors which determine fashion style preference, this study intended to observe the relationship between global consciousness and fashion interest, and to identify the influence of fashion interest on style preference.

Previous Researches

Global Consciousness

Robertson regarded the concept of globalization as human interconnections that assumed global proportions and transformed themselves; and part and parcel of the eternal human quest for security and well-being (Flanders, 2004). And he suggested three waves of globalization. The first one was about 1500. The discoveries and conquests triggered trade. The second one is the growth of industrialization and its spread through trade. And the third one is current period after the Second World War. After the third wave of globalization, global consciousness was spread to world citizens. Even though there are some argument on the positive aspects and negative aspects of globalization (Yoon and Chung, 2008), today the wave of globalization is a main stream. There have been some researches on global market segmentation (Aurifeille et al., 2002) and global branding (Chung and Kim, 2008), it is hard to find researches related to global consciousness, a factor concerning consumers' psychology.

Fashion Interest

Fashion interest has been studied as a sub-dimension of other fashion-related variables such as fashion involvement and/or fashion attitude, rather than as an independent conception (Kim, S, 2005). And it has been characterized as one important element of fashion leadership. Generally, it is accepted that fashion leaders have high fashion interest (Ree and Rhee, 1989; Gutman and Mills, 1982). Compared to fashion involvement, fashion interest could be determined as a kind of tendency to like fashion-related subjects and/or objects. Instead, fashion involvement can be considered as continuous and strong empathy with fashion. Kim (2005) studied fashion interest as an element determining clothing shopping orientation and clothing purchasing behavior.

Research Methods

Measurements

A measurement, including one preference variable and 23 image adjectives to evaluate eight fashion stimuli (Style A to H), and five global conscious statements and six fashion interest statements, was developed. 23 image words included 16 clothing image adjectives borrowed from Chung and Rhee (1992), three exotic-related adjectives which have been expected to have some relationship with global consciousness, and four continental images (European, Asian, American, African). Seven-point Likert-type scale was applied (1= strongly disagree, 4 = neutral, 7 = strongly agree) to evaluate each images. Eight fashion stimuli were selected among fashion collection books from 2002 S/S to 2005 F/W. The stimuli were controlled in terms of the model's face, the posture, and the background. These stimuli were presented in Figure 1. Five statements to measure the global consciousness were developed by the authors. Fashion interest variable was consisted of six items considering the previous researches (Chae, 1992; Chung et al., 2005; Kim, 1996; Kim, 2000; Kim, 2003).

Data Collection and Analysis

Empirical data were collected by self-administered questionnaires distributed to 178 respondents at three universities and two high schools during August and September 2005. Male subjects were 68 (38.2%) and female subjects were 110 (61.8%). Data were analyzed by descriptive statistics, correlations, and ANOVA using SPSSWIN 10.1.3.

Results and Discussions

Descriptive Statistics for Global Consciousness and Fashion Interest

The mean scores of global consciousness and fashion interest were 5.26 (SD = 1.000) and 4.04 (SD = 1.384), respectively. About 90 % of respondents exceed the medium value (score 4) in their global consciousness score. Therefore, it would be reasonable to remark that the global consciousness was high and homogeneous in general. However, the fashion interest of the respondents was dispersed. The correlation between global consciousness and fashion interest was significant ($r = 0.511$, $p = 0.000$). As the global consciousness of the respondents increased, the fashion interest of them increased, too.

Groups by Global Consciousness and Fashion Interest

The respondents were divided on the basis of the split points of the scores of global consciousness and fashion interest. By deleting medium group, low groups (n = 71) and high groups (n = 67) in global consciousness, and low (n = 65) and high (n= 61) groups in fashion interest were determined. The score range of low global conscious group was from 1.20 to 5.00, and that of high global conscious group was from 5.80 to 7.00. The score range of low fashion interest group was from 1.00 to 3.65, and that of high fashion interest group was from 4.83 to 7.00.

Difference of Style Preference by High and Low Groups

One-way ANOVA was performed to investigate the style preference according to the global consciousness and the fashion interest. As showed in Table 1, style H was significantly preferred more by high global conscious group than low global conscious group. Image evaluations for eight styles were presented in Table 3. Style H was scored high in feminine, dressy, romantic, graceful, and exotic images.

In Table 2, difference of style preference by high and low fashion interest groups was showed. Style A was not preferred by both low and high fashion interest groups, but high fashion interest group disliked this style more. In terms of image evaluation (Table 3), style A was considered as having active, mannish, modern, youthful, simple, and urbane images.

Style B, D, F were preferred by high fashion interest group, but not preferred by low fashion interest group. Style B was evaluated as Oriental, Asian, unique, decorative, and feminine images. The scores of style D were high in feminine, unique, European, exotic, decorative, and dressy images, and those of style F were high in feminine, Oriental, Asian, fashionable, unique, and urbane images.

Considering the results on the style preference, the influence of the global consciousness was weak. Only one style among eight styles was evaluated differently in the preference of respondents divided into low and high gorups. In this case, however, the preference of exotic image by high global conscious group was identified.

In the meantime, fashion interest was considered as effective variable determining style preference. There were some meaningful trends identifying high fashion interest group and low fashion interest group. Feminine, decorative and unique images were sought more by high fashion interest group than low fashion interest group.

Conclusion

The purpose of this study was to investigate the influence of global consciousness and fashion interest on style preference. The results showed that the global consciousness of the respondents was high and homogeneous in general, but the fashion interest of them was relatively dispersed. The correlation between global consciousness and fashion interest was significantly positive.

Style preference was investigated in terms of global consciousness and fashion interest. The scores of preference on eight stimuli were compared between low and high groups according to two variables, respectively. The results showed that people with high fashion interest liked feminine, decorative and unique image styles. In addition, even though the significant difference was not great, it was possible to conclude that high global consciousness group accepted exotic images more willingly.

This study has somewhat exploratory characteristic. One's style preference, a kind of taste, was expected to be determined by his/her global consciousness. But, the results showed a little actual tendency regarding this expectation. The measurement, which is not elaborately developed, could be one reason of this. The limitation of the style stimuli could be another one. Other product items, instead of fashion, may draw strong style preference difference according to global consciousness.

There has been little research paper concerning global consciousness. As globalization proceeds, more researches concerning consumers' global consciousness are expected. In the future, various attitude and behavior variables should be investigated in the aspects of global consciousness.

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Table 1. The difference of style preference by high & low global conscious groups

	Low Group (n = 71)		High Group (n = 67)		Total (N = 138)		One-way ANOVA	
	M	SD	M	SD	M	SD	F-ratio	Prob.
Style A	3.32	1.763	3.55	2.002	3.43	1.879	0.507	.478
Style B	3.24	1.953	3.73	1.822	3.48	1.900	2.334	.129
Style C	3.48	1.664	3.79	1.714	3.63	1.689	1.146	.286
Style D	3.76	1.960	3.70	1.818	3.73	1.886	0.034	.855
Style E	4.58	1.687	4.69	1.635	4.63	1.657	0.149	.701
Style F	3.89	1.761	4.09	1.787	3.99	1.770	0.451	.503
Style G	4.63	1.783	4.55	1.717	4.59	1.745	0.075	.785
Style H	4.07	1.930	4.81	1.786	4.43	1.891	**5.384**	**.022**

Table 2. The difference of style preference by high & low fashion interest groups

	Low Group (n = 65)		High Group (n = 61)		Total (n = 126)		One-way ANOVA	
	M	SD	M	SD	M	SD	F-ratio	Prob.
Style A	3.88	1.807	2.80	1.787	3.36	1.870	**11.227**	**.001**
Style B	2.63	1.453	4.20	1.869	3.39	1.837	**27.753**	**.000**
Style C	3.72	1.768	3.37	1.727	3.55	1.750	1.256	.265
Style D	3.40	1.835	4.18	1.937	3.78	1.918	**5.392**	**.022**
Style E	4.38	1.868	4.70	1.595	4.54	1.742	1.064	.304
Style F	3.46	1.768	4.13	1.662	3.78	1.744	**4.770**	**.031**
Style G	4.62	1.683	4.39	1.891	4.51	1.783	0.485	.487
Style H	4.18	1.878	4.43	1.802	4.30	1.839	.541	.463

Table 3. Image evaluations for eight styles (N = 178)

Style / Image	Style A		Style B		Style C		Style D	
	M	SD	M	SD	M	SD	M	SD
Feminine	2.53	1.410	5.00	1.511	6.03	1.065	5.97	1.038
Mannish	5.41	1.392	2.56	1.587	1.45	0.804	1.50	0.942
Simple	5.11	1.482	2.84	1.292	3.75	1.425	2.25	1.433
Decorative	2.38	1.125	5.11	1.438	4.17	1.467	5.58	1.405
Pastoral	2.52	1.315	3.49	1.686	2.84	1.393	3.54	1.812
Urbane	5.06	1.339	4.06	1.543	5.23	1.290	4.11	1.606
Graceful	3.10	1.377	4.39	1.399	4.28	1.344	3.76	1.581
Modern	5.33	1.218	3.88	1.529	4.75	1.400	3.77	1.540
Unattractive	3.16	1.521	3.35	1.567	3.38	1.616	3.71	1.801
Active	5.55	1.492	3.96	1.620	3.97	1.404	3.75	1.679
Dressy	2.65	1.564	3.97	1.400	4.62	1.235	5.47	1.391
Youthful	5.13	1.465	3.20	1.324	4.90	1.550	4.75	1.564
Romantic	2.37	1.261	3.38	1.529	3.93	1.436	4.27	1.649
Unique	3.55	1.454	5.38	1.239	4.25	1.300	5.96	1.152
Fashionable	3.97	1.456	4.88	1.415	5.04	1.354	5.28	1.580
Exotic	4.18	1.431	3.81	1.951	4.60	1.444	5.60	1.346
Oriental	3.12	1.464	5.79	1.261	3.07	1.386	2.46	1.446
Primitive	2.17	1.159	2.84	1.491	2.20	1.254	2.43	1.397
Ethnic	2.31	1.377	4.61	1.896	2.39	1.272	3.88	2.059
European	3.69	1.685	2.33	1.355	4.10	1.686	5.68	1.436
Asian	3.12	1.439	5.53	1.458	3.04	1.408	2.46	1.366
American	3.94	1.608	2.22	1.294	4.09	1.725	3.80	1.899
African	2.06	1.152	2.05	1.337	2.27	1.444	2.05	1.362

Table 3. Image evaluations for eight styles (N = 178) (cont.)

Style / Image	Style E		Style F		Style G		Style H	
	M	SD	M	SD	M	SD	M	SD
Feminine	6.33	0.868	6.16	0.944	5.42	1.261	6.46	0.933
Mannish	1.26	0.623	1.49	0.897	2.15	1.294	1.26	0.745
Simple	5.28	1.469	3.26	1.478	5.33	1.287	3.89	1.459
Decorative	2.70	1.354	4.63	1.517	2.21	1.123	4.46	1.442
Pastoral	2.18	1.328	2.58	1.448	2.78	1.652	3.19	1.804
Urbane	5.37	1.187	5.03	1.293	5.03	1.373	4.33	1.456
Graceful	4.50	1.466	4.17	1.479	3.17	1.436	5.19	1.409
Modern	5.23	1.314	4.29	1.572	5.25	1.216	4.04	1.421
Unattractive	2.40	1.407	3.40	1.585	2.95	1.530	2.80	1.366
Active	3.13	1.609	3.52	1.523	5.82	1.203	2.81	1.342
Dressy	5.61	1.175	4.85	1.254	2.67	1.486	5.83	1.181
Youthful	5.43	1.279	4.89	1.394	5.28	1.433	4.65	1.534
Romantic	4.73	1.528	3.63	1.561	2.78	1.346	5.25	1.360
Unique	3.50	1.431	5.10	1.423	2.53	1.298	4.05	1.474
Fashionable	4.75	1.317	5.24	1.227	3.63	1.401	4.65	1.321
Exotic	5.26	1.451	4.03	2.001	4.10	1.477	5.06	1.425
Oriental	2.56	1.365	5.79	1.430	3.08	1.323	3.43	1.687
Primitive	2.30	1.452	2.35	1.308	1.96	1.054	3.02	1.711
Ethnic	2.11	1.191	4.37	2.010	2.01	1.174	3.61	1.702
European	4.78	1.685	2.29	1.416	3.80	1.777	4.94	1.417
Asian	2.48	1.333	5.69	1.495	3.03	1.442	3.10	1.415
American	4.89	1.709	2.21	1.336	4.28	1.647	4.04	1.631
African	2.08	1.312	1.85	1.065	1.85	1.092	2.89	1.715

Figure 1. Eight fashion stimuli

THE ROLE OF CONSUMER KNOWLEDGE IN RELATIONSHIP MARKETING IN THE WEB CONTEXT

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Abstract

This study aims to explore the linkage between consumer knowledge and relationship marketing, including the association between knowledge content and relationship marketing in a Web-based framework. First, it examines the impact of two types of product knowledge, objective knowledge and subjective knowledge on three primary variables of relationship marketing: satisfaction, repurchase intention and customer loyalty. Then, the effect of four types of knowledge content of the Web: declarative knowledge, procedural knowledge, common knowledge and specialized knowledge, on three variables of relationship marketing are studied.

The telecommunication retailing market in the United Kingdom has been growing faster than other retail businesses in recent years because of the high growth in the mobile phone sector. The interviews with the mobile phone shop manager and sales representatives showed that the most important information for customers is the tariff. Therefore, mobile phone tariffs are the focal area of this research.

Ten hypotheses are developed based on literature reviewed. Five of ten hypotheses are supported by the experiment. The results reveal that there is difference between the effect of objective knowledge and subjective knowledge on relationship marketing factors. The findings also demonstrate that the four types of knowledge content of the Web have impact on relationship marketing variables in different ways.

Keywords: consumer knowledge, relationship marketing, the web context

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Introduction

Knowledge is defined as the body of facts and principles (e.g. information and understanding) accumulated by mankind about a domain (Delbridge and Bernard, 1998 cited in Page and Uncles, 2004). Similar to knowledge, consumer knowledge (CK) is the 'the total amount of information stored in memory' (Blackwell et al., 2001), but it is a subset of the information related to a product, purchase and consumption. It is important to note that what a consumer knows or does not know strongly influences his/her decision-making processes (Ibid, 2001). Since one of the common marketing objectives is to influence CK (Engel et al, 1995), it is critically important for marketers to understand CK.

Researchers have sought to differentiate two types of knowledge (Brucks, 1985; Park and Lessig, 1981; cited in Whan et al, 1994): 1) objective knowledge, which is the information accumulated by consumer in long-term memory, and 2) subjective knowledge, which refers to the perceptions of consumers regarding their knowledge about a product. The types of information accumulated in consumer memory, known as knowledge content, are also a vital area of study in CK literature. There are differences among consumers in terms of their knowledge regarding terms and processes required to achieve a task, and common or technical knowledge on what a thing is and on how to use it (Page and Uncles, 2004). Hence, it is essential to investigate knowledge content as well.

A key research area is Relationship Marketing (RM). The advance of information and communication technologies, intensive competition, and the costs of customer acquisition, which can be five to ten times more than the costs of retaining existing customers (Gummesson, 1999 p.183 cited Egan, 2004), have changed traditional marketing from being transaction-oriented to relationship-oriented. Previous studies have investigated the distinction of CK constructs and the types of CK contents. It is found that numerous research studies provide many views on RM, especially on successful RM programs in terms of business perspective. Nonetheless, relatively little is known about the relationship between CK and RM. Indeed, Mark's (2003) focus group result revealed that participants who have a high degree of product expertise tend to develop strong brand relationship with the organization. Hence, the association between CK and RM should be extended in order to understand consumer behaviour thoroughly.

The Internet has been changing the way consumers buy goods and services so that currently 'consumers have begun to learn how to act in an electronic market environment' (Li, Kuo and Russell, 1999). McLean and Blackie (2004) proposed that many companies do not realize the different types of CK which occurs during the use of the Internet. Different types of CK and knowledge content may influence consumer behaviour and their attitudes in different ways. 'The Web is increasingly being viewed as a tool and place to enhance customer relationships' (Wang and Head, 2007). Since the web is an interactive channel, it is viewed as a convenient and powerful communication tool which is important for retailers in order to 'keep a regular, continuing and frequent exchange of information' (Ibid, 2005 p.9) with their consumers. On the other hand, there is a shift of market power from suppliers to consumers resulting from the advance of information and communication technologies (Pires et al., 2006) especially in the online context which allows consumers to switch to other suppliers easily by clicking a mouse (Durkin and Howcroft, 2003). Additionally, Li et al (2007) found that it is difficult to develop commitment in the online consumer market. Consequently, the Internet is an instrument that may improve or weaken customer relationship.

Wirtz and Mattila (2003) revealed that a consumer's expertise has an impact on his/her loyalty to the service provider. This demonstrates the association between CK and customer relationship. It can be stated that the influences of the Internet on CK and on customer relationships are understood to some extent; however, the association between CK and relationship orientation in the online environment need to be examined. This study aims to explore the linkage between CK and RM, including the association between knowledge content and RM in a Web-based framework. Based on a telecoms retailing report from Mintel (2007), the telecommunication retailing market has been growing faster than other retail businesses in recent years because of the high growth in the mobile phone sector. The interviews with a mobile phone shop manager and sales representatives showed that the most important information for customers is the tariff. Mobile phone tariffs are the focal area of this research.

Theoretical background and hypotheses

Objective knowledge, subjective knowledge, satisfaction and repurchase intention

Several studies have investigated the effects of CK regarding a product or product class towards information search behaviour (e.g., Alba and Hutchinson, 1987; Brucks, 1985). Consumer expertise is well documented in terms of information processing; yet the effects of knowledge on relationship marketing are little known. In the relationship marketing framework, customer satisfaction is a vital factor of customer retention (Hennig-Thurau and Klee, 1997). Besides, customer satisfaction and relationship marketing are regarded as the key antecedents of repurchase intention (Palmatier, 2002). Thus, it is crucial to examine the relationship between CK and post-purchase outcomes (satisfaction level), and association between CK and future behaviour (repurchase intention).

Even though it found that objective and subjective knowledge have correlation, both types of knowledge are distinct. Park et al (1994) suggested that 'what people think they know' (subjective knowledge) and 'what they actually know (objective knowledge) often do not correspond'. Bell et al (2005) indicated that more market-savvy customers may quickly gain relevant product-related expertise to evaluate the quality of service. They may have high expectations which lead to a low level of satisfaction. Wirtz and Mattila (2003) asserted that consumers with a high level

of subjective knowledge feel confident about their ability when they choose service providers so they seem to have a low level of perceived risk. This possibly leads to a high level of satisfaction. Therefore:

H1: There is a significant difference between the effects of objective knowledge and subjective knowledge on satisfaction

H1a: Objective knowledge has a negative effect on satisfaction

H1b: Subjective knowledge has a positive effect on satisfaction

Extant literature clarifies that satisfaction, which is a key antecedent of repurchase intention (Palmatier, 2002), has a positive effect on repurchase intention (Anderson and Sullivan 1993 cited in Kumar, 2002). This study proposes that correlation between CK and repurchase intention is the same as effect of CK on satisfaction. Therefore:

H2: Objective knowledge has a negative effect on repurchase intention

H3: Subjective knowledge has a positive effect on repurchase intention

Knowledge content of the Web, satisfaction and repurchase intention

Page and Uncles (2004) developed scales to measure four types of consumer knowledge content concerning the Web: declarative/ procedural knowledge contents, and common/ specialized knowledge contents. This classifies consumers into experts or novices, and familiar and unfamiliar.

They combine these four types of knowledge content together as follows.

Table 1: A typology of knowledge content

	Declarative knowledge		**Procedural knowledge**	
	(*High*)	(*Low*)	(*High*)	(*Low*)
Specialized knowledge	Specialized declarative (Expert)	Specialized declarative (Novice)	Specialized procedural (Expert)	Specialized procedural (Novice)
Common knowledge	Common declarative (Familiar)	Common declarative (Unfamiliar)	Common procedural (Familiar)	Common procedural (Unfamiliar)

Source: adapted from table 1. A typology of consumer knowledge (Page and Uncles, 2004)

Mandel and Johnson (2002) illustrated that priming (e.g. background pictures and colours on a Web page) influences experts and novices differently. It is probable that different satisfaction and repurchase intention levels may exist between experts and novices and also between consumers who are familiar and unfamiliar with Web content. Therefore, this study proposes that:

H4: There is a significant difference between the effects of the four types of knowledge content on satisfaction

H5: There is a significant difference between the effects of the four types of knowledge content on repurchase intention

Objective knowledge, subjective knowledge and consumer loyalty

Customer loyalty is considered to be a descendant of relationship marketing (Palmatier, 2002). Repeat purchases can also be the result of habitual purchase, which is distinct from brand loyalty. To maintain a long-term relationship with a customer, it is essential to consider the association between CK and loyalty. Bendapudi and Berry (1997) demonstrated that the difference in the ease with which expert and novice consumers can evaluate products or services may have an important impact on customer loyalty. With a superior ability to identify and encode new information (Brucks, 1985), high objective knowledge consumers may

have lower perceived risk in terms of switching costs. On the other hand, consumers with low expertise may be unwilling to change suppliers because 'the costs of switching may easily outweigh the marginal benefits of establishing a new relationship' (Bendapudi and Berry, 1997). Therefore, this study proposes that:

H6: Objective knowledge has a negative effect on customer loyalty

Confidence is an element of subjective knowledge. Consumers who have high levels of subjective knowledge feel confident in their decisions so that they may have a low level of perceived risk (Wirtz and Mattila, 2003). While consumers with high levels of objective knowledge tend to increase their information search, overconfident consumers are likely to have opposite effect (Alba and Hutchinson, 2000). Consumers with high level of subjective knowledge may not find alternatives in the market (Ibid, 2003); consequently, subjective knowledge should lead to higher levels of loyalty. Therefore:

H7: Subjective knowledge has a positive effect on customer loyalty

Knowledge content and consumer loyalty

It is confirmed that different Web atmospherics drive different product choices for both experts and novices (Mandel and Johnson, 2002). This involves the possible impact of knowledge content of the Web on customer loyalty. Consumers may switch from one website to another based on their expertise and familiarity with Web content. Therefore, this research proposes that:

H8: There is a significant difference between the effects of the four types of knowledge content on consumer loyalty

Methodology

Independent variables

Objective knowledge

It is revealed that there are many difficulties arising during Web usage; hence CK and experience of the Web are required to manage these complexities (Page and Uncles, 2004). Mobile phones are a technology-driven product which requires CK before making any decision. According to interviews with store managers, sales advisors and phone trainers of Orange, Vodafone and O2, which are the top three mobile phones in terms of usage rate, most customers consider tariffs or how much a payment plan will cost them as the most important information for both new and current customers before making any decisions. Hence, this study investigates objective knowledge specifically in terms of the tariffs or payment plans of mobile phones offered by telecoms retailers in the Web domain.

Objective knowledge has been evaluated using objective tests of an individual's knowledge regarding a product (Raju et al, 1995). A new objective knowledge measure is proposed to test the extent of knowledge about tariff plans offered by telecoms retailers in a Web context.

Subjective knowledge

Subjective knowledge has been defined by many researchers (e.g., Brucks, 1985; Raju et al., 1995). Flynn and Goldsmith (1999) defined subjective knowledge as 'a consumer's perception of the amount of information they have stored in their memory'. They developed a subjective knowledge measurement using five subjective knowledge items. Because of its reliability and the validity of the items, this study relies on their work to evaluate the subjective knowledge of the respondents.

Knowledge content of the Web

Page and Uncles (2004) developed four scales to measure common declarative, common procedural, specialized declarative, and specialized procedural knowledge content on the Web. The focus here is telecoms retailers' Web content concerning tariffs, which are the most important factor for customers when making a buying decision. Hence, in consultation with support advisors of Information Systems Services (ISS), the central information technology and information systems provider for the University of Leeds, and interviews with mobile phone shop managers and sales staff, the common declarative and common procedural knowledge questions were adjusted in order to be appropriate to the area of study. For specialized declarative and specialized procedural Web knowledge items, the experts suggested no changes were necessary.

Dependent variables

Satisfaction, repurchase intention and loyalty are the dependent variables of this research. For the constructs considered, measures are borrowed from the literature review. Satisfaction questions use a subset of the items from Hennig-Thurau et al (2002); repurchase intention items are measured with the items provided by Mittal and Kamakura (2001), and Hicks et al (2005); loyalty items are composed of a subset of items from Hennig-Thurau et al (2001).

Cronbach's alpha reliability tests

Appendix A demonstrates the set of items. It is suggested that a generally acceptable alpha value is above 0.70 (Nunnally, 1967 and 1978). The alpha value of the pre-test is 0.809. This shows a high level of internal consistency between the items.

Results and findings

Test of Hypotheses 1, 1a and 1b

A significant model emerged: F (2,134) = 10.416, p < .0005. The model explains 12.2% of the variance (Adjusted R2 = .122). Therefore, hypothesis 1 is supported by the multiple regression test. From regression coefficients, objective knowledge is not a significant predictor, but subjective knowledge is. Since no statistical significance is found, hypothesis 1a is not supported by the results of the survey. Conversely, the regression coefficient for subjective knowledge is 0.549 which implies a positive effect on satisfaction. Hence, hypothesis 1b is supported.

Overall, a significant effect for both types of product knowledge on satisfaction is found. However, the experiment fails to support the hypothesis1a that objective knowledge has a negative impact on satisfaction, whereas the positive effect of subjective knowledge on satisfaction is supported.

Test of Hypothesis 2

Hypothesis 2 proposes that objective knowledge has a negative effect on the repurchase intention variable. Nevertheless, statistical significance is not found from results of the simple regression analysis (F (1,135) = 3.225, p = .075). Thus, the negative effect of objective knowledge on repurchase intention is not found as expected.

Test of Hypothesis 3

Simple regression is used to test hypothesis 3, that there is a positive effect of subjective knowledge on repurchase intention. This is supported by the significant and positive coefficient (F (1,135) = 8.985, p = .003, B = .483), even though the model explains only 5.5% of the variance (Adjusted R2 = .055). Therefore, H3 receives empirical support.

Test of Hypothesis 4

Hypothesis 4 predicts that there is difference between the effects of four types of knowledge content on satisfaction. The four types of knowledge content have a significant impact on satisfaction as expected, even though overall the four types of knowledge contents explain only 6.7% of the variance in satisfaction (R-square = .094, Adjusted R-square = .067). With an F value of 3.417 and a p-value of 0.011, the predicted effect is confirmed statistically. The final model indicates that common declarative knowledge is a positive predictor (B = 0.120) whereas specialized procedural knowledge is a negative predictor (B = -0.136).

Test of Hypothesis 5

Hypothesis 5 proposed that there is difference between the effects of four types of knowledge contents on repurchase intention. However, the expected impact is not found in the multiple regression test, with an F value of 0.984 and a p-value of 0.413. This means the four types of knowledge content do not affect repurchase intention in different ways.

Test of Hypothesis 6

Hypothesis 6 proposes that objective knowledge has a negative effect on customer loyalty. Objective knowledge has a significant impact on customer loyalty (F (1,135) = 5.264, p = .023) explaining 3% of the variance in customer loyalty (R-square = .030, Adjusted R-square = .038). Nonetheless, the results of the regression coefficient presents that objective knowledge is positively related to customer loyalty which is opposite to what is predicted. Hence, hypothesis 6 is not supported.

Test of Hypothesis 7

Hypothesis 7 proposes that subjective knowledge has a positive effect on customer loyalty. The results of the regression analysis show that the expected relationship is not found, with F (1,135) = .544 and p = .462. Therefore, hypothesis 7 is not supported.

Test of Hypothesis 8

Hypothesis 8 predicts that there is difference between the effects of the four types of knowledge content on customer loyalty. As hypothesized, the four types of knowledge contents have a significant impact on customer loyalty (F (4,131) = 3.947, p = .005). Overall the four types of knowledge contents explain 8% of the variance in customer loyalty (R-square = .108, Adjusted R-square = .080). Nevertheless, the regression coefficient for common declarative knowledge is statistically significant and positively related to customer loyalty (B = .289, p = .015), but other types of knowledge content are not as statistically significant as expected.

Conclusion

The results confirm the relationship between product knowledge and key factors of RM. As proposed by previous research (e.g. Park et al, 1994), objective knowledge and subjective knowledge are different. The results of this research further illustrate that there are different impacts of objective and subjective knowledge on satisfaction, repurchase intention and customer loyalty.

Even though no formal hypothesis was developed to assess the relationship between the knowledge content of the Web and factors in RM, the results confirm that correlations between them exist.

The results of this study may have implications for marketing practice in the area of communications. The findings suggest that knowledge regarding products or services and knowledge content on the websites influence consumers' attitudes, which in turn affects long-term relationship development. Firms should pay attention to the content and the meaning of information including the flow and format of its web pages in order to offer better services and satisfy customers' needs.

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Appendix A

Subjective knowledge items (Flynn and Goldsmith, 1999)

1. I know pretty much about ____
2. I do not feel very confident about ____(*)
3. Among my circle of friends, I am one of the experts on ___
4. Compared to most other people, I know less about ___(*)
5. When it comes to ___, I really don't know a lot (*)

(* indicates reverse scored items.)

Knowledge content of the Web (Page and Uncles, 2004)

Common Declarative Web Knowledge Content

1. A web address can sometimes contain spaces between the characters.
2. The length of time it takes a page to appear on the screen:

a. depends on the speed of your modem-server connection;

b. is aggravated by pages with lots of pictures;

c. is associated with the term bandwidth;

d. all of the above;

e. don't know.

3. Which of the following is NOT a domain example?

a. .gov = government;

b. .net = network;

c. .mil = military;

d. .hme = home;

e. don't know.

4. A domain name is the security key required to read encrypted information.
5. Hyperlinks are clickable text and graphics that connect web pages.
6. Favorites or bookmarks are a facility used to store web addresses for later use.
7. FAQ is an important site feature as it provides answers to the more common user questions.
8. Navigation bars and search engines can assist efficient site navigation.
9. Downloading is the transfer of files or software to your computer from a network.

10. The security indicator on a program used to access the web shows whether a document is secure or insecure.

(Web Standards = Items 1-5; Web Tools & Terminology = Items 6-10)

Specialized Declarative Web Knowledge Content

1. “Boolean Operators” are technologies developed to link web pages.

2. Bandwidth is only an issue for old computers connected to the Internet.

3. Boolean logic is a system of logical thought used to narrow search queries.

4. Meta-crawlers search multiple search engines to retrieve a comprehensive list of search results.

5. An external application used to display non-web standard files while using the web is: a) a banner ad; b) a plug-in; c) a server; d) an ISP; e) don’t know.

6. Bandwidth is the amount of information that can be transferred over the web.

7. DES is the standardized encryption method used on the web.

8. Digital signatures and digital watermarks help ensure the authenticity of documents on the web.

9. A server is a computer software program used to access the web.

10. Cookies are small pieces of information that are read from your computer.

11. Cookies are data files stored on your computer to activate computer viruses.

(Web Tools & Terms = Items 1-5; Web Standards = Items 6-9; Web Cookies = Items 10-11)

Common Procedural Web Knowledge Content

1. Typing a correct web address in the URL location field and pressing enter will take you directly to the web page specified.

2. You cannot open multiple windows at the same time to use the web.

3. Bookmarks & favorites are great tools for creating shortcuts to web pages.

4. The icon in the top right-hand corner of your screen animates when a connection is in progress.

5. Using search engines properly enables faster access to information,

6. A benefit of “What’s New” links is that they display a page about the most current changes or updates on a web site.

(Speed of Web Use = Items 1-3; Web Features = Items 4-5; Site Changes & Updates = Item 6)

Specialized Procedural Web Knowledge Content

1. Textual links sometimes change color when you have previously selected that link.

2. The change of a mouse pointer to a hand indicates that the text or graphics pointed to are links.

3. A URL is how web pages or web sites are located on the web.

4. To increase the number of search results from a search engine query, “or” is used between the words searched for.

5. After viewing a web page on the screen, it may be placed in cache temporarily.

6. To speed up your computer you should purge your cache file regularly.

7. Web pages are displayed faster by turning on the auto-load images preference on your web access software.

8. By pressing reload you will ask your computer to disconnect your connection to the Internet.

9. The following search engine query: Sydney + Sport - Olympics would retrieve search results just about the Sydney Olympics.

10. To be randomly sent to any page on the web you should click the ‘forward’ button.

11. By putting (AND) or (&) between words in a search engine query, the results retrieved will contain both words searched for.

(Web Features = Items 1-4; Speed of Web Use = Items 5-7; Quality of Use = Item 8-11)

Dependent variables

Satisfaction items (Hennig-Thurau et al., 2002)

1. I am satisfied with information regarding mobile phone’s payment plans shown on my retailer’s Web.

2. I am always delighted with the information about mobile phones payment plans provided on my retailer’s Web.

3. Overall, I am satisfied with information of mobile phones’ payment plans shown on my retailer’s Web.

Repurchase intention (Mittal and Kamakura, 2001; Hicks et al., 2005)

1. I will purchase a mobile phone from the same shop/Web next time I need a mobile phone for myself.

2. Based on your ownership experience, how likely are you to purchase a mobile phone sold by your current retailer at your next purchase occasion.

Loyalty (Hennig-Thurau et al., 2001)

1. I am very likely to stop searching information regarding mobile phones’ payment plans from my current retailer’s Web.

2. If I was faced with the same choice again, I'd still choose the same retailer's Web when searching mobile phones' payment plans.

COMPARISON OF AHP AND FUZZY LOGIC IN PURCHASE DECISION MAKING OF HOTEL CUSTOMERS

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Abstract

Decision making is one of important and critical activities for companies in business management as well as for customers in their purchase, which is a complicated process and involves many objectives or criteria and preferences and the information available for a decision is not always black and white and in most cases it is vague, imprecise or incomplete, which makes the decision making even harder.

Since 1960, some new techniques have been developed to assist decision making, and Fuzzy logic and Analytic Hierarchy Process (AHP) are two of them. Fuzzy logic was first introduced by Dr. Zadeh in 1965 to use sophisticate statement to translate natural language into a mathematical formulation. Its early use is mainly in process control such as subway training and elevator operation, fridge and wash machine and late it has been demonstrated its potential application in business management, such as business decision making, risk assessment, service quality measurement and control, business demand forecasting, and location selection of business site etc. AHP was developed by Dr. Saaty in the 1970 for multiple objectives decision making and has been extensively studied and refined since then. It uses hierarchy structure to quantify and relate elements of a problem to the overall goal and pairwise comparisons and eigenvector to search for a solution through evaluating the possible alternatives. It has also been intensively researched and its successful integration with other technology such as linear programme, SWOT analysis, genetic programming and data envelopment analysis and its successful applications in very broad areas strongly demonstrate its flexibility and potential in multiple objective decision making process.

This paper aims to explain and compare the algorithm involved with these two techniques in decision making process. Purchase decision making process for a hotel customer was used as an example and the four key criteria used in selecting a hotel, i.e. price, service quality, location and safety, identified through literature review were used as the criteria to illustrate the decision making processes and demonstrate the potential application of these two techniques in business environment.

Key words: AHP, fuzzy logic, purchase decision making, hotel customers

Introduction

Decision making is one of the important and critical activities for business organisations and good decisions in strategies for business development, marketing practice, staff recruitment, selecting reliable and good suppliers etc. are critical for their success. It is also important for customers too whether they purchase a property, select a hotel or airline, choose a school for their children etc. Decision making is a complicated process and involves many objectives or criteria and variables, and the information available for a decision is not always black and white and in most cases it is vague, imprecise or incomplete, and the traditional approaches might not always work well.

Since 1960, some new techniques have been developed to assist human making decisions, and fuzzy logic and Analytic Hierarchy Process (AHP) are the two significant and critical inventions. Fuzzy logic was first introduced by Dr. Zadeh in 1965 to use sophisticate statement to translate natural language into a mathematical formulation for the purposes of using imprecise, vague and incomplete information for process control (Mandami and Assilian, 1975). Since its birth the concept of fuzzy logic has been criticised and even recently Dr. Zedeh has to stand up and defend

himself that fuzzy logic is not fuzzy but a precise logic of imprecision and approximate reasoning and forecasts that "In coming years, fuzzy logic is likely to grow in visibility, importance and acceptance" (Zadeh, 2008, p. 4). It is its successful applications in very broad areas that demonstrate its significance, usefulness and potential. Its early use is mainly in process control, such as subway training and elevator operation, fridge and wash machine (McNeil and Thro, 1994) and as "a new and innovative technology, one that over the past few years has already revolutionized the development of technical control systems" (Altrock, 1997). Its application has then been extended in business management, such as business decision making, risk assessment, customer relationship management, service quality control, business demand forecasting, and location selection of business site etc (Cox, 1995; Meier, Werro and Albrecht, 2005; Jie, Meng and Cheong, 2006; Benitez, Martin and Roman, 2007).

Based on mathematics and human psychology AHP was developed by Dr. Saaty in the 1970, which is a structured technique dealing with complex and multiple-criteria decision making process and uses hierarchy framework to structure a problem, represent and quantify its elements and relate those elements to overall goals. Pairwise comparisons and eigenvector are then used to search for a solution through evaluating the possible alternatives. It is one of the most widely used multiple criteria decision-making tools and has been used throughout the world in a wide variety of decision situations, in the fields such as government, business, industry, healthcare and education (Vaidya and Kumar, 2004). Since its invention it has been extensively studied and refined and has also been intensively researched and its successful integration with other technology such as linear programme, SWOT analysis, genetic programming and data envelopment analysis and it is its successful applications in very broad areas strongly demonstrate its flexibility and powerful potential application in multiple objective decision making process (Ho, 2007; Wang and Chen, 2008).

The aim of the this paper is to use purchase decision making of a hotel customer as an example to demonstrate the algorithm and procedures involved in fuzzy logic and AHP and compare their ability in decision making.

Algorithm

Fuzzy logic decision making model

Bellman and Zadeh (1970) developed a multi-objective decision making model based on fuzzy subsets, which requires only an ordinal evaluation of the preference information. However, it does not allow the objectives with different importance. To overcome this problem, Yager (1981) developed a new model with the following three sets:

The set of alternatives: Alternative set

$$A = \{A_1, A_2, A_3, \ldots\ldots A_l\}$$

The set of criteria to be satisfied: Criteria set

$$C = \{C_1, C_2, C_3, \ldots\ldots C_m\}$$

The finite set of elements used to indicate preference information: Preference set

$$P = \{P_1, P_2, P_3, \ldots\ldots p_n\}$$

For any Ai Ci(Ai) indicates the degree to which Ai satisfies the criteria specified by Ci. E is a fuzzy subset of criteria set C and E(Ci) indicates the importance of the criterion Ci, and let bi = E(Ci) .

The general form of the model is as follow (Eq(1)):

$$D(x) = M(C_1(A_i)\ b_1)\ \ and\ \ M(C_2(A_i)\ b_2)....\ \ and\ \ M(C_p(A_i)\ b_p) \quad (1)$$

where $M(C_i(A_i)\ b_i)$ indicates objective C_i evaluated at alternative Ai, modified by its importance bi (Eq(2)).

$$M(C_i(A_i)\ b_i) = b_i^{'} \vee C_i(A_i) = F_i(A_i) \quad (2)$$

The model is then represented by Eq(3),

$$D(A) = (b_1^{'} \cup C_1) \cap (b_2^{'} \cup C_2) \cap \ldots\ldots \cap (b_p^{'} \cup C_p)$$

$$= F_1 \cap F_2 \cap F_3 \cap \ldots\ldots \cap F_p$$

$$= \bigcap_{i=1}^{p} F_i \quad (3)$$

Finally, the optimal solution D(A*) is given by Eq(4)

$$D(A^*) = Max[D(A)] = \bigcap_{i=1}^{p} F_i \quad (4)$$

Yager's model is used in this project due to its simplicity and capability to make a decision for multiple objectives.

AHP decision making model

Three stages are normally applied in AHP. First, goal, criteria and sub-criteria and alternatives for a multiple criteria decision problem are identified and structured into multiple hierarchical levels. Secondly, each pair at the same level, i.e. pair of criteria or alternatives, is compared and calibrated on the numerical scale. Finally, the consistency among the pairwise comparisons is verified by computing Eigen value, normalised values and consistency ratios. Once all pairwise comparisons at every level are completed and proved to be consistent, the judgements can then be synthesized to find out the priority ranking of each criterion and its attributes; else the procedure is repeated till these values lie in a desired range (Ho, 2008).

The numerical scale ranged from 1 to 9 is proposed by Saaty (2000) to force consistency and the detailed scale is presented in Table 1. The relative scale used for pairwise comparison ranges from 1/9 for 'least valued than', to 1 for 'equal', and to 9 for 'absolutely more important than' covering the entire spectrum of the comparison.

Table 1: Numerical scale used by AHP

Intensity of importance	Definition	Explanation
1	Equal important	Two elements contribute equally to the objective
3	Moderate important	Experience and judgment slightly favour one element over another
5	Strong important	Experience and judgment strongly favour one element over another
7	Very strong important	One element is favoured very strongly over another; its dominance is demonstrated in practice
9	Extreme important	The evidence favouring one element over another is of the highest possible order of affirmation

Example

The factors or criteria, which affect customers to choose their hotels, vary and depend upon demographic characteristics of the customers, type of travellers and personal travel experiences etc, and the major factors reported are staff service quality, room qualities, general amenities, business services, values, security, location and international direct dial facilities (Choi and Chu, 2001). For demonstration purpose four factors, i.e. price, service quality, location and safety, were used to make a purchase decision.

Use of Fuzzy logic decision making model

Assume there are four alternatives of hotel a customer can choose from, i.e. hotels H1, H2, H3 and H4, which can be represented by an alternative set A = {H1, H2, H3, H4}. The four factors or criteria, i.e. price, service quality, location and safety, are represented by a criteria set C = {C1, C2, C3, C4} = {Price, Service Quality, Location, Safety}. Customer preference is measured by a 5 point scale, i.e. Very Poor, Poor, Medium, Good, Very Good and is represented by a preference set P = {P1, P2, P3, P4, P5} = {Very Poor, Poor, Medium, Good, Very Good}. The customer preferences for each criterion and hotel are given in Eqs(5-8):

Price = $$C_1 = \left\{ \frac{Medium}{H_1}, \frac{Very\ \ good}{H_2}, \frac{Medium}{H_3}, \frac{Good}{H_4} \right\} \quad (5)$$

Service quality = $$C_2 = \left\{ \frac{Medium}{H_1}, \frac{Poor}{H_2}, \frac{Good}{H_3}, \frac{Medium}{H_4} \right\} \quad (6)$$

Location = $$C_3 = \left\{ \frac{Poor}{H_1}, \frac{Good}{H_2}, \frac{Medium}{H_3}, \frac{Medium}{H_4} \right\} \quad (7)$$

Safety = $$C_4 = \left\{ \frac{Poor}{H_1}, \frac{Very\ \ poor}{H_2}, \frac{Good}{H_3}, \frac{Poor}{H_4} \right\} \quad (8)$$

Same to the preference, the importance of each criterion is also measured by 5 point scale and represented by an importance set G = {G1, G2, G3, G4, G5} = {Not Very Important, Not Important, Medium, Important, Very Important}, which is comparable to the preference set P. The customer assessment of the importance of individual criterion E(Ci) is given by Eq(9):

$$\text{Im}\ por\tan e\ \ of\ \ criterion = E(C_i) = \left\{ \frac{Medium}{C_1}, \frac{\text{Im}\ por\tan t}{C_2}, \frac{Not\ \ impor\tan t}{C_3}, \frac{Very\ \ impor\tan t}{C_4} \right\} \quad (9)$$

Let bi represents the importance of individual criterion, i.e.

$$b_1 = Medium = G_3 = P_3;\ b_2 = \text{Im}\ por\tan t = G_4 = P_4;\ b_3 = Not\ \text{Im}\ por\tan t = G_2 = P_2;$$
$$b_4 = Very\ \text{Im}\ por\tan t = G_5 = P_5.$$

Since the negation in Pi is reversing order, i.e. $b_i^{'} = P_{5-i}$, then

$b_1^{'} = P_2$ (Poor); $b_2^{'} = P_1$ (Very Poor); $b_3^{'} = P_3$ (Medium); $b_4^{'} = None$

Let $F_i = b'_i \bigcup C_{i,}$ then

$$F_1 = Poor \vee \left\{ \frac{Medium}{H_1}, \frac{Very\ \ good}{H_2}, \frac{Medium}{H_3}, \frac{Good}{H_4} \right\}$$

$$= \left\{ \frac{Medium}{H_1}, \frac{Very\ \ good}{H_2}, \frac{Medium}{H_3}, \frac{Good}{H_4} \right\} \quad (10)$$

$$= F_2 = Very\ \ poor \vee \left\{ \frac{Medium}{H_1}, \frac{Poor}{H_2}, \frac{Good}{H_3}, \frac{Medium}{H_4} \right\} \quad (11)$$

$$F_3 = Medium \vee \left\{ \frac{Poor}{H_1}, \frac{Good}{H_2}, \frac{Medium}{H_3}, \frac{Medium}{H_4} \right\}$$

$$= \left\{ \frac{Medium}{H_1}, \frac{Good}{H_2}, \frac{Medium}{H_3}, \frac{Medium}{H_4} \right\} \quad (12)$$

$$F_4 = None \vee \left\{ \frac{Poor}{H_1}, \frac{Very\ \ poor}{H_2}, \frac{Good}{H_3}, \frac{Poor}{H_4} \right\}$$

$$= \left\{ \frac{Poor}{H_1}, \frac{Very\ \ poor}{H_2}, \frac{Good}{H_3}, \frac{Poor}{H_4} \right\} \quad (13)$$

$$D(A) = F_1(H_i) \cap F_2(H_i) \cap F_3(H_i) \cap F_4(H_i)$$
$$= Min\{F_1(H_i)\ F_2(H_i)\ F_3(H_i)\ F_4(H_i)\} \quad (14$$
$$= \left\{ \frac{Poor}{H_1}, \frac{Very\,Poor}{H_2}, \frac{Medium}{H_3}, \frac{Poor}{H_4} \right\}$$

$$D(A^*) = Max\,D(A)$$

$$= Max\left\{ \frac{Poor}{H_1}, \frac{Very\ \ poor}{H_2}, \frac{Medium}{H_3}, \frac{Poor}{H_4} \right\} \quad (15)$$

$$= \left\{ \frac{Medium}{H3} \right\}$$

The outcome from fuzzy logic decision making model is that the first choice is hotel 3 as it has the highest score, medium, followed by hotels 1, 4 and 2 according to their scores.

Use of AHP decision making model

The hierarchy structure for the hotel choice problem is given in Figure 1:

Scale of importance for the criteria to select a hotel is a 9 point scale as suggested by Saaty (2000) and ranges from 1 for 'Not Very Important'' to 9 for 'Very Important'. The scale used for fuzzy logic decision making model is 5 points. For the purpose of comparison the 5 point scale has to be converted into 9 point scale and the results are given in Table 2.

To calculate the relative importance between two criteria, the point difference between the two criteria in the 9 point scale is used as AHP uses pairwise comparison. For example, from Table 2, the important points for Price and Service Quality in the 9 point scale are 5 and 7 respectively, and the point difference is 2, which means that the Service Quality is as twice important as the Price, so the relative importance between Price and Service Quality is ½ or 2 between Service Quality and Price. Similarly, the relative importance for the other pair of criteria can be calculated accordingly and the results are summarised in Table 3.

Figure 1: Hierarchy structure for selecting a hotel

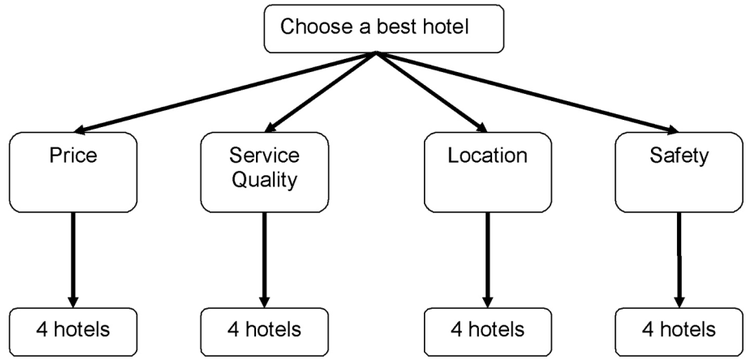


Table 2: Conversion of scale between fuzzy logic and AHP models

9 point scale	5 point scale	Fuzzy scale	Criteria
1	1	Not Very Important	
2			
3	2	Not Important	Location
4			
5	3	Medium	Price
6			
7	4	Important	Service Quality
8			
9	5	Very Important	Safety

Table 3: Relative importance of pair of criteria

	Price	Service	Location	Safety
Price	1/1	1/2	2/1	1/4
Quality	2/1	1/1	4/1	1/2
Location	1/2	1/4	1/1	1/6
Safety	4/1	2/1	6/1	1/1

The fractions in Table 3 can be easily converted to decimal numbers (Table 4).

Table 4: Relative importance of pair of criteria in decimal format

	Price	Service	Location	Safety
Price	1.0000	0.5000	2.0000	0.2500
Quality	2.0000	1.0000	4.0000	0.5000
Location	0.5000	0.2500	1.0000	0.1667
Safety	4.0000	2.0000	6.0000	1.0000

Relative importance of the pair of criteria is calculated as follows Eq(16):

$$\begin{bmatrix} 1.0000 & 0.5000 & 2.0000 & 0.2500 \\ 2.0000 & 1.0000 & 4.0000 & 0.5000 \\ 0.5000 & 0.2500 & 1.0000 & 0.1667 \\ 4.0000 & 2.0000 & 6.0000 & 1.0000 \end{bmatrix} \times \begin{bmatrix} 1.0000 & 0.5000 & 2.0000 & 0.2500 \\ 2.0000 & 1.0000 & 4.0000 & 0.5000 \\ 0.5000 & 0.2500 & 1.0000 & 0.1667 \\ 4.0000 & 2.0000 & 6.0000 & 1.0000 \end{bmatrix} =$$

$$\begin{bmatrix} 4.0000 & 2.0000 & 7.5000 & 1.0834 \\ 8.0000 & 4.0000 & 15.0000 & 2.1668 \\ 2.1668 & 1.0834 & 4.0002 & 0.5834 \\ 15.0000 & 7.5000 & 28.0000 & 4.0002 \end{bmatrix} \quad (16)$$

$$\text{Sum up the figures for each row} = \begin{bmatrix} 14.5834 \\ 29.1668 \\ 7.8338 \\ 54.5002 \end{bmatrix} \quad (17)$$

After normalisation the first Eigenvector for the importance of the four criteria is obtained (Eq(18)):

$$\text{Importance} = \begin{bmatrix} \text{Price} \\ \text{Quality} \\ \text{Location} \\ \text{Safety} \end{bmatrix} \begin{bmatrix} 0.1375 \\ 0.2749 \\ 0.0738 \\ 0.5137 \end{bmatrix} \quad (18)$$

Repeat the computation using vector from the first squaring process (Eq(19)).

$$\begin{bmatrix} 4.0000 & 2.0000 & 7.5000 & 1.0834 \\ 8.0000 & 4.0000 & 15.0000 & 2.1668 \\ 2.1668 & 1.0834 & 4.0002 & 0.5834 \\ 15.0000 & 7.5000 & 28.0000 & 4.0002 \end{bmatrix} \quad (19)$$

The second Eigenvector is then obtained (Eq(20)):

$$\text{Importance} = \begin{bmatrix} \text{Price} \\ \text{Quality} \\ \text{Location} \\ \text{Safety} \end{bmatrix} = \begin{bmatrix} 0.1376 \\ 0.2751 \\ 0.0741 \\ 0.5132 \end{bmatrix} \quad (20)$$

$$\text{The difference between two Eigenvectors} = \begin{bmatrix} 0.1375 \\ 0.2749 \\ 0.0738 \\ 0.5137 \end{bmatrix} - \begin{bmatrix} 0.1376 \\ 0.2751 \\ 0.0741 \\ 0.5132 \end{bmatrix} = \begin{bmatrix} -0.0001 \\ -0.0002 \\ -0.0003 \\ 0.0005 \end{bmatrix} \quad (21)$$

As the difference is very small the second importance vector (Eq(20)) is accepted.

The importance vector indicates that for this customer the most important criterion when choosing a hotel is safety (0.5132), followed by Service quality (0.2751), and Price (0.1376), and the least important criterion is Location (0.0741).

The pairwise comparison for price, i.e. comparing the prices between two hotels, and the pairwise comparisons for the others i.e. Service Quality, Location and Safety, can be computed in the same way and the results are presented in Tables 5 to 8 and Eqs(22-25).

Table 5: Relative preference of price among the four hotels

	H1	H2	H3	H4
H1	1/1	1/4	1/1	1/2
H2	4/1	1/1	4/1	2/1
H3	1/1	1/4	1/1	2/1
H4	2/1	1/2	1/1	1/1

Price preference weight = $\begin{bmatrix} H_1 \\ H_2 \\ H_3 \\ H_4 \end{bmatrix} \begin{bmatrix} 0.1116 \\ 0.4932 \\ 0.1937 \\ 0.2015 \end{bmatrix}$ (22)

Table 6: Relative preference of service quality among the four hotels

	H1	H2	H3	H4
H1	1/1	2/1	1/2	1/1
H2	½	1/1	1/4	1/2
H3	2/1	4/1	1/1	2/1
H4	1/1	2/1	1/2	1/1

Preference weight of Service Quality = $\begin{bmatrix} H_1 \\ H_2 \\ H_3 \\ H_4 \end{bmatrix} \begin{bmatrix} 0.2222 \\ 0.1111 \\ 0.4444 \\ 0.2222 \end{bmatrix}$ (23)

Table 7: Relative preference of location among the four hotels

	H1	H2	H3	H4
H1	1/1	¼	1/2	1/2
H2	4/1	1/1	2/1	2/1
H3	2/1	1/2	1/1	1/2
H4	2/1	1/2	1/1	1/1

Preference weight of Location = $\begin{bmatrix} H_1 \\ H_2 \\ H_3 \\ H_4 \end{bmatrix} \begin{bmatrix} 0.1144 \\ 0.4576 \\ 0.1992 \\ 0.2288 \end{bmatrix}$ (24)

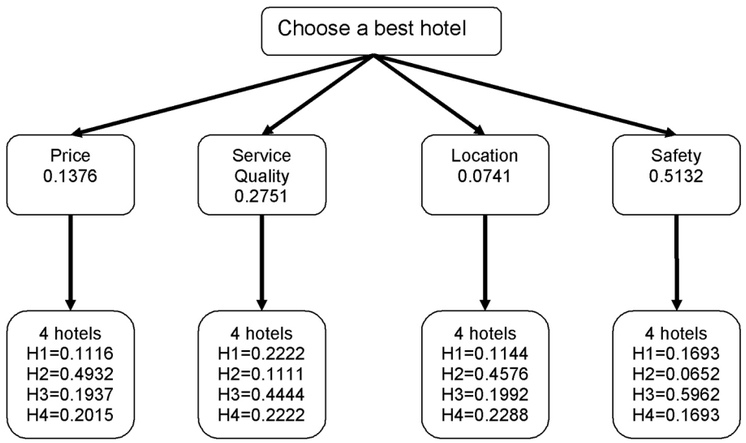
Table 8: Relative preference of safety among the four hotels

	H1	H2	H3	H4
H1	1/1	3/1	1/4	1/1
H2	1/3	1/1	1/7	1/3
H3	4/1	7/1	1/1	4/1
H4	1/1	3/1	1/4	1/1

Preference weights of Safety = $\begin{bmatrix} H_1 \\ H_2 \\ H_3 \\ H_4 \end{bmatrix} \begin{bmatrix} 0.1693 \\ 0.0652 \\ 0.5962 \\ 0.1693 \end{bmatrix}$ (25)

The importance of the four criteria and their preference weights on the four hotels are summarised in Figure 2.

Figure 2: The importance of criteria and their weights on the hotels



Combining the importance of the criteria and their preference weights for the four alternative hotels, the final results can be obtained (Eq(26)).

$$\begin{array}{cccc} \text{Price} & \text{Quality} & \text{Location} & \text{Safety} \end{array} \qquad \text{Importance} \qquad \text{Scores}$$

$$\begin{bmatrix} H_1 \\ H_2 \\ H_3 \\ H_4 \end{bmatrix} \begin{bmatrix} 0.1116 & 0.2222 & 0.1144 & 0.1693 \\ 0.4932 & 0.1111 & 0.4576 & 0.0652 \\ 0.1937 & 0.4444 & 0.1992 & 0.5962 \\ 0.2015 & 0.2222 & 0.2288 & 0.1693 \end{bmatrix} \times \begin{bmatrix} \text{Price} \\ \text{Quality} \\ \text{Location} \\ \text{Safety} \end{bmatrix} \begin{bmatrix} 0.1376 \\ 0.2751 \\ 0.0741 \\ 0.5132 \end{bmatrix} = \begin{bmatrix} 0.1718 \\ 0.1658 \\ 0.4696 \\ 0.1927 \end{bmatrix} \quad (26)$$

The final scores show that the first choice for the customer is hotel 3 as it has the highest score (0.4696), followed by H4 (0.1927), H1 (0.1718) and H2 (0.1658). The major reasons for selecting hotel 3 are its larger preference weights in both Quality (0.4444) and Safety (0.5962) and its higher importance scores (0.2751 and 0.5132) on these two criteria. H2 may achieve higher preference weights in both Price (0.4932) and Location (0.4576) but their importance scores (0.1376 and 0.0741) are lower, and their preference weights for Quality and Safety (0.1111 and 0.0652) are smaller, which results in the lowest overall score for the hotel (0.1658). The results clearly demonstrate the importance to understand customer demand and preference and their critical impact to the success of hotel business.

It is interesting to find that both fuzzy logic and AHP decision making models reach the same decision, i.e. H3 is the best choice and H2 the worst. For the results obtained from fuzzy logic model there is no difference between hotels 1 and 4 as both get the same score 'Poor' and for AHP model, the small difference in the score (0.0209) differentiates H4 from H1 and places H4 ahead of H1.

Comparison

Accuracy or suitability of a decision made using different techniques should be an important

criterion for a comparison but in reality it is hard to use this criterion to make a judgment as there is no standard decision that can be used for this purpose, and the only option left is simply to compare the decisions obtained from these two techniques. As discussed in the previous section that the results obtained from fuzzy logic and AHP are almost identical, i.e. the first choice for the customer is hotel 3 and the worst one is hotel 2, which shows that both models are capable to use vague information such as "Service quality is good" or "Price is as twice as important as Location" to make a decision. It is also noticed through previous discussion that the AHP model can not only differentiate the best choice from the worst when choosing a hotel, and it can also identify the order of the choices but fuzzy logic model cannot do the same. If the purpose of a decision making is simply to try to find the best option or choice for a problem, this weakness should not be considered as a disadvantage for fuzzy logic decision making model.

The other difference noticed from the example is that the results obtained from AHP model can be simply explained using the figures from vectors for the importance of criteria or objectives and for the preference of the alternatives, which are discussed in the previous section, but it is difficult for fuzzy logic model to do the same.

From the algorithm and example it is noticed that both fuzzy logic and AHP models can use imprecise and vague information for decision making and the principle used in both techniques in making a decision is not significantly different, i.e. identifying the alternatives and setting up the criteria or objectives for a decision, but their approaches, including scales and measurement used, and computation process, to reach a decision is totally different. Fuzzy logic model uses natural human language to assess and measure the importance of individual criterion and the preference of individual alternative, which is closer to normal response of human behaviour and easy to be applied. AHP model uses 9 point scale to estimate the relative preference of the alternatives and the relative importance of the objectives or criteria for pairwise comparison, which sometimes is quite challenge for some people to use in real working environment as this is not a natural way for human to make their assessment. To overcome this problem, fuzzy logic was integrated with AHP to develop a fuzzy AHP model to adjust the confidence coefficient to express their degree of understanding with respect to the importance of each criterion and alternatives (Yang and Chen, 2004; Wang and Chen, 2008).

Once the importance of individual criterion and the preference of alternatives are measured, fuzzy logic approach developed by Yager (1981) simply compares the preference of the alternatives to the importance of individual criterion and then uses fuzzy calculi 'and' (intersection using symbol) and 'or' (union using symbol) to find the minimum and maximum items among the variables and search for a final decision. The algorithm seems complicated but the computation process is simple and straightforward, which can also be programmed using ordinary computer language. Unlike fuzzy logic approach, the computation process used by AHP model is quantitative. Once the relative preference among the alternatives and the relative importance among the criteria have been decided, the eigenvectors for both of them are obtained through four computation stages, i.e. squaring vectors, summing the results on each row within a vector, normalising the results within a vector and estimating consistence. Final results, i.e. decisions, are obtained through a multiple operation between the final two vectors, i.e. the vector for importance of criteria and the vector for the preference of alternatives. From the demonstration, the computation process seems complicated and time consuming, but the whole computation process can be simply and easily programmed and the final results can be obtained within less than one second with a normal PC.

Conclusion

The example used here demonstrates that both fuzzy logic and AHP models are capable to use imprecise and vague information to make a decision for a problem with multiple criteria or objectives, and the decision can be simply and easily explained using the figures obtained from AHP model but is difficult for fuzzy logic model to do the same. The principle used for both models is similar but the assessment or measurement used for the importance of criteria and the preference of alternatives is totally different. Fuzzy logic model uses natural human language, which is closer to human response and easier to be applied, and AHP model uses 9 point scale and the relative comparison between a pair in both importance and preference, which sometimes are hard and challenge for people to use. As a result, the

computation processes used are different too between them, but both of them can be easily programmed and reach a decision quickly.

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AN SURVEY OF INTERNATIONAL TOURISTS AND THEIR BEHAVIOR. THE CASE OF INTERNATIONAL AIRPORT OF TIRANA

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Abstract

Albania has great potential as a cultural and nature-based tourism destination. However, there is currently very little systematically collected information about visitors to Albania. Detailed information about the socio-economic profile, activities, degree of satisfaction, expenditures and desires about current visitors can help Albania in cost effectively targeting its tourism marketing campaign, guide its investment in cultural and nature based tourism as an important engine of future economic growth for the country, as well as track its progress toward becoming a sought after tourism destination. This interim paper provides an overview of the descriptive results of the first half of a year long airport exit survey designed to serve these roles for Albania. Detailed statistical analyses, stratification by class of visitor, and more visually appealing representations of the relevant information can be expected in the further study.

Data collection began in April 2007. We managed the data collection and entry process and kept in regular communication with the PI with regard to that process. This report provides an overview of the results of the first 6 months of data collection. A maximum of 426 useable responses were available for this interim report, reflecting a lower than anticipated total to date. This can be explained, in part, due to a somewhat slow start and some challenges in enlisting surveyors during the school examination period.

Key words: visitor, cultural tourism, travel profiles, destination

Introduction

Albania has great potential as a cultural and nature-based tourism destination. However, there is currently very little systematically collected information about visitors to Albania. Detailed information about the socio-economic profile, activities, degree of satisfaction, expenditures and desires about current visitors can help Albania in cost effectively targeting its tourism marketing campaign, guide its investment in cultural and nature based tourism as an important engine of future economic growth for the country, as well as track its progress toward becoming a sought after tourism destination. This interim paper provides an overview of the descriptive results of the first half of a year long airport exit survey designed to serve these roles for Albania. Detailed statistical analyses, stratification by class of visitor, and more visually appealing representations of the relevant information can be expected in the further study.

Survey objectives

In general terms, the exit survey intends to provide objective information, analysis and a replicable transparent data generation process in order to inform planning, marketing and investment in Albania's tourism sector. More specifically, the preliminary survey results provide:

- a demographic profile of current visitors to Albania including age, gender, income, education, nationality, and group size;
- a trip and activity profile of current visitors to Albania with particular attention to cultural and natural resource based attractions;
- an expenditure profile of current visitors to Albania including transportation, lodging, tours, food and drink, music, dance, art, museums and other cultural activities and souvenirs;
- a measure of the degree of satisfaction of current visitors and identify potential areas for improvement and/or opportunities for marketing; and
- a notion of the sensitivity of current visitors to changes in the costs of travel and the quality of natural, cultural and infrastructural environment in Albania.

Approach

Survey instrument:

An in person written survey instrument (Annex I) was created through several iterations of Marketing and Tourism department of University of Tirana with local tourism officials, tourism entrepreneurs, Albanian government officials, student surveyors and enumerators, an instrument pretest, and the experience of past survey efforts in other countries. The survey was translated and back translated from English into Italian and Albanian according to survey protocols, creating three essentially identical instruments in order to capture the likely linguistic preferences of international visitors to Albania. The survey was intended to take approximately 10 minutes for the respondent to complete at the Mother Teresa International Airport in Tirana.

Sampling strategy:

Trilingual surveyors intercepted potential respondents in the international terminal of the airport. Potential respondents were asked about their willingness to complete the survey, their preferred survey language, and their status as adult, non-residents was established. The research effort has a goal of 1,500-2000 completed surveys over the first year of data collection, evenly divided among three subjectively determined seasons (broadly, Fall, Winter-Spring, and Summer). A randomized design was employed to best ensure representativeness of the sample. This is of particular importance since there is no existing information against which we can check the representiveness of our sample relative to the known tourist population.

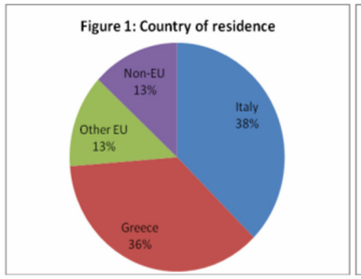
Data collection began in April 2007. we managed the data collection and entry process and kept in regular communication with the PI with regard to that process. This report provides an overview of the results of the first 6 months of data collection. A maximum of 426 useable responses were available for this interim report, reflecting a lower than anticipated total to date. This can be explained, in part, due to a somewhat slow start and some challenges in enlisting surveyors during the school examination period. Data collection after this initial start up period has proceeded according to expectations.

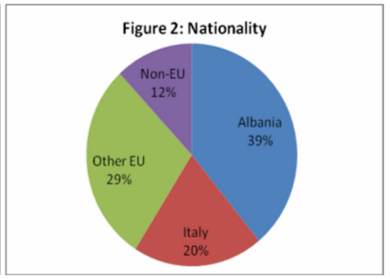
Preliminary Results

Visitor profiles

The survey language of choice potentially provides an indication of what languages might be chosen for providing tourist information. Some 41% of respondents chose to complete a survey in English, 34% Albanian, and 25% Italian.

The country of residence provides an indication of the location and extent of Albania's current tourist market. Some 37% of respondents live in Italy and another 13% live in neighboring Greece. About 36% are from other European Union countries, while 13% reside in other non-EU countries, typically the CIS or former countries of Yugoslavia (Figure 1).





In part due to the recent history of Albania, there is an impression that many international visitors to Albania are Albanians or individuals of Albanian descent visiting family and/friends. It may be important to establish whether an international visitor from Italy, for example, is an Italian on holiday or a Albanian visiting family due to very likely differences in expenditure patterns and touristic investment requirements. The survey indicates that some 39% of international visitors are Albanian, 20% are Italian, 29% are from one of the other EU countries and 12% are from outside of the EU (Figure 2). Some 35% of international visitors are visiting family or friends, 38% are on business, while only 20% of respondents are actually visiting Albania for pleasure. However, 44% of respondents were on their first visit to Albania in the past year, 24% on their second visit, 18% had visited three to five times, 7% six to ten times, and 7% eleven times or more, suggesting that annual family visits are the most common type of trip to Albania (Table 1). Taken together, these results certainly call into question the current operational size of the Albanian international tourism sector and point to a very young industry indeed.

Our sample was overwhelmingly (75%) male, potentially causing concern over representiveness of the sample. However, given other aspects of traveler profiles and observation of the sample population at the airport, we do not believe the sample is biased. The average age of respondent was 38 yrs, with some college or university level training, a salary of 40-60,000 Euro and 4 weeks paid vacation per year.

Trip length, destinations and lodging

Most visitors to Albania are on a single destination trip, spending about 12 days, on average in the country and a day on either end of the trip traveling to and from home. The median trip is one week, while the modal trip is a long 3 day weekend (Table 1). The mean is skewed by long term visitors of 3 to 4 months, often from Australia or educational visitors at an Albanian university for a term. Most visitors spend the majority of their time, and presumably their money, in Tirana. Durres is the second most popular destination among international visitors. More than ½ of visitors are traveling alone and an additional ¼ are traveling with a single companion.

More than 40% of reported visitor-nights were in the homes of family or friends, creating negligible additional economic activity in the country. About 1/3 of reported visitor-nights were in luxury (4 or 5 star) hotels, while an additional ¼ were in spent in 2-3 star hotels (Table 1). Visitors were largely pleased with the quality of the physical features and of the service at the luxury hotels. Both ratings declined with the budgetary category of the hotel. This is logical for the physical features of the hotel, but not necessarily for the quality of human provided services. Consistent with these ratings, visitors were moderately satisfied with their visit, likely to return, and moderately likely to recommend to their friends that they visit Albania (Table 2). Despite survey efforts that spanned the summer season, very few visitors rented private vacation homes, stayed in bed-and-breakfasts, or in campgrounds.

Table 1: Trip characteristics

Table 1: Trip characteristics			
	Mean	Median	Mode
Days in Albania	12	8	3
Times in Albania	3	2	1
Purpose of visit (%)	Business	Pleasure	Family
	38	20	35
Group size (%)	Alone	Couple	Larger group
	53	23	13
Where stayed (%)	5 Star	3 Star	Private home
	34	24	44

Table 2: Visitor satisfaction

Table 2: Visitor satisfaction (5 point Likert scale; 5 is very high, 3 is neutral, 1 is very low)			
	Mean	Median	Mode
Satisfied	3.6	4.2	3.9
Return	4	5	4
Recommend	3	5	5

Table 3: Most popular activities (>10%)

Table 3: Most popular activities (>10%)	
Walk	50
Swim	38
Sightsee	33
Museum visit	24
Park visit	17
Hike	15
Local music	15
Picnic	11

Characteristics of an Albanian tourism experience

Respondents were asked what sort of activities they took part in while in Albania. Other than walking, by far the most popular activity (which included the summer holiday season) was swimming (38% of all respondents). Sightseeing and photography (33%), National Park or protected area visits (17%), walking tours (50%) and hiking (15%) and picnicking (11%) were other popular outdoor activities. Museum visits (24%) and, potentially, local music (15%) were the only indoor recreation activity garnering more than 10% participation among respondents (Table 3).

Respondents were asked about the importance and the quality of natural and anthropogenic features of Albania to the enjoyment of their visit. The four categories that were ranked as important (a rating of 4 or higher) were friendly people, hospitality services, food and dining and scenic landscapes. Except for the friendly people category, respondent ratings of the quality of these important features in Albania were about ½ point lower than their importance rankings. However, the quality ratings were lower across the board, statistically equivalent to neutral (a rating of 3) in most cases. When importance and quality rankings are compared, we can identify potential areas of concern, priorities for investment or of particular attractiveness of Albania to international tourists (Table 4).

Trip expenditures

Based on our sample, the average total per visitor-visit expenditures are 1126 Euro for a trip to Albania. The median was 805 Euro, while the modal response was 500 Euro, indicating that there were a number of high end visitors pulling the average expenditure values upward. An average of just less than one half of total trip expenditures were taken up by travel to and from the country and about 14% of visitors report taking advantage of some sort of travel package for their trip. This is money that typically does not come into Albania. Lodging, travel within the country and restaurant and bar expenditures were the three principal and fairly equal categories of expenditures making up the other half (Table 5). Since there is a great deal of variation in the trip length across visitors, a calculation of per visitor-day expenditures is useful. The average per visitor-day expenditures were 161.66 Euro. The median was 100.71 Euro and the mode was 100 Euro per visitor-day. This is precisely in line with the level of expenditures expected in other parts of the world.

Table 4: Features of greatest importance and quality (5 point Liker scale)

Table 4: Features of greatest importance and quality (5 point Liker scale)				
	Importance		Quality	
	Score	Rank	Score	Rank
Friendly people	4.4	1	4.1	1
Local services	4.2	2	3.7	2
Scenic landscapes	4.0	3	3.6	5
Local cuisine	4.0	4	3.7	3
Pleasant climate	4.0	5	3.6	4
Public safety	4.0	6	3.3	8
Beach	3.9	7	3.0	17
Infrastructure	3.9	8	3.1	12

Table 5: Travel expenses (Euro)

Table 5: Travel expenses (Euro)	Mean	Median	Mode
Total	1126	805	500
Travel to	497	363	300
Travel in	238	100	50
Tours	178	100	100
Lodging	322	250	300
Gas	223	135	200
Restaurants	222	150	100
Groceries	152	100	100
Supplies	174	75	0
Retail	138	100	50

Table 6: Economic opportunity

Table 6: Economic opportunity	Mean	Median	Mode
WTP Albania	464	150	100
WTP Nature/Culture	86	50	50

Sensitivity to changes in travel expenses or features of the tourism experience

Our survey not only provides information about what visitors spent, but also what they might be induced to spend should there be a change in the cost of travel or of the quality of the travel experience. This represents unexploited economic opportunity under current trip quality conditions. The average additional willingness to pay to travel to Albania under current experiential conditions is 464 Euro. However, the mean response is somewhat skewed by a number of very high responses. The median response was 150 Euro and the modal response was 100 Euro. Further, visitors were asked to respond to their willingness to pay to improve the cultural and natural features of the Albanian tourism experience. On average, respondents were willing to pay an additional 86 Euro, with median and modal responses of 50 Euro, to the Albanian government to invest in Albanian nature and culture (Table 6). Visitors were somewhat more interested in investment in Albania's natural environment, allocating 55% of their payment there, relative to its cultural features.

Concluding remarks

This interim report reveals some interesting information about travel through Mother Teresa International Airport in Tirana. International visitors are more male and more Albanian than would be typical of most survey efforts in other countries. The proportion of non-Albanian business travelers to tourists is relatively high, particularly for the summer season. This points to the very young stage of tourism development in the country and may illuminate strategies to introduce international audiences to Albania through conferences or other business oriented travel. In the final report, the experiences of business travelers and non-Albanian leisure visitors will be discussed separately from Albanians visiting family and friends.

Travelers typically stay rather close to Tirana. As the industry develops, close attention to moving tourists to less central locations will increase the length of stay, the amount spent, and the distribution of tourism receipts throughout the country. It will also increase international travelers' appreciation of natural and cultural aspects of the country.

Notwithstanding these aspects of the survey population, expenditure patterns and sensitivity to changes in travel costs or the tourism experience are approximately in line with expectations, though in sharp contrast to recent reports of the World Tourism Organization in the Economist magazine. Detailed statistical analysis of the dataset will reveal more precision and confidence in our understanding of visitor behavior. As the initial survey effort proceeds into its second half, particular attention should be paid to the number of surveys collected, the completeness and accuracy of those surveys, and the representiveness of the sampled population, since it is so atypical from other such efforts in other countries. In addition to creating a small group of young Albanians with better understanding of survey research and data collection methods who can help others to do the same, with renewed effort, the year end report should provide a wealth of interesting information and insight to decision-makers in Albania

COMPARATIVE PERCEPTION(S) OF CONSUMER GOODS PACKAGING: CROATIAN CONSUMERS' PERSPECTIVE(S)

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Abstract

For centuries, packaging communicates and is capable of attracting consumer's attention. In the B2C market it usually communicates images influencing consumer perception, appeal to the consumer's emotions, and generate desire for some specific product. Therefore, packaging could be considered as promotional tool, especially within the retail industry environment. However, to understand how packaging communicates and influences consumers it is necessary to emphasize the way how consumers perceive packaging in general. The "communicational" dimensions of packaging are factors that could affect consumers and influence their purchasing behaviour. While some of the communicational dimensions of packaging (e.g. design, size, colour, and carried information) attracted modest attention among academic researchers, there is a relative lack of studies dealing with the packaging material. It is the purpose of this paper to provide a limited insight/overview to generic consumer's perception of packaging material by combining the findings from the current seminal research studies and primary research used in this paper. Focus groups findings indicate that consumers are merely aware of different packaging material and their characteristics. Consumers are expressing needs for safe packaging, yet the importance of convenience seems to be the most important and they are prepared for some trade-offs in order to maintain usage convenience. It is indicative that preferences of particular packaging material over another are moderated by certain factors (e.g. age, place of consumption, occasion, and product category). Due to sample and research methodology limitations the findings are limited regarding their generic value. However, the indications given can be considered as valuable guidelines necessary for further research in the field.

Key words - perception, packaging material, consumer behaviour, Croatia, packed beverages industry

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Introduction

Packaging could be defined as a technology and the art of preparing a commodity for convenient transport, storage, and sale (Encyclopaedia Britannica, 2008). On the other hand, many marketers have called packaging a "fifth P", along with price, product, place and promotion (Kotler, 2003), pointing out its importance in the marketing context. Therefore, packaging should be considered as an element of both product and brand. Packaging communicates and is capable of attracting consumer's attention. It can communicate images that influence consumer perception, appeal to the consumer's emotions, and motivate desire for the product. Packaging should be also considered as a promotional tool, especially within the retail environment (Vranesevic, Vignali and Vrontis, 2004). However, to understand how packaging communicates and influences consumers it is important to understand how consumers perceive packaging. In other words, it is necessary to define the way packaging communicates to consumers. Marketing communications related

publications and research propose the concept of the communication dimensions of packaging (Kesic, 1997; Shimp, 2003; Underwood, 2003; Fill, 2006). According to this concept, packaging communicates via its shape, colour, size, carried information and packaging material. While some of the communicational dimensions of packaging (e.g. shape, size, colour, and carried information) attracted modest attention among academic researchers, the quantity of studies dedicated to the packaging material is very limited.

It is the purpose of this paper to provide a limited insight to generic consumer's perceptions of packaging material. The first aim of this paper is to provide an overview of the current research related to packaging material perception, while the second aim is to further explore this area with the interpretation of the primary research results. The combination of both will provide a modest contribution to the existing knowledge and relevant marketing theory.

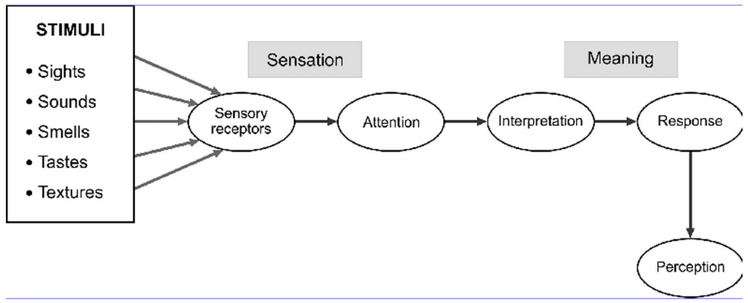
Perception, perceptual process and packaging

Zimbardo et al. (1995) suggested that perception is 'the task of making sense of sensation'. Perception could be described as mental organization and interpretation of sensory information and is influenced by a variety of factors, including the intensity and physical dimensions of the stimulus; such activities of the sense organs as effects of preceding stimulation; the subject's past experience; attention factors such as readiness to respond to a stimulus; and motivation and emotional state of the subject (Columbia Electronic Encyclopaedia, 2006).

In the context of marketing and consumer behaviour perception is well recognised from both the practitioner and academic perspective. Knowledge of consumer perception and the perceptual process is a necessity for successful marketing communications. The perceptual process could be approached from two main directions. The psychological approach is dealing with the conversion of ambient stimulation of senses into the electrical energy of nerve impulses (Noë and Thompson, 2002). On the other hand, the behavioural approach to perception focuses on the relationship between the physical properties of stimuli and the perceptual response to this stimuli, and just as learning, thinking and emotions are all behaviours, perception is behaviour as well (Goldstein, 2006). The perceptual process could be broken down to two major stages (see Figure 1). The first one is related to sensation collected by our senses while the second one is related to the understanding of the meaning of lived sensation. The process itself begins with biological processes within our senses that are initiated by various stimuli in our surrounding. Our senses of sight, hearing, smell, taste, and touch are consisting of sensory receptors that are receipting stimulus within their reach from the surrounding and transferring electrical signals through nerves to the brain for further processing (ibid). After the sensation stage, stimuli are getting meaning through the interpretation and response.

Packaging perception is related to the communicational dimensions of packaging because consumers perceive what packaging communicates to them. The communication dimensions of packaging are interacting with the consumer with the senses stimulation. There are two levels of analysis of marketing stimuli – conceptual and perceptual analysis. During the conceptual analysis consumers integrate information from the stimulus with pre-existing knowledge, they imagine events related to the stimulus, and they actively (counter)argue with the position taken by stimulus (Payne, Bettman and Johnson, 1993). Before and during conceptual analyses, consumers engage in perceptual analyses (Greenwald and Leavitt, 1984) when devoting focal attention to the stimulus. In perceptual analyses, consumers examine sensory features of the stimulus, such as shape, colour, and size, they decipher the stimulus into categorical codes, such as brand name, pictorial and textual information for a brand package, and they select certain elements of the stimulus over others (Pieters and Warlop, 1999). Consumer's total perception of packaging is a sum of separate perceptions of shape, size, colour, packaging material and carried information. The success of packaging design and its ability to communicate appropriate messages is, at the end, judged by consumers. It should be noticed that the move to larger supermarkets and increased segmentation of markets has led to proliferation of products, so that packaging has to work in a more crowded competitive context, both in the retail environment and in the kitchen (Thompson, 1996). Consumer's behaviour needs to adapt to specific situations in the purchasing process.

Figure 1: Perceptual process



Source: Solomon, M., Bamossy, G. and Askegaard, S. (2002) Consumer Behaviour: A European Perspective. Harlow, Pearson Education Limited

Researchers showed quite significant interest about perception of carried information or packaging labels, especially in the context of packaged food. A study conducted by the European Heart Network (2003) identified 307 papers dealing with consumer understanding of nutrition labelling. Studies are showing that the majority of consumers read the food (and beverage) labels (MAFF, 1995), while the reading frequency is associated with the degree of uncertainty about the product (Wandel, 1999). This was also confirmed by more recent studies (e.g. European Heart Network, 2003; Cowburn and Stockley, 2004; Grunert, 2006; Drichoutis et al., 2006; Navigator, 2007). Nutrition knowledge relevant to the interpretation of labels was reported to be generally low and some terms used on nutrition labels are not well understood (European Heart Network, 2003). However, in majority of cases information on label is perceived as a buying aid when it comes to the decision process (Glanz et al., 1989; Pudel, Spirik and Westenhofer, 1996; Nayga, Lipinski and Nitin, 1999;). Time pressure is also having impact on the perception of verbal and non-verbal stimuli. According to Rettie and Brewer (2000), under conditions of rapid perception (i.e. time pressure), there is an advantage for verbal stimuli perceived from the right-hand side, and for non-verbal stimuli perceived from the left-hand side of the packaging (i.e. label).

The effect of the packaging shape and size on consumer's purchasing behaviour seems to initiate some debate among scholars. More than fifty years ago Jean Piaget studied children's perception of volume (Saxe, 1983). Piaget found that primary school children appeared to use only the height of container when making volume judgements (Raghubir and Krishna, 1999). Afterwards, the effect of package's height or elongation on consumer's perception was researched by many scholars (e.g. Homberg, 1975; Frayman and Dawson, 1981). In his research focused on consumer's behaviour, Wansink (1996) found that large package sizes encourage more use than smaller package sizes. In a more recent study, Raghubir and Krishna (1999) pointed that package's shape affects preferences, choice and post consumption satisfaction. Furthermore, consumers tend to simplify the size judgement task by using a single package's dimension at a time (Krider, Raghubir and Krishna, 2001). Packages that have shapes that are perceived as attracting more attention are also perceived to contain a greater volume of a product than same sized packages that attracts less attention (Folkes and Matta, 2004). The research results from Yang and Raghubir (2005) showed that the more elongated a container, the lower is the purchase quantity. In the recent study, Raghubir and Greenleaf (2006) focused on the consumers' reaction to rectangles. The results showed that the ratio of the side of a rectangular product or package can influence purchase intention and preferences.

Colour perception is a rather popular topic in marketing and consumer behaviour (e.g. Grossman and Wisenblit, 1999: Kotler, 2003; Solomon, 2004; Hawkins, Best and Coney, 2004; Fill, 2006) Titles with more global approach and international marketing related titles are also pointing out how the colour perception is related to the culture (e.g. Muhlbacher, Leihs and Dahringer,

2006; Doole and Lowe, 2008) and connotations that a particular colour is having in one country or region could be completely opposite in another. However, the research focused on the perception of packaging colour is very limited. In case of food products, a study showed that consumers in terms of packaging are mostly noticing the packaging colour and transparency (Dantas et al., 2004). Colour is also reported as very important element in the case of the wine packaging perception (Rocchi and Stefani, 2005)

Research with a focus on the packaging material and how it affects consumers' perception and behaviour is sparse. However, there is a number of studies dedicated to the technological and environmental side of the packaging material (e.g. Lund, 2000; Laroche, Bergeron and Barbaro-Forleo, 2001; Madocks, Rewhinkle and Barton, 2005; Ivusic et al., 2006; Rokka and Uusitalo, 2008), or even ethics related to the usage of particular packaging material (Johnson, Sommer and Mayes, 1985; Bone and Corey, 2000). From time to time, packaging companies and associations tend to publish some results from their research studies intended to improve certain packaging material's rating among consumers (e.g. Consumer Preferences in Packaging Materials, 2006; Glass education, 2008) or are making conclusion from the findings gathered from a very limited and non-representative sample (e.g. George, 2006). Since this studies are having clear goals to be advocates for the usage of particular packaging material, their objectivity and thus the value in the scientific context is very questionable.

Research aim and methodology

The main aim of the primary research was to explore if and how consumers perceive different packaging materials in the context of soft drinks and a focus group interview was chosen as the most appropriate qualitative research method.

The research was conducted in Zagreb, Croatia with two focus groups each consisting of eight persons in which women and men were represented equally. Since the group interview was exploratory in its nature, research sample was gathered in a way to include soft drinks consumers of the relatively narrow age range, rather than being representative of the total Croatian population. Participants in the first group were relatively younger (i.e. age range from 25 to 40) while the second group consisted of relatively older participants (i.e. age range from 41 to 60). The focus group agenda included the following types of packaging materials: glass, polyethylene terephthalate (PET), carton and can.

Main research findings

Purchasing phase

During the purchasing phase participants are mostly focused on brand and price. Next is the product content. When it came to packaging, participants are thinking that design is important and that it is affecting their purchasing decision. Packaging size also matters. Bigger packages are usually purchased during weekly and other planned shopping. During occasional shopping smaller packages are mostly bought due to convenience.

There is some indication that age is related to the shopping behaviour. Older participants are doing their weekly and monthly shopping mostly in big shopping centres to save on time, while younger respondents prefer daily shopping (more frequent, but with fewer products bought). Furthermore, older participants are more careful with the planning of weekly shopping.

When it came to the packaging material, soft drinks purchased in HORECA are almost exclusively in glass. Situation is quite different in retail. Syrups are mostly in glass, but some cheaper brands are usually packed in PET. Carbonated soft drinks are mostly packed in PET while the biggest portion of juices and nectars is packed in carton and some smaller portion in PET. Non-carbonated packaged water is mostly purchased in PET while carbonated packaged water is also purchased in glass.

During the purchasing phase older participants are not that much concern about the packaging type (i.e. material) while younger participants prefer PET and carton packaging. In HORECA participant are concerned about the product's type, brand, packaging size and packaging material. Participants expressed their preference towards glass in purchases within HORECA. For outdoor consumption participants are looking for convenient packaging and prefer PET and carton over other packaging materials.

Consumption phase

Products characteristics that are important to participants differ between product categories. However, in most cases content temperature is the most important characteristics, followed by packaging size and convenience, producer/brand, price and product quality.

PET packaging seems to be in overall the most preferred packaging type, followed by glass and carton. Glass is, on the other hand, preferred as packaging material in HORECA. An overview of importance and required product characteristics and packaging material preferences is shown in the following table.

Perception of packaging in the context of product category

Packaged water

Majority of participants are buying mineral water in glass bottles and the think that this type of packaging is prestigious and is more attractive than other types of packaging. Participants noticed that glass is relatively heavy but the really downside of this type of packaging is its breakability. Since glass packaging is commonly used as returnable or refillable, scuffing marks could be sometimes visible. This visual imperfection is affecting glass packaging attractiveness. PET is, on the other hand, perceived as more convenient, especially by younger participants.

Carbonated soft drinks

In overall, participants prefer PET packaging for carbonated soft drinks. PET is perceived as more convenient packaging type than others, especially because of light weight and it can not be broken. However, participants were complaining on the PET's occasional lack of rigidity which is especially noticeable in case of bigger packaging sizes (e.g. 2 litre Coca-Cola PET bottles). The bottle's softness could cause content spoilage when one is manipulating with the package with just one hand or when the pressure applied by hands to squeezes the bottle. Glass packaging is only desirable for the consumption in HORECA. Participants showed the lowest preference towards the can. According to them, can is not hygienic and it gives some kind of metallic taste to the content. Furthermore, can is not considered as convenient packaging mainly due to the lack of resealing feature.

Juices and nectars/Still drinks/Iced tea

Products in this category are usually packed in carton which is mostly considered as convenient. However, there are some complains about the lack of features that are enabling resealing in some cases (e.g. smaller packages). Due to its nature, carton is not transparent so the content is fully hidden. Participants are missing the transparency that glass and PET packaging are providing. Furthermore, participants are complaining about the inconvenience to drink directly from the carton package. Smaller size carton packages are particularly considered as appropriate for children.

PET is preferred packaging type for iced tea and is considered as very convenient due to its light weight and its ability to be resealed. As in case of carbonated soft drinks, cans are considered as unattractive and non-hygienic.

Perception of packaging types/materials

Glass

All participants think that glass looks the best and is usually related to the best quality products. It has a long tradition and is considered as nice looking, especially for special occasions. Glass is considered to have very good protective function and it does not affect the taste of content. It is environment friendly and could be reused and recycled. Participants were also stressing the overall quality of glass as a packaging material. Its transparency and design are improving the quality of product itself. Glass is considered as prestigious packaging material and a must for special occasions. Participants think that products look nicer in glass. However, participants also noticed some disadvantages of glass packaging. First of all, it is breakable and relatively heavy. It is not very convenient and it is rather difficult to transport heavy returnable bottles back to the outlet (n.b. it seems that glass packaging is mostly considered as returnable by participants). Furthermore, participants are complaining about scuffing marks that could be noted in some cases and issues with the resealing of some mineral water bottles.

Figure 2: An overview of important product characteristics and packaging material preferences depending on the consumption occasion

Consumption occasion			Important product characteristics and preferred packaging material
DAILY/AT HOME		characteristics	content temperature, product quality
		packaging type	**Fruit juices and CSDs –** PET, carton **water –** glass, PET
TRAVELS		characteristics	**YOUNGER PARTICIPANTS –** content temperature, convenient packaging, price
		packaging type	**YOUNGER PARTICIPANTS** – PET, carton
OUTDOORS	HORECA	characteristics	Fruit juices and CSDs are more preferred than water; price, producer/brand
		packaging type	Glass
	On the go	characteristics	producer, brand, refreshment, content temperature, importance of packaging size, convenient packaging, type of packaging closure
		packaging type	PET
SPECIAL OCCASIONS		characteristics	type of product, product quality (more natural, without preservatives and additive), packaging size
		packaging type	glass (if available)
PHYSICAL ACTIVITY		characteristics	packaging size, content temperature, convenient packaging; water is preferred over fruit juices and CSDs
		packaging type	PET

Carton

Carton is mostly considered as a light-weighted type of packaging. Participants are finding carton appropriate for transportation and storage. There is almost a consensus among participants that carton is more environmentally friendly packaging than PET or can, which is, actually, wrong. Yet, minority of participants (especially older) noted that carton packaging is not as environmentally friendly as it was thought. Carton may look as made of paper from the outside but there are also aluminium and plastic follies inside. Carton is considered as convenient for handling, unbreakable and space saving (i.e. it could be squeezed). Participants are finding carton as a trendy packaging. In overall, carton is considered as convenient packaging but resealing is not always very convenient. Participants are thinking that carton packaging is changing the taste of the content. Furthermore, it completely covers and is not transparent so the content is not visible to the consumer, which is considered as a downside.

PET

PET is generally considered as a very convenient type of packaging. This was especially expressed by younger participants, while the older participants were not that much excited. Furthermore, PET is appropriate for transportation due to easy handling and light weight. It is appropriate for purchasing of bigger quantities (i.e. bigger volume, multi-pack options). PET is considered as unbreakable packaging material. Participants are also aware about some disadvantages of PET packaging. They are considering it as a less environmentally friendly type of packaging due to the fact that oil is main raw material for the production of PET and that is not degradable. Furthermore, participants said that PET is affecting the taste of content and that there are some migrations of gases from the package to content. Participants noticed that also the carbonization level of carbonated soft drinks packed in PET is dropping during the time. One relatively important disadvantage is that the content in PET tends to heat up very quickly.

Can

Can is considered as a packaging which is convenient for transportation and storage. It is light weighted and easy to handle. The content of can could be quickly cooled and can is providing good protection. Participants also noticed that soft drinks packed in cans could be bought on the wending machines which is considered as an advantage over some other types of packaging (e.g. glass). However, participants are mostly considering can as not so good packaging. They are especially concern about the health issues related to the fact during the consumption mouth is touching a surface of package which is being exposed all time and therefore could contain germs. Some of the older participant even noticed that cans are containing lead as an ingredient in the packaging material. Majority of participants complained about the "metal taste" which can gives to the soft drinks.

The importance of packaging characteristics and their relation to the packaging material

Participants were asked to express their opinion towards certain packaging characteristics and to evaluate their importance. In overall, glass is mostly perceived as a material with the best characteristics, followed by PET, carton and can.

Furthermore, a simple projective technique was used in order to confirm a finding that participants are preferring glass. All participants were asked to name one packaging material in which they will feel the best if they were a soft drink. The majority of participants pointed glass as a material in which they would feel the best. Participants described that they prefer the transparency of glass and the fact that it is natural. Just a minority of participants mentioned carton. This is in line with the previous ranking of packaging material characteristics but it also raises some new questions and concerns. There is an obvious gap between consumer's attitudes and behaviour in terms of the packaging material choice.

Figure 3: An overview of perceived advantages and disadvantages by packaging type

	GLASS	CARTON	PET	CAN
Associations	quality, it preserves quality, tradition, environmentally friendly, desirable, transparent, inconvenient, breakable	juice and milk, for hot drinks, easy to handle and to store, aluminium layer – could deceive (younger participants)	convenient, giving bad taste to the content, not environmentally friendly, unbreakable packaging, oil, chemistry (older participants), multipacks, big quantities of products	taste of metal in mouth, easy to heat up, not very hygienic, difficulties with the package opening, possibility of breakage, risk of injuries
Advantages	quality, tradition, preserves product's aroma, better test of content, environmentally friendly, price (in case of returnable bottles), could be reused for other purposes, attractive, prestigious packaging	transportation, environmentally friendly, unbreakable, convenient for storage, light weighted, reduced waste, no concerns about the returning of the package back to the outlet, trendy	convenient, transportation, simple handling, light weighted, nice design, appropriate for bigger package content (volume), unbreakable	convenient, transportation, convenient for storage, light weighted, simple handling, quick cooling, product is well preserved, wending machines
Disadvantages	breakable, returnable bottles, transportation, weight, price (non returnable packaging), not trendy, not very convenient for handling, scuffing marks on returnable packaging	it alters the taste, non transparent (the content is not visible), resealing issues, it looks environmentally friendly but it has aluminium layer beside paper	it alters the taste, carbonation level drops over the time, shorter product lifetime, the content would quickly become warm if exposed to sun, not environmentally friendly, non-degradable, migration from package into the content	hygiene, potential health issues, not very convenient (no resealing), metal taste, single use, not trendy, the content would quickly become warm if exposed to sun, danger of injuries (i.e. cuts)

Conclusion

Consumers are aware of different types of packaging materials and different characteristics that these materials are having. Glass is overall perceived as the packaging material with the best characteristics. Yet, packaging statistics (e.g. Ingham, 2002; Business Insights, 2003; Future Innovation Today, 2006) are showing that PET and carton are much more popular packaging materials. It seems that consumers are trying to be rational while expressing their opinions but in real life packaging convenience seems to be the main motivator over the choice of a particular packaging material. Furthermore, it seems that consumers are prepared for trade-offs in order to maintain the usage convenience of the package. This leads to the conclusion that in case of packaging type preferences there is a gap between attitudes and actual behaviour.

This research also pointed out some potentially moderating variables of consumer's perception of packaging material, like age, occasion, product category and place of purchase/consumption (distribution channel). However, on a larger scale research these variables, and maybe some other variables (e.g. sex, culture) could be revealed as important factors that could moderate consumers' perception of packaging material.

It could be taken for granted that the role of packaging in the B2C market is important and should be considered in the context of better understanding of consumer's perception towards the product and brand. Unfortunately, theoretical background on this rather specific area is not sufficient and studies like this one provide valuable insight on this topic. Although, due to the research methodology limitations the general applicability of findings is questionable in terms of general cross-industrial acceptance, they provide valuable guidelines for further research.

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SOLVING CUSTOMERS' COMPLAINTS AS A KEY COMPONENT OF LOYALTY IN THE SERVICE INDUSTRY

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Abstract

Most companies in today's mature markets are faced with growing competition and constantly increasing costs of attracting new clients. Competing companies undertake maximum efforts to keep existing clients, and are abandoning traditional models of attracting new costumers, focusing more on maintaining (and increasing) current levels of customer satisfaction, thus building closer relationships with them.

Marketing of companies in the service industry is increasingly switching the focus of its efforts to post-purchasing activities and to keeping existing customers. A sure approach to customer retention is to offer high-quality services resulting in customers' satisfaction and loyalty.

In the highly competitive service industry market, companies which are able to lower the number of customers who are dissatisfied and who leave are the ones which will increase profits and keep their competitive advantage.

The fact that there is no such thing as a perfect service still does not mean that we should not engage all available resources to get as close to perfection as possible. We must examine the very process of offering a service from the point of view of the consumer, in order to avoid possible errors and crisis communication situations that would result in a certain level of dissatisfaction of our customers and with them leaving. Should this happen, we must be able to recognize the reasons that lead to the dissatisfaction. The most frequent problems are connected with the length of the waiting period during the process of offering a service, which is a consequence of bad management of the service company's resources. Another frequent problem lies in the inadequate behaviour of the company's employees, especially in their attitude towards complaints and customer dissatisfaction. Each problem and complaint should be dealt with on an individual basis, especially in direct contact with the client, because each client is an individual. Consequently, appropriate solutions to written complaints should be based on an individual approach.

A client who complains and his/her complaint itself offer us a valuable source of (free) information. A well-developed system of collecting and analyzing complaints provides quick feedback from our clients and makes the process of solving misunderstandings faster. Unfortunately, a small number of customers actually complain. They simply leave and take their business to the competition. It is crucial to motivate clients to offer comments about problems they encounter while using our service by offering them an easy way to do this (e.g., a toll-free direct phone line for complaints).

Systematic collection and analysis of customers' opinions, suggestions, and complaints prevents the spreading of negative information and the creation of the negative image of the company (the multiplying effect of information).

When customers are dissatisfied, they will do one of two things: they will either leave or they will complain. Customer complaints will offer important information about the problem that has occurred while they were using the service. They provide one of the most easily available and unfortunately underused sources of information about customer satisfaction. This might sound like a paradox, but those companies that place most attention to their system of collecting and solving customer complaints are the ones that rise to the top of the service industry.

Complaints, therefore, need to be systematically collected and analyzed, and appropriately answered.

This study will present the system of collecting important information analyzing the "Book of Complaints" as a method of understanding critical elements that determine the satisfaction of customers in the hospitality industry.

Key words: customer complaints, customer dis/satisfaction, book of complaints

Book of complaints as a system for monitoring complaints and suggestions

According to Phillip Kotler, some of the ways of investigating/monitoring customer satisfaction are:

- Systematic monitoring of customer complaints and suggestions
- Questioning customers about their satisfaction
- Mystery shopping
- Analysis of lost customers

Monitoring customer complaints and suggestions as a technique of managing customer satisfaction and as an important source of information and data is a simple, and a rather inexpensive, system of monitoring satisfaction. The most frequent objection to this way of monitoring and managing satisfaction is that it, actually, monitors only dissatisfaction in the execution of a service, and that a very small number of customers choose to complain in writing.

We believe that these objections are, theoretically, and in the sense of the representativeness of the sample, hold water; however, the importance of the system of monitoring satisfaction and developing customer loyalty in the tourist industry is becoming an increasingly more important element.

This paper emphasizes this system of monitoring dis/satisfaction of customers/guests as a chance to:

- Transform dissatisfaction into satisfaction
- Determine value for customers/guests
- Continuously improve quality from the point of view of customers/guests
- Develop loyalty and competitive advantage
- Develop a partner relationship with customers/guests
- Correct mistakes – "last warning"
- Predict and control "key points" of the service process
- Make the customer feel that he/she was "treated right"

Companies directed towards clients, wishing to develop a partnership with their customers, and fostering a proactive marketing philosophy of doing business will develop and promote a system of monitoring complaints and suggestions.

According to A. S. Brown , who analyzed reasons why clients leave a certain company, 14% leave because they are not satisfied with a product or service, and as much 68% leave because they perceive the owners, managers, or employees of the company as indifferent. If we add Kotler's data (from various sources) to this – that only 5% of the customers complain, while the remaining 95% either believe that complaining is not worth it or do not know to whom or how to complain, we can conclude that it is high time that this type of monitoring customer satisfaction, opinions, and suggestions be taken more seriously and paid more attention to. Those who do definitely gain competitive advantage, and are the ones who do it from the point of view and for the benefit of their customers. They do so, because by issuing a written complaint, the customer has offered them a chance to correct their mistakes, and responsible companies are meant to take advantage of this opportunity to the benefit of both parties.

Most clients whose problems, after their complaint, are solved quickly and to their satisfaction display higher loyalty and tend to spread their satisfaction thorough word-of-mouth. In this way, dissatisfaction is transformed into satisfaction, and a flaw becomes an advantage, which is a very rare business situation and a good opportunity. However, this only becomes possible if the company has a well-developed and organized department that continuously and systematically monitors and analyzes complaints and suggestions of their clients. Ad hoc solutions and actions do

not result in the above-mentioned benefits. This is why it is necessary to deliver all the information gathered through monitoring books of complaints and suggestions regularly to all employees who come in direct contact with clients, as well as to all management levels of the company.

It is extremely important that employees who receive and analyze complaints are educated to be able to quickly solve problems in the best and most appropriate way, as well as to recognize various nuances of complaints – they need to be empathetic to the customers.

Does anybody read books of complaints anyway?

Customers who have a complaint about the service they were given at a bar, restaurant, hotel, or other tourist institution in the Republic of Croatia can register their complaint in the so-called Book of Complaints. The existence and keeping of the book of complaints is regulated by law. That is why, and in the context of everything stated in this paper so far, we wished to investigate whether the book of complaints is merely a legal requirement, or whether it is also used as an important instrument for monitoring customer satisfaction and the quality of the tourist service.

Legal regulations

The Republic of Croatia, as a typical country with a Euro-continental legal system, tends to regulate certain legal and life situations more than is usual in other legal systems. In tourism and the hospitality industry, within which legal customs are widely used, especially the so-called vertical customs of the hospitality and tourism industry, the Croatian legislature did not want to leave to chance such an important instrument of the relationship between those using and offering a service as the book of complaints.

Generally, the legislature seems to pay a lot of attention to the relationship between users, i.e. customers, and those offering hospitality and tourism industry services as a legal relationship. It does now allow the industry itself, its horizontal and vertical customs, nor the general conditions of doing business to regulate this relationship on their own.

Figure 1. The Book of Complaints

What is the motivation behind such approach by the legislature?

The first legal motive, perhaps the simplest one as well, is the legal tradition of the Croatian legal system. This system follows the Euro-continental legal system, which, from the position of a common-law system, tends to over-regulate daily life. Although the relationship between those using and those offering a particular tourist service is a part of private law, where the intervention of the government should be kept to the minimum, and the legal regulations as subtle as possible, in the Croatian legal system this is not really the case. One of the examples can be found in the Croatian Law on Contractual Relations , in which the Contract on organization of trips and tours is one of the most regulated contractual relations, especially in the segment of mutual rights and obligations of the trip organizers and travelers.

The second legal motive that resulted in such an approach can be found in the principle of favoring the consumer in legal relationships, which is highly present in Croatian law, and increasingly wide-spread within the law of the European Union.
Consumer protection in the Republic of Croatia is regulated by the Law on Consumer Protection , executed by the National Inspectorate of the

Republic of Croatia. The National Inspectorate has authority to issue financial punishment to those who break the Law, but not to interfere in the legally private relationship between customers and those offering a service. Their mutual petitions continue to be resolved within the framework of private and contractual law.

In European law, ever since the Rome Convention on the Law Applicable to Contractual Obligations in 1980 , consumer contracts are subject to a somewhat different legal regime than other contracts. Lawyers believe that a consumer who is in any way harmed by the one offering a service finds him/herself in a de facto legally more unfavourable position than the company or individual offering a service, who is in this relationship often the economically stronger party. This is especially true in the tourism industry, these days, which is under great influence of well-organized and connected tourist agencies and hotel chains. That is why contemporary legal regulations favour the user of the service, i.e. the customer, in an effort to compensate for a factual inequality with a legal system of positive discrimination in favour of the consumer. The regulations display this positive discrimination in the widely drafted right of the consumer to issue complaints, demand quick action regarding their complains, and in the relatively short and strict deadlines on answers to complaints. Special national bodies are founded, with inspectorial authorities, to which consumers can also send their complaints, and which have wide authority in monitoring the hospitality and tourism industry service providers, as well as the legal ability to sanction service providers with monetary fines.

Two crucial factual reasons have influenced these regulations. The first of these reasons is the change of the economic system which took place in 1991 in the Republic of Croatia, i.e. the transition from the economy of socialist management to the neo-liberal market economy. Even today, Croatia is in the process of establishing institutions of market transactions, and each individual entrepreneur needs to ensure that he/she is able to successfully follow the changes taking place in the market economy, as well as in the daily business practice. These changes also influence the daily relationships between service providers and their customers, demanding a new level of adaptability of the service sector to their customers. In those areas where the legislature feels that the relationship with customers is not taken into account sufficiently, and for which it believes that they are crucial for overall satisfaction with a particular service, new legal standards of behaviour towards customers are being introduced.

The second, even more important reason is the role that tourism and the hospitality industry play in the Croatian economy. The Croatian economy is rather dependent on these segments. According to the data of the National Institute for Statistics and the Croatian National Banks, total income based on tourist services in 2007 constituted 22% of the Croatian GDP that year. If we were to add the income of the hospitality industry in general to these numbers, the percentage would be even higher.

As a small country, which cannot rely on mass tourism or aggressive marketing like our competitors in the area, Croatia relies on its reputation, which is built in tourism on the basis of quality. For this to happen, it is crucial to have customers who are satisfied with the services provided and who will transfer their satisfaction and their good experiences in our country when they get home by word-of-mouth. Each individual service provider also relies on this good experience and perception of the customers.

The Croatian legislature is aware of the fact that the book of complaints can serve as the best mirror of the client's experiences and expectations, as well as an unfailing source of information on how we are perceived by customers, of feedback about the quality of the services provided, and of the suggestions for improvement.

Every provider of services in the tourist and hospitality industry is required by law to keep a book of complaints. This requirement is stated in the Article 4, paragraph 1 of the Law on Providing Services in Tourism , as well as in Article 9, paragraph 1 of the Law on Hospitality Industry . According to these two legislations, service providers must keep the book of complaints in the proscribed way, inform the National Inspectorate about any complaint written into the book, and reply to the customer who wrote the complaint within 15 days of receiving it. The form, content, and way of keeping the book of complaints is regulated by regulations based on the legal authority of the Ministry of Sea, Tourism, Transport, and Regional Development. Service providers who fail to uphold this law can be fined by the National Inspectorate with a fine of 5,000 to 100, 000 Croatian Kuna,

which amounts to approximately 700 to 14,000 Euro.

Although the Regulations on the Form, Content, and Way of Keeping the Book of Complaints at first seem as an exclusively technical set of regulations, in their provisions they touch more upon the relationship between service providers and customers. They regulate all the details of the external and internal design of the book of complaint, from the colours used, to language, and the concept of the pages within it. The primary idea behind these regulations is the visualization, standardization, and recognisability of the book of complaints within the catering or other facility. In addition to that, service providers are required to place the book in a prominent place within their facility, where it is easy to reach for the clients. Another reason for the regulations is overcoming the language barriers for the customers. The book is designed in such a way as to facilitate speakers of various languages navigation through its categories, making it highly functional. The book must contain very clear instructions for use, in order to achieve completeness of data about the customer writing the complaint, so that the legal requirement of replying to the customer can be met.

Although it might seem, at first glance, that the book of complaints is simply a review of customer dissatisfaction and criticism, and as such not representative of the entire perception of customer, the Regulations stated that, next to the complain, the book must also contain space in which the provider's answer to the complaint is written. In this way, the book of complaint given insights into the communication between the customer and the service provider, as well as into both parties points of view. The perfection of any regulation, however, is not measured simply in its text, but by the way in which it is applied in practice. This is where our research study comes into play.

Book of suggestions and impressions of the Zagreb Tourist Board's Tourist Information Centre – "Tourist mailbox"

While analyzing the Book of suggestions and impressions of Zagreb's Tourist Information Centre, we found that opinions, suggestions, and complaints of the visitors/tourists are systematically gathered and analyzed. The Book is situated in the premises of the Tourist Information Centre, on the city's main square, visited by most of the tourists in the city. The information gathered from it is systematically monitored and analyzed. The feedback collected in this way is used to improve the quality of the tourist service offer in Zagreb.

Tourist mailbox

In the course of our study, we examined and compared the feedback from "Tourist mailbox" questionnaires collected by the Tourist Information Centre during two periods – 119 questionnaires collected between July 2006 and May 2007, and 43 questionnaires collected between January and August 2008.

Data gathered from the "Tourist mailbox" between January and August of 2008 shows that:

- visitors come to Zagreb from Germany, the United States of America, France, Great Britain, Australia, Canada, Brazil, Austria, China, Spain, Israel, Portugal, and many other countries all over the world,
- visitors come for a number of different reasons, among which the following are most frequently listed: visiting friends or family, business, sightseeing, studying, getting to know the capital of Croatia, stopping-over on the way to the Adriatic coast, vacation, and the city's uniqueness,
- the average length of stay is between two and five days, with the shortest visits lasting one day, and the longest visit among the surveys collected was a four-month stay by a guest from the United States, who came to Zagreb on a long business trip,
- tourists of all ages visit Zagreb, and the majority of those who filled in the survey are between 25 and 34 years of age.

What follows is a list of representative comments by the visitors to Zagreb in the year 2008, grouped by category.

PRAISE:

1. Tourist Information Centre (quality of information, kind staff, good brochures, knowledge of various foreign languages)

- comment made by a visitor from the United States "The tourist office was very helpful and friendly. By far the best tourist office I have been too. Great service with a smile!"

2. Beautiful unique city (good flair and atmosphere, clean, orderly, high above
3. initial prior expectations) Nice, friendly, approachable people

CRITICISM:

1. Mediocre public restrooms, taxi service, and public transport
2. Bad souvenir shops
3. Comment by a visitor from the United States: "Stop smoking!"

SUGGESTIONS:

1. Open more Tourist Information Centres throughout the city
2. Publish a brochure about New Zagreb
3. Offer the possibility of visiting the Parliament during summer months
4. Better tips on whether Zagreb is a gay-friendly destination
5. Make restaurants use more visible and clearer pricing in their menus
6. Start using the Euro
7. Give clearer information on tax refunds

The information gathered from the "Tourist mailbox" between July 2006 and May 2007 shows that:

- visitors come mostly from Germany, the United States of America, France, Great Britain, The Netherlands, Australia, Turkey, Ukraine, Italy, The Republic of South Africa, Russia, China, Switzerland, New Zealand, Spain, Japan, Hungary, Israel, and Sweden,
- the average length of stay is between two and four days, with the shortest visit lasting one day, and the longest visits on the record lasting 27 days (a visitor from Australia on vacation) and 20 days (a visitor from San Francisco on a business trip),
- while visitors of all ages came to Zagreb during this period, most were between 25 and 34 years of age
- almost none of the visitors who filled out the survey used the Zagreb Card

What follows is a list of representative comments by the visitors to Zagreb in the years 2006 and 2007, grouped by category.

PRAISE:

1. Walking tourist informers (great idea, makes tourist feel welcome)
2. Tourist Information Centre (quality of information, kind staff, good brochures, knowledge of various foreign languages)
3. Events going on in the city
4. Beautiful city (clean, orderly, above initial prior expectations) and nice people –

comment made by a visitor from Poland "This time I have visited Zagreb for the

first time and your city makes a huge impression on me and my friends. People in

Zagreb are great – in point "Hospitality of local people" my grade is much higher

than you allow me to mark. You have superb trams. I'm still talking about my time

in Zagreb and I'm really enthusiastic about the next trip to it!"

6. Web page - http://www.zagreb-touristinfo.hr

CRITICISM:

1. Shabby, run-down Youth hostel in Petrinjska Street, not enough one or two star hotel that function ad bed & breakfast places, and no camping facilities
2. Graffiti
3. Weak tourist signalization
4. A larger selection of postcards needed

5. Not much of a night life

6. A comment made by a visitor from Israel: " If you don't want to spend your time

indoor, there's not much to do after the first day. There are no tours out of the city

in the winter – you can only go if you're going on a private tour."

SUGGESTIONS:

1. Tourist tram or bus with a hop-on/hop-off system (interesting to note – several suggestions were made on this issue and a project is under way; the Zagreb Tourist Board gives full support to the idea, and also plans to develop a project of city tours by carriage)
2. More affordable taxi service
3. Better souvenir selection
4. More Tourist Information Centres, especially at the airport and the main train station
5. Shops and museum should be open on Sundays

The Marketing Department of the Tourist Information Centre Zagreb, under their slogan "Zagreb – City with Million Hearts" systematically monitors satisfaction of visitors to Zagreb through the analysis of a feedback questionnaire and the book of impressions, suggestions, and complaints. In this way, they collect important information necessary for the understanding of key elements that determine visitors' attitudes and satisfaction. The data thus collected is used in determining the strategy for improving the city's tourist offer. The goal of this data collection process is not to simply gather opinions, complaints, and suggestions in order to evaluate the quality of the tourist service, but, above all else, to act proactively and promptly react to observed flaws and imperfections.

Figure 2. Zagreb's Tourist Information Centre

These goals are also especially emphasized by the customer satisfaction monitoring system (surveys, books of suggestions, impressions, and complaints) in a number of Zagreb's hotels. The emphasis on the importance of customer satisfaction is apparent from the slogans printed on the hotels' satisfaction questionnaires:

- The Regent Esplanade Zagreb "Please share your Regent experience with us"
- Palace Hotel "Would you like to help? Do you have a suggestion or an idea? We promise to put your suggestions into practice before you leave the hotel!"
- The Westin Zagreb "We value your opinion! Your trust is important to us! Your opinion and impressions of our hotel are priceless!"
- Arcotel Allegra Hotel "Your Feedback, Please!"
- Best Western Premier Astoria "Our goal is your satisfaction! Your valuable comments will help us in perfecting the existing high standards of our service!"

As part of our research, in addition to the TIC, we also visited the above mentioned hotels, as well as several other hotels in the Zagreb area, and a number of restaurants in the city centre. During the visits, we examined the hotels' customer satisfaction monitoring systems.

Four Points by Sheraton Panorama Hotel****

The hotel has a book of complaints, displayed in a corner behind the reception desk. However, it is partially covered by a brochure, obstructing

its visibility. There is no special sign for the book of complaints on or near the reception desk. The hotel also keeps a separate book of impressions, and customer satisfaction surveys are placed in each guestroom.

The Westin Zagreb Hotel*****

The book of complaints exists, but is not visibly displayed, and there is no sign marking its position. The hotel measures customer satisfaction through survey questionnaires.

Dubrovnik Hotel****

Although not clearly displayed, the hotel does keep the book of complaints. The reception desk has a sign marking the existence of such a book. Customer satisfaction is also monitored through the analysis of survey questionnaires placed in each guestroom of the hotel.

Palace Hotel****

Although the book of complaints is not visibly displayed, there is a sign on the reception desk marking its existence, and it is readily produced upon a guest's request. A customer satisfaction survey questionnaire is placed in each guestroom. A separate book of impressions is also kept, and offered to guests upon request.

The Regent Esplanade Hotel*****

The book of complaints is not visibly displayed, but there is sign marking its existence on the reception desk. Customer satisfaction is monitored through questionnaires placed in each guestroom. The hotel management emphasizes the importance of verbal communication with guests. They collect guests impressions and record them in client files, kept for each guest.

Figure 3. The Regent Esplanade Zagreb Hotel

Central Hotel***

The book of complaints is not displayed, nor is there a sign marking its existence. The hotel also dos not keep a separate book of impressions, nor does it monitor customer satisfaction through a survey.

Astoria Best Western Premier Hotel****

The hotel keeps a sign about the book of complaints hidden behind some plates. The book itself is not clearly displayed. There is no book of impressions, but the analysis of customer satisfaction is made on the basis of questionnaires provided in each guestroom.

Arcotel Allegra Hotel****

The instructions about the book of complaints are visibly displayed. The hotel systematically collects and analyses information about customer satisfaction through surveys and the book of impressions displayed in the entrance hall. This is the only place that displays the book of impressions openly in the entrance hall.

Sheraton Zagreb Hotel*****

The book of complaints is not displayed, and there is no sign clearly marking its existence. The hotel uses e-mail surveys and places questionnaires in each guestroom to monitor customer satisfaction.

Jadran Hotel***

This was the only hotel we visited that had a very visibly displayed book of complaints, placed in a glass cabinet right above the reception desk.

Figure 4. Jadran Hotel

Conclusion

Each of the hotels we visited, except for one, actively implement a system of collecting customer complaints, impressions, and suggestions in order to monitor customer satisfaction with the services offered by the hotel. Most keep either the actual book of complaints, or at least a sign marking its existence, on or near the reception desk, and the majority also monitor customer satisfaction by placing satisfaction questionnaires in their guestrooms. The information gathered in these ways is usually analyzed by their PR or Marketing Departments. Dissatisfied clients are also contacted directly by telephone. These clients are subtly invited to visit the hotel again to personally ensure that the imperfections and mistakes that took place during their visit have been efficiently solved. This contributes to building an emotional connection between the guest and the hotel he/she stayed in. The compensation that is most frequently offered to dissatisfied guests is an invitation to visit the hotel again, free of charge, and enjoy the hotel's amenities.

Although most tourist and catering facilities and hotels in the Republic of Croatia are implementing a system of gathering and analyzing customer complaints, impressions, and suggestions, we find that there is a tendency towards emphasis of the form over content. As a result, the system could and should be used more efficiently as a tool of communication between the consumers/guests and the company.

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KNOWLEDGE-BASED APPROACH TO CONSUMER INSIGHT: THE CASE OF CATI-BASED DATA COLLECTION IN CROATIA AND DISCUSSION OF ITS REGIONAL IMPLICATIONS

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Abstract

Marketing research, as an essential tool for better and deeper understanding of consumer behaviour, needs to be based on data gathered by applying reliable and scientific procedures. This is especially relevant for the service industries, as they are much more vulnerable to consumer dissatisfaction/ disloyalty, which, therefore, needs to be detected early enough, in order to avoid business (and other) problems. In such a context, continuous and sophisticated research methodologies serve as an 'early warning systems' to detecting significant issues in consumer behaviour and triggering the appropriate decision-making routines. Although the described procedure could be considered a 'classical' concept/tool for the developed economies/societies, its usage in the wider South-East European (SEE) region has not yet been fully accepted. As to stimulate the development and application of knowledge-based approaches to customer insight, a case study of the SEE-wide research best practice will be discussed. Its implications for the marketing professionals in the region are discussed and contrasted to the relevant experiences from the more developed ('post industrial') economies/societies. In addition, implications for improving the effects of individual knowledge-based concepts/tools at the level of an entire industry/sector, or a territorial entity, are discussed.

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Introduction

Much before the term knowledge economy (business) has become a fashionable manner of explaining the 'ultimate' development objective (see, e.g. González Ovalle, Márquez & Salomó, 2004, for an overview of previous research), Porter & Millar (1985) have elaborated on the information as a potential source of competitive advantage, within the context of the traditional industrial organization microeconomic framework. Although significant lessons are to be learned at the country-wide and regional levels (World Bank, 2003), the analysis of competitive advantage rests upon individual entities, competing for the satisfaction of customers'/users' needs (Porter, 1985), which includes companies, but also non profit and similar organizations (La Piana & Hayes, 2005). An entire

theory in the stream of research related to business strategy, so-called the knowledge-based theory of the firm, has even argued that the very existence of a firm can be explained by using the concept of appropriating knowledge (Grant, 1996). However, the question of knowledge relevance has to be examined, especially in the context of marketing. Alfirevic, Pavicic and Draskovic (forthcoming) argue that both research-oriented concepts and the practical tools in the field of marketing are becoming closely intertwined, if not directly, based on the knowledge about customers (represented by Customer Relationship Management systems/ practices), as well as the knowledge for and from the customers, which is managed within the Knowledge Management framework.

Such a notion is affirmed by the simple comparison of the so-called Knowledge Management Cycle, consisting of knowledge creation, capturing, sharing and application (Liebowitz, 2001, 4), to the notion of marketing orientation, as one of the fundamental 'building blocks' of the marketing field. Namely, following Kohli & Jaworski's (1990) conceptualisation of the term, an organisation exhibiting marketing orientation, i. e. orientation toward satisfying its customers'/users' needs, needs to collect and generate market (customer-related) information, disseminate it within the organization and act upon such insights. It should also be mentioned that the similar notion has been successfully applied to the non profit organizations, by taking into account previously described processes, as applied to the multiple constituencies of an organization (Padanyi & Gainer, 2004). Provided that the discussed concepts are easily comparable, the importance of knowledge in the contemporary marketing environment is becoming apparent.

Marketing research in context of developing knowledge-based approaches to consumer insight

In this paper, the process of collection of market related information is emphasized, as understanding and acting upon the consumer behaviour patterns is considered to be one of the fundamental components for the success of contemporary companies (cf. Kesic, 2006) and other organizations. Namely, development of the effective customer insight, based on the marketing research concept/tools, should provide the management with the understanding of the 'complete consumer' and his/her experience, in order to reduce complexity and enhance the quality of the decision-making processes (Smith & Fletcher, 2004, 3-4). Although the new technologies, such as Computer-Aided Personal/ Telephone/Web Interviewing (CAPI, CATI, CAWI) seem to somehow 'guarantee' the quality of collected market information, correct methodology and research professionalism still count as a critical factor (Nicholls, Baker & Martin, 1997).

Service industries, which include the often emphasized tourism & hospitality sector, have traditionally been held as arenas, calling for a much higher level of professional marketing effort and a more sophisticated approach to interpreting and satisfying customers'/users' needs (cf. Hooley & Cowell, 1996), which also include the 'drive' toward more sophisticated concepts/tools, such as relationship marketing (Berry, 1995). Taking into account that the South-East European region is usually characterized by a certain lag in fully accepting and applying the contemporary business concepts, the importance of transferring the best practices from more developed countries becomes noticeable. The role of marketing agencies in this process, such as the regional agency Valicon, emerging from the older organizations, based in South-East Europe: CATI – Market, Media, Social Research and Consulting, plc (Ljubljana), PRISM Research (Zagreb) and their associated organizations in Belgrade and Sarajevo, has already been discussed – both in terms of transferring the 'standard' methodologies from the more advanced countries into the region and developing the original knowledge-based products (Langer, Alfirevic & Pavicic, 2005, pp. 181-187).

One of the often encountered problems in the collection of market-related data can be found in different forms of biases, introduced by the inappropriate level of sample data, which do not represent the population in the adequate manner. Provided that the suitable procedures for the selection of sample out of the surveyed population have been applied (Henry, 1990), statistical inference makes it possible to make conclusions for the population as a whole, based on the limited pool of data, collected from the initial sample (Schwab, 2005, 157-158). However, biases may arise even in the case of non-response, which proves as a rising problem for the researchers in contemporary societies. Namely, potential respondents start avoiding interviewing and other data collection

procedures, which especially apply to telephone surveys, due to the increased usages of technical means, used to avoid telemarketers and other unwanted calls (Tourangeau, 2004). In addition, it should be mentioned that the similar trends can be also associated to other forms of data collection (than the telephone), especially the Internet, which threatens the sample representativeness in developing customer insights (ibid). This issue will be further discussed in the following chapter, on the case of an empirical research project, conducted by Valicon in Croatia.

Improving specific aspects of the consumer behaviour research methodology in the context of Computer-Aided Telephone Interviewing (CATI) approach

General characteristics of the project

The 'benchmark' project, conducted by the region-wide agency Valicon, is related to the improvement of knowledge related to the methodology of collecting customer data by using Computer-Aided Telephone Interviewing (CATI). Telephone interviewing is becoming the major data collection method for the market research industry (Bednall, 2005) and can be considered a primary tool for better understanding of consumer behaviour. Bias due to respondents who are not at home is a critical and growing problem for survey researchers who collect data by telephone or personal interviews (Ward, 1985). This problem has been in focus of US researchers in the eighties, but with a rather large lag of more than 20 years becomes a significant issue in the region.

Concerns about efficiency, survey costs, and the number of call attempts started to be considered as significant, as the changes in technology occurred and response rates declined (Curtin, 2000). Therefore, it became important to analyze the relationship between the number of call attempts and survey data quality. In this context, following hypotheses have been set within this 'benchmark' empirical project:

H1: Systematic approach to random sampling described through multiple call attempts to phone numbers without response will result with empirically relevant quality improvement of CATI interviewing, manifested through better representativeness of survey data.

H2. Systematic approach to random sampling, characterized by the scheduled call back will result in empirically relevant quality improvement of CATI interviewing, manifested through better representativeness of survey data.

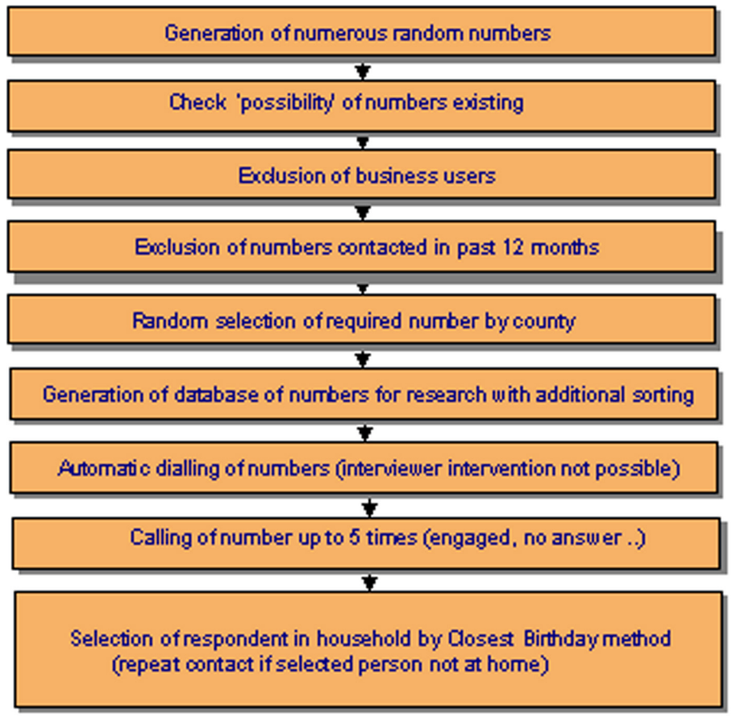
Research methodology

In quantitative research, the CATI methodology ("Computer Aided Telephone Interviewing") is often used in survey data collection. CATI is based on a comprehensive automated system for telephone interviewing, fully supported by specialized software. Respondents' answers are directly entered into the computer with the support of the program 'managing' the entire process: from the selection and dialling of potential respondents through to the administration of the questionnaire. Checking of responses in a short time, audio-visual control of all call stations and high level of integration are guarantees of the superior quality of data collected with the CATI system.

Sample selection

Sampling and data collection was performed in cooperation with the regional marketing research agency Valicon. Data collection was done through a standardized procedure of Valicon omnibus survey. A high level of importance is ascribed to the procedure for selection of respondents. The selection is as random as possible within the quota, while the CATI system enables 100% adherence to the selection procedure. The automated procedure for the redialling of telephone numbers not reached initially significantly raises the level of representativeness of data.

Figure 1. CATI-based sample member selection



Source: Valicon internal quality standards (2005)

The population is defined in terms of the general population of the Republic of Croatia. It is nationally representative, stratified in two stages and calculated according to the population listing from the 2001 census, with counties and settlement size used as control variables. Random selection of the agent conducting the survey and other relevant theoretical recommendations (Fowler, 1993) are also applied. If one takes into consideration the importance of random selection of sample members, this can be 'automatically' guaranteed by the CATI system characteristics. Automatic procedure of recalling currently unavailable telephone numbers significantly increases the representativeness of data. The methodological procedure of sample selection with CATI the system is demonstrated by Fig. 1.

Research instrument

As a research instrument, the standardized demographic questionnaire for the omnibus data collection is used. The questionnaire consists of various demographic questions about the respondents and their households. CATI interviewing is performed by using the AUTOCATI software package, which automatically records number of call attempts and was marking all interviews with scheduled call back. All further analysis is performed by using the statistical software package SPSS 16.

Table 1. Number of respondent per month

	Respondents (n)
January	891
February	2.834
Mart	755
April	771
May	722
June	476
July	1.626
August	1.905
September	815
October	2.198
November	2.909
TOTAL	**15.902**

Results of the empirical project

Interviewing (data collection) has been performed throughout 2007, i.e. from January until November, in order to avoid the seasonal influence on data. Total sample included 15 902 respondents, as presented by Table 1.

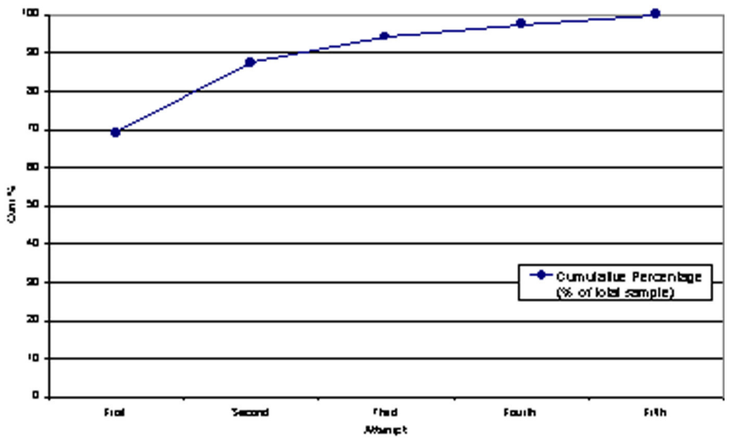
In addition, all data was weighted (separately for each month) according to the last Croatian Census data (2001). The rank weighting procedure was used, according to the following margins (control variables): age, gender, education, county population and settlement size. Maximum of the weighting index was limited by using the trimming procedure with the value of 4.0. In order to check the influence of the sample selection to the quality of the survey data, two indicators were used:

1) Number of calls needed for successful completion of the survey. Number of calls ranges from one to five: one meaning that, during the first call, the survey has been successfully completed (with the rules of random respondent selection being followed). Each following call had been placed in exact time periods of 3 hours (5 hours is the average daily number of operating hours in the call centre). CATI system automatically blocks the telephone number after the fifth attempt.

2) Arranged call-back. Respondents in the household are selected based on the rule of random respondent selection (last birthday). In case the person selected is not available at the time of call, a call-back is arranged with the household member at a time when the person is at home.

Both rules are used with probabilistic samples and are manifested in a way that they equal credibility. To sum up, a simple random sample is created (at stratum level). In total, five calls were made to one telephone number. The following figure demonstrates the percentage of successfully completed surveys, depending on the call sequence.

Figure 2. Percentage of successfully completed surveys depending on the call sequence



Source: Empirical CATI research, Valicon, 2007.

In order to evaluate whether the call back procedure has any influence on the representativeness of the sample and the data quality, analysis of demographical attributes, depending on the sequence, has been performed. For hypothesis testing, the following attributes were selected:

1. Region
2. Settlement size
3. Age
4. Education (completed)
5. Personal income
6. Number of people in the household
7. Household income (per member)

Two dimensions were used for comparison. Firstly, the actual sample obtained by the first call had been compared to the population. That sample was compared with the Census data. The same had been done with the deviation of a certain group in the sample in relation to the same group in the population. The obtained results demonstrated that some population segments (e.g. households located in Slavonia, central Croatia, smaller settlements, older, people with lower degree of education, respondents from large households, as well as respondents from households with lower income) have been overrepresented. Of course, there is deviation in the other way as well, meaning that certain groups are underrepresented, if CATI data collection is conducted by using a single phone call.

In the next step of the analysis, a cumulative percentage had been calculated, based on the number of calls. If a total sample had been reached by placing five calls and there were no differences, then the cumulative percentages should be equal or very similar for all groups. Based on the differences on the reached subgroup samples, depending on the number of calls, statistical testing of differences significance has been conducted by using the chi-square test, at the 5% level ($p<0.05$). Significant differences ($p < 0.05$) have been found in all attributes, except in gender. Results are quite similar to similar empirical studies on the same topic. In surveys of the general public, respondents contacted on the first call tend to be older, lower in income, less educated, female, and disproportionately rural in residence (Nelson, 1982).

Multiple calling represented an essential part of our methodological approach to sample selection. In addition, it enabled us to reach currently unavailable households, which is necessary for sample to be representative. It can be assumed that the current

unavailability of the respondent can operate in a similar way for household representativeness. Rule of arranging a call back with selected, but the currently unavailable person, is, therefore, one of the important rules in CATI interviewing.

Call back is the second indicator used for assessing the quality of survey data in the empirical CATI research. The indicator used to achieve the call-back is binary, meaning whether there had been a call back performed, or not. This is also one of the main indicators being followed in the supervision system, which monitors interviewers' data collection practices. Figure 3. presents the percentage of interviews realized by using the arranged call back.

Comparison of sample characteristics, reached by using and without the us of the arranged call back, the hypothesis H1 has been confirmed once again. Again, one can notice that the population deviation is larger in some regions (Zagreb, Dalmatia), as well as in larger settlements. Without the described correction, women, older population (55+ y.o.), respondents with the lower level of education (i.e. primary school or less) and of lower income (up to 2000 HRK) and (as expected) persons living alone in the single household or in small (2 members) households, would be overrepresented. Differences obtained with the sample constructed by using and without the arranged call back were also tested for statistical significance, by applying the chi-square test. Differences were statistically significant ($p<0.05$) for all the attributes (except for the household income). Therefore, it can be concluded that there are differences among samples accessed by using the call-back research tool/approach, which confirms H2.

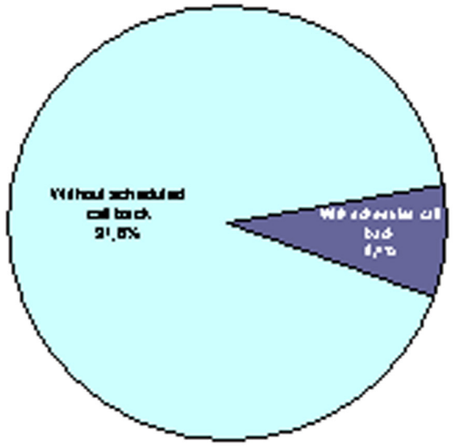
Discussion of implications for the SEE region and its service industries

The empirical research project, based on the contemporary CATI method of data collection, clearly demonstrates that the development of customer insights cannot be based on the 'blind' application of modern information & communication technology. Without adequate conceptualization and ('human') research skills, even the most sophisticated technology cannot ensure the adequate quality of data (cf. Biener & Lyberg, 2003), required to reach satisfactory decisions in business and wider society. This and other challenges posed by the application of contemporary marketing concepts/tools should be viewed in the wider context of both the service industries and the knowledge-based development of the SEE region.

Namely, emergence of the actors and network, such as Valicon, serving as providers of knowledge-based services to the regional business/societies is definitely strengthening the capacity of (some) enterprises to act upon relevant data and reach individual (business) success. The actual strengthening of the service sector in a single economy, other segments of the economy/ society in the region, or the entire region, requires the systematic cooperation of all the actors in developing and applying more sophisticated knowledge-based concepts/tools and making them available to the relevant parties. As suggested by the 'classical' notion of clusters (Porter, 1998; Wolfe & Gertler, 2003), in this context, cooperation matters. By using the ubiquitous network concept, the successful usage of new concepts/tools in any given field, including marketing, within a limited territory, should be, naturally, discussed in terms of networking with the knowledge providers and dissemination through 'hard' networks, such as the Internet. However, the 'soft' networks should not be forgotten, as they preserve the value of the 'old fashioned' human expertise, social contacts and other forms of tacit knowledge (cf. Malecki, 2002).

As observable from the empirical research related to improving customer insight by eliminating the survey non-response bias, the Valicon experience can be used as an illustrative case. It emphasizes the fact that a specific technology and/or a single concept do not 'magically' solve (business) problems, as expert knowledge and other forms of tacit data still matter. The methodologically 'correct' application of an individual concept/ tool will have only effects limited to a single organization, which may lead to the emergence of its competitive advantage. However, in order to achieve wider social benefits, e. g. at a level of an entire industry/sector, or a territorial entity – such as an entire region, both 'soft' and 'hard' networking/cooperation among the relevant actors are required.

Figure 3. Percentage of interviews realized through arranged call back



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TARGET COSTING FROM A PRODUCT LIFE CYCLE'S PERSPECTIVE

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Abstract

Target Costing is a strategic cost management tool often used in companies. It helps to bring down the product cost to a level where the desired profit can be made. Out of the target costing process it assures that products are better matched to their customer's needs, it aligns the costs of features with customers' willingness to pay for them and reduces product costs by up to 20-40%, depending on the product and market circumstances.

Based on the defined product a market-based price is determined. The net price minus the desired profit leads to the target costs. Usually the focus lies on costs of goods sold, other costs are neglected are calculated on an average. In addition normally the costs of the project itself, preproduction costs and revenues of the product and follow-up costs and revenues of the product are not included in the calculation, too. Any system that focuses on the life span of a product covers usually several years and thus should consider the time value of money.

Therefore an easy and applicable model has been developed that integrates the concepts of target costing and life cycle costing. The cost per unit is calculated by applying net present-values. The model is easy to use and ready to be put into practice. It avoids obvious mistakes that may arise for some products or companies by applying the "traditional" target costing approach. Furthermore – because of its net-present value elements – product calculation and pricing are being aligned to concepts of value-based management like Cash Flow Return on Investment (CFROI).

Key words: target costing, strategic cost management, pricing, product life cycle, value based management

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Introduction and Research Objective

Empirical studies show that target costing as a cost management instrument is used by a large number of enterprises (Decker and Smidt 1998; Aranout 1991; Ansari et al 1999; Kwah 2004; Kajüter 2005; Horngren, Datar and Foster 2005; Devigili, Vignali and Kopun 2008).

Target costing is defined as a cost management tool for reducing the overall cost of a product over its product life cycle. It is utilized as a pricing technique to meet both the demands of customers as well as company profit goals. Particularly there is an emphasis to use it during the early stages (planning and design) of the product life cycle (Sakurai 1989). During the early stages of the life cycle a big portion of the future costs is determined (Coenenberg, Günther and Fischer 2007).

Target costing is related to product life cycle costing (Coenenberg, Fischer and Günther 2007). Target costing answers the question "What are the allowable costs for a product?" - Product life cycle costing tries to calculate the product's monetary success over its whole life span. Life cycle costing allocates all costs and revenues, which accrue during the whole life cycle, to the product.

Up to now there's only some research in combining aspects of target costing and product life cycle costing (Schmidt 2000, Mussnig 2001, Britzelmaier and Eller 2004, Weiß 2006).

Nowadays a large number of companies use value-based management (VBM) instruments for performance measurement and controlling issues (e.g. Achleitner and Bassen 2002, KPMG 2003). Economic Value AddedTM, Cash Flow Return on Investment and Cash Value Added are the most common used key figures. Proponents of value based management approaches rate the shareholder's view as central aspect for the

management of a company. In their opinion the primary goal is the creation of value for its shareholders. According to this VBM is an overall management approach that aims at the sustained and consistent long-term creation and maximization of shareholder value and ultimately shareholder wealth. Value based management's long term orientation links it to life cycle concepts in cost management. Volkswagen for instance aligned its life cycle costing approach to EVATM to meet their value based targets (VW 2003). Obviously connecting life cycle orientated instruments like target costing or product life cycle costing not only makes sense from an academic point of view (e.g. Britzelmaier and Eller 2004, Weiß 2006, Britzelmaier and Huß 2008, Britzelmaier 2009) but is also a need from industrial side.

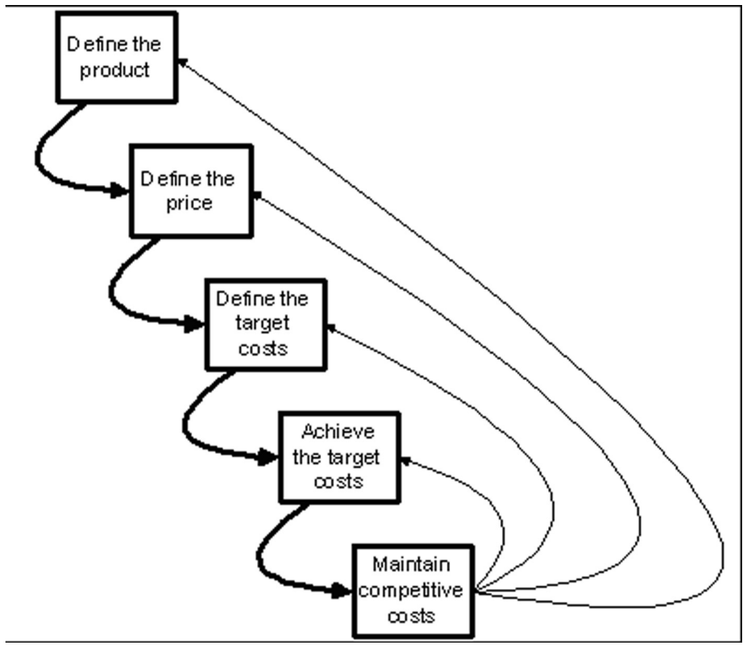
This paper introduces an approach to integrate two strategic cost management instruments (target costing and product life cycle costing) considering the requirements of value-based management instruments.

Target Costing – the classical approach

Target costing is a systematic process of cost management and profit planning. The six key principles of target costing are (Swenson at al 2003):

1. Price-led costing
2. Focus on customers
3. Focus on design
4. Cross-functional involvement
5. Value-chain involvement.
6. A life-cycle orientation

Figure 2: Target costing process



First the product has to be designed. Questions of customer needs, customer benefits, product features have to be answered.

The target price has to be defined, answering the question: “What will the customer be willing to pay for the product?”

The target price has to cover the future profit as well as the future target cost. As the price has been already defined and usually a company aims at a certain profit, the target costs become the dependent variable.

The next step is probably the most challenging one: “How to achieve the target costs?” Target costs have to be broken down to product components matching customer needs. Usually instruments like conjoint analysis, value engineering and analysis or component road mapping are used during that phase.

Once the drifting costs have been reduced to the allowable target level, competitive costs have to be maintained during the whole life cycle.

From a price, profit and cost perspective the context is as follows:

Allowable costs as well as drifting costs are not only product dependent (direct cost) but also include overhead cost and project dependent cost (development etc.):

Usually project-dependent and overhead costs are not calculated explicitly within the target costing models (e.g. Joos 2006, Albano 2003, Coenenberg, Günther and Fischer 2007). There might be companies where the percentage of overhead and project cost is about the same for each product and therefore can be treated at an average, but one can doubt if this is really the case for each company and every product.

Product lifecycle costing

Also usually target costing models neglect costs and revenues occurring during the development or follow-up-cycle of the product (e.g. Joos 2006, Albano 2003, Coenenberg, Günther and Fischer 2007). This is quite astonishing because most authors stress the lifecycle orientation of the target costing approach (e.g. Ansari 1997, Monden 2000, Coenenberg, Günther and Fischer 2007).

On the other hand, product-life-cycle costing models are aware of preliminary and follow-up costs and revenues:

In its original context product life cycle costing is an approach to meet the continuously decreasing duration of product life cycles, increasing pro-rata costs for R&D and market launch as well as increasing costs for disposal. Product life cycle costing focuses on the whole product life cycle, this includes the preliminary life cycle costs and the disposal costs, too:

Within the classical cost-accounting costs and revenue generated during the preliminary and the follow-up cycle are not allocated to the causative products. They are accounted as overhead costs or revenues during the periods in which they accrued. This practice is irrelevant as long as those amounts are not material or constant over a long term. But all other cases lead to wrong results for the product.

Originally product life cycle costing was an approach that neglected the time value of money.

During the last years some papers showed that there is a need to connect cost accounting and cost management issues to value based performance metrics (e.g. Britzelmaier et al 2008, Britzelmaier and Huß 2008).

For all of these reasons improved concepts have been developed (e.g. Emblemsvåg 2003, Mussnig 2001, Schild 2005, Britzelmaier and Eller 2004).

Britzelmaier and Eller (2004) showed a model that is based on cash outflows and cash inflows of the product. Instead of cash flows revenues and costs could be used. According to the Preinreich-Lücke-Theorem this would lead to the same result. In the model cash flows are being discounted by using the concept of weighted average cost of capital. Cash flows and interest rate are calculated on a “before tax” basis.

Figure 3: Target Costing Context

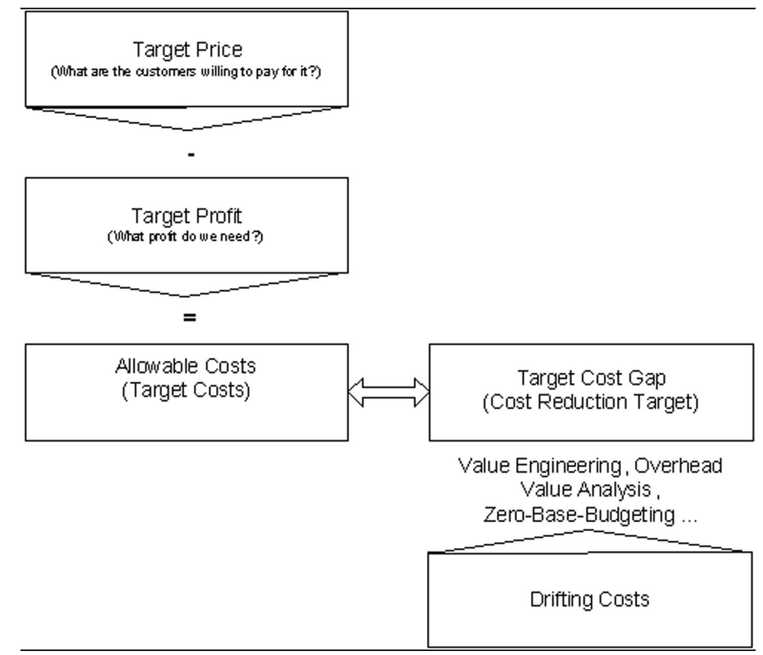


Figure 4: Cost categories

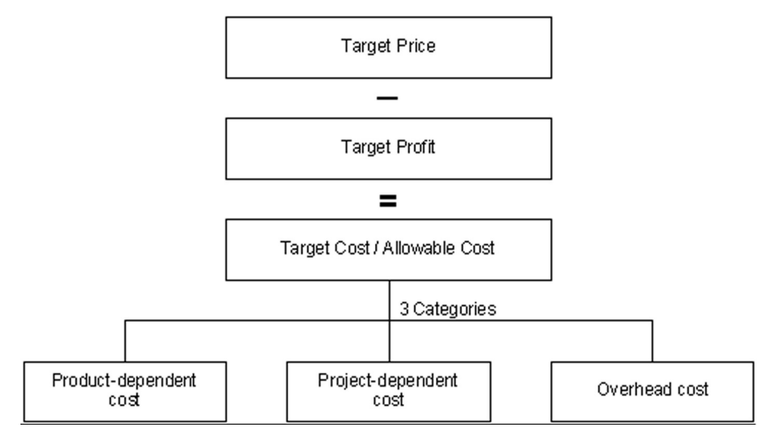
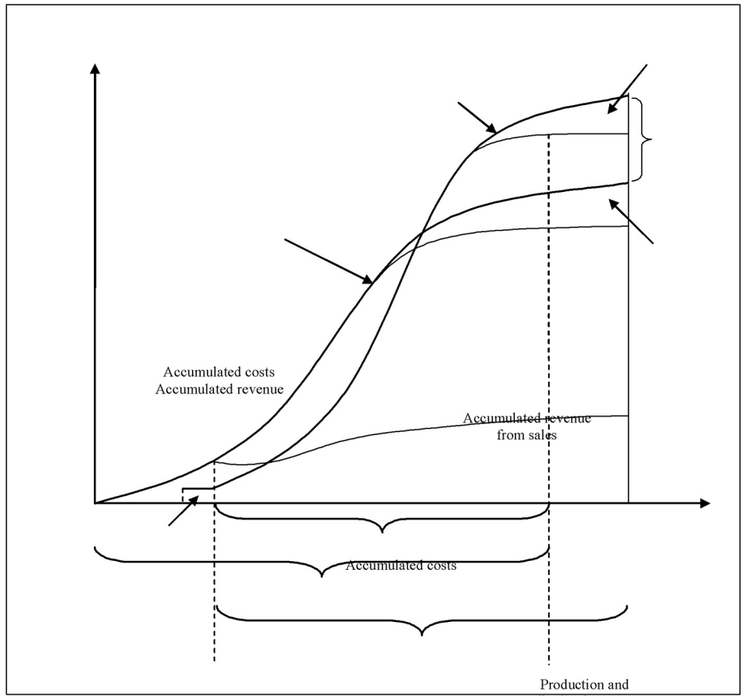


Table 1: Classification of life cycle costs (Back-Hock 1988)

Costs	Revenues
Preliminary Costs **Technological origin** ▪ **Research costs** ▪ **Development costs** ▪ **Costs of process development** **Market-oriented origin** ▪ **Costs of market research** ▪ **Costs of market development** ▪ **Production-based costs** ▪ **Costs for work and production planning** ▪ **Costs of pilot series and product tests** **Other origin** ▪ **Costs for purchasing and logistics** ▪ **Costs for organizational structure** ▪ **Other preproduction costs**	Preliminary Revenues ▪ **Government grants (e.g. for R&D)**
Current Costs ▪ **Production costs** ▪ **Administration, distribution and development costs**	Current Revenues ▪ **Sales revenue**
Follow-up Costs ▪ **Warranty costs** ▪ **Costs for technical service and maintenance** ▪ **Costs for stock of spare parts** ▪ **Costs of follow-up (products, production facility)**	Follow-up Revenues ▪ **Revenue from technical service and maintenance** ▪ **Revenues from sales of spare parts** ▪ **Revenues from disposal (e.g. residual value)** ▪ **Revenues from royalties**

Figure 5: Phases of the product life cycle (Britzelmaier and Eller 2004)



The basis of the model is a simple net present value

$$NPV = \sum_{t=0}^{n} \frac{C_t}{(1+i)^t}$$

with

t as the time of the cash flow,

n as the total time of the product life cycle and

i as the interest rate.

Ct corresponds to the net cash flow at time t, determined by the difference between cash inflows and cash outflows.

In this basic formula the integration of preliminary and follow-up cash outflows is not yet implemented.

To solve this problem there are two possibilities:

- Allocation over time (that means e.g. per annum),

- Allocation based on the production volume (that means per piece).

For an allocation per year the preliminary cost annuity and the follow-up cost annuity has to be determined to allocate them to the periods of the market cycle. First the preliminary payments are compounded to the time of the market launch. Afterwards the sum is allocated to the years of the market cycle by the calculation of the annuity:

$$\left(\sum_{t_p=p}^{0}\left(C_{t_p}-O_{t_p}\right)*(1+i)^{t_p}\right)*\frac{(1+i)^n*i}{(1+i)^n-1}$$

CI = Cash Inflow

CO = Cash Outflow

tp = preproduction periods till market launch (p till 0)

i = interest rate based on WACC

n = years of the market cycle

Now the annuity of follow-up cash outflows is determined by applying the sinking fund factor:

$$\left(\sum_{t_d=d+1}^{m}\left(C_{t_d}-O_{t_d}\right)*\frac{1}{(1+i)^{t_d}}\right)*\frac{i}{(1+i)^d-1}$$

CI = Cash Inflow

CO = Cash Outflow

td = follow-up periods till market exit (t+1 till m)

i = interest rate based on WACC

d = years of the follow-up cycle

All follow-up cash outflows of the several follow-up periods have to be discounted to the end of the market cycle. The sum of this proceeding will be discounted to the beginning of the market cycle. The result is afterwards spread over the years of the market cycle by using the annuity factor. An alternative is the use of the sinking fund factor. It can be applied to the discounted sum of the follow-up cash outflows and leads to the same result.

The dissatisfying fact of this result is the allocation of the preliminary and follow-up cash outflows at an average. Diverging volumes of products lead to different turnovers. A “fixed” annuity as shown above is correct if one implies constant production volumes and sales figures. Usually this might be not the case; therefore the model is improved on a quantitative basis.

Thereto the quantitative present value of the production volumes has to be calculated with the following formula:

$$Q_0=\sum_{t=0}^{n}(q_t)*\frac{1}{(1+i)^t}$$

Q0 = quantitative present value

i = interest rate acc. to WACC

qt = production volume of period

n = periods

The quantitative present value Q0 is calculated by summing up the discounted production volumes qt of the period to t=0.

Now the NPV of the preliminary and the follow-up cash outflows get determined. The NPV of the preliminary cash outflows has to be calculated with the following formula (see also above):

The NPV of the follow-up cash outflows is calculated as follows (see also above):

$$NPV_{p0}=\sum_{t=p}^{0}\left(C_t-O_t\right)*(1+i)^t$$

For this reason the dynamic unit costs ducx can be calculated by dividing the money-NPVs through the quantitative NPV:

$$NPV_{d0}=\left(\sum_{t=d+1}^{m}\left(C_t-O_t\right)*\frac{1}{(1+i)^t}\right)*\frac{1}{(1+i)^d}$$

The ducx have to be covered by the price of the product as well as the cost of goods sold. The following table gives an impression how it works and how it could look like.

$$duc_x=\frac{NPV_{p0}\ (€)+NPV_{d0}(€)}{Q_0\ (Units)}$$

Table 2: Income statement including quantitative periodical debt of preliminary and follow-up cycle

	Year 4	Year 5	Year 6	Year 7
Revenues	**250,000 $**	**375,000 $**	**625,000 $**	**500,000 $**
Variable costs	**100,000 $**	**150,000 $**	**250,000 $**	**200,000 $**
Overhead costs	**30,000 $**	**30,000 $**	**30,000 $**	**30,000 $**
Dynamic costs of preliminary cycle	94,470 $	141,705 $	236,175 $	188,940 $
Dynamic costs of disposal cycle	34,473 $	51,710 $	86,184 $	68,947 $
Result	-8,943 $	1,585 $	22,642 $	12,113 $

Integration of Target Costing in a lifecycle costing approach

In chapter 2 the classical target costing approach has been shown and criticised. The main shortcomings of the traditional approach are:

- No integration of preliminary revenues and costs,
- no integration of follow-up revenues and costs,
- neglect of the time value of money and
- no alignment to value based metrics.

Since all these problems have been solved in the lifecycle costing model in chapter 3 target costing is now being integrated in the lifecycle costing approach.

Coming back to the 5 sub processes model shown in chapter 2 an improved target costing can take place especially in the processes of defining the allowable costs as well as maintaining competitive costs.

To define the allowable costs the net present value of the cash inflows is calculated. Also the net present value of the volume of products to be sold in each year is computed. Dividing the net present value of the cash inflows by the net value present of the volume leads to the target price.

$$NPV = \sum_{t=0}^{n} \frac{C_t}{(1+i)^t}$$

with t as the time of the cash flow, n as the total time of the product life cycle and i as the interest rate. CIt corresponds to the cash inflows.

The net present volume of the volume can be named quantitative present value and can be defined as:

$$Q_0 = \sum_{t=0}^{n} (q_t) * \frac{1}{(1+i)^t}$$

Q0 = quantitative present value

i = interest rate (WACC)

qt = production volume of period

n = periods

The target price then is: $\frac{NPV}{Q_0} = TP$

TP = Target Price

If no price increase is assumed there is no need to do this operation. But usually there are increases and decreases in prices during the life cycle. If preliminary or follow-up cash inflows occur they have to be integrated in the NPV as well.

The target price has to cover the profit, the direct production cost, the overhead cost, the preliminary cycle cost and the follow-up cost. Since we use cash outflows instead of costs we have to convert costs to cash outflows. That means:

$$TP = PRO + DPC + OHC + PLC + FUC$$

TP = Target Price

PRO = Profit

DPC = Direct Product Cost Cash Outflow

OHC = Overhead Cost Cash Outflow

PLC = Preliminary Cycle Cost Cash Outflow

FUC = Follow-up Cycle Cost Cash Outflow

In the life cycle costing approach PLC and FUC equal ducx (see above).

Thus the formula

$$TP = PRO + DPC + OHC + PLC + FUC$$

can be reduced to

$$TP = PRO + DPC + OHC + duc_x$$

Since the cash inflows and cash outflows are discounted in the model by using weighted average cost of capital a NPV of zero is sufficient because the desired interest of equity and liabilities is reached.

That means that in the model no additional profit is required. The formula can be reduced to

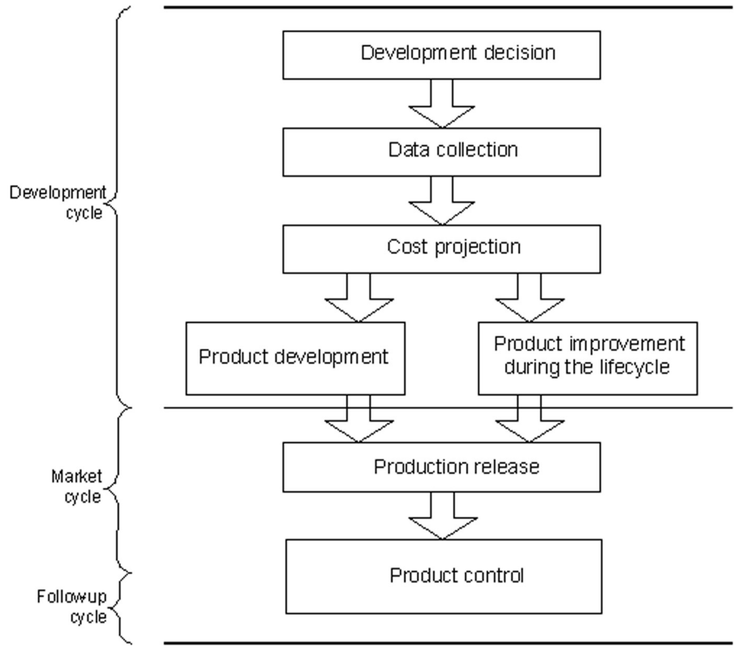
$$TP = DPC + OHC + duc_x$$

Now the several variables can be compared with the relevant drifting costs and action can be taken to bring down the drifting costs to the allowed level. Answers to the following and maybe further questions can be given:

- Does the target profit cover all cost elements?
- Can e.g. conjoint analysis help to bring down the production cost per product component down to the desired level?
- Can one cut down preliminary costs as R&D?
- Can the company get additional cash inflows in the follow-up cycle to reach the targets?
- Is there a need to do for instance zero base budgeting to reduce overhead costs?

Thus the combination of a life cycle cost accounting approach combined with target costing helps to gain a controlling approach that covers all stages of the product life cycle.

Figure 6: Cost management during the product life cycle



Conclusion

While combing aspects of life cycle costing and target costing the management of a product can be improved. Action can be taken early enough to ensure at the best that a product will gain its profit targets. Cost management can be done very sustainably.

Classical approaches do not integrate matters of the time value of money and are usually not very well aligned to value based management systems. The presented approach is aligned to modern value based management metrics like for instance CFROI.

Further improvements could pay more attention to volume issues. What to do if planned and actual volumes diverge dramatically?

From a management accounting point of view a decidedly standard cost accounting including an analysis of variance can be implemented.

From a risk management perspective simulation techniques like Monte-Carlo-Simulation could help to valuate the risk from a holistic view covering the whole life cycle span from the cradle to the grave.

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TEACHER TRAINING AND NEW TECHNOLOGIES

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Abstract

The education of teachers in new technologies allows each teacher to understand, through his own reality, interests and expectations, how technologies can be useful, the effective use of technology by the student first undergoing assimilation by the teachers.

After all, if someone introduces computers to universities without proper attention paid to teachers, the benefit that students are going to ultimately derive from it is of low quality and usefulness. To reach positive effects it's fundamental to consider an intensive initial enabling of capacity, starting with the teachers that may incentivise their students.

Key-words: Education, E-learning, Technologies

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Introduction

The recognition of an increasingly more technological society must be accompanied by the awareness of the necessity to include in school resumes the competences to deal with new technologies. In the context of a society of knowledge, education demands a different approach in which the technological component can't be ignored.

Both new technologies and the exponential increase of information lead to a new work organization, in which it is necessary: the required specialization of knowledge; Tran disciplinary and interdisciplinary collaboration; easy access to information and consideration of knowledge as a precious commodity, useful in economic life.

Faced with that, a new paradigm is emerging in education and the role of the teacher, faced with new technologies is changing radically, for a set of activities with a didactic-pedagogical interest may be developed, such as the interchange of scientific and cultural data of different nature; the production of text in a foreign language and the elaboration of inter-university journals, thus allowing the development of learning environments centred in the activity of students, the importance of social interaction and the development of a spirit of cooperation and autonomy in students.

The teacher, in this context of change, needs to know how to orient students about where to gather information, how to treat it and how to use it, assuming the role of educator and an enforcer of self-research and the student's learning adviser, both stimulating individual work and supporting group assignments gathered by areas of interest.

The quality of education, generally centred in curricular and didactic innovation, can't be placed in the margin of available resources to proceed with innovation in educational matters, or any form of management that makes its implementation possible.

On the other hand, the incorporation of new technologies as common basic content is an element that may contribute to a greater link between the teaching contexts and the cultures that are developed outside the school ambience.

Faced with this situation, educational institutions face the challenge of not only incorporating new technologies as teaching content, but also to recognize and develop from the conceptions students have over these technologies to elaborate, develop and assess pedagogical practices that promote the development of a disposition reflexive of technological knowledge and uses.

Our current society is marked by profound changes characterized by a deep valorisation of information. So, in the so-called Society of Information, knowledge acquisition processes assume an important role and demand a professional that is critical, creative, with the ability to think, learn and sustain knowledge, working in a group and knowing himself as an individual. The educative system must train this individual and for that end it's fundamental to have an enhanced instruction that the teacher passes on to the student, promoting the construction of knowledge by the student and the development of new skills, namely capacity to innovate, create the new out of the known, adaptability to new realities, creativity, autonomy and communication. After all, it's the University's role to prepare students to think, solve problems and respond rapidly to continuous changes.

Teacher training and new technologies

Indeed, with New Information Technologies new possibilities are opened to education, demanding a posture from the educator and with the usage of networks in education we can obtain information in sources, such as research centres, Universities, Libraries, allowing works in partnership with different institutions; connections with students and teachers at any time and place, favouring the development of works with exchange of information between universities, countries, allowing the teacher to better work with the development of knowledge.

Access to long-distance interconnected computer networks allows learning to occur frequently in virtual space that needs to be adapted to pedagogical needs. The university is a privileged space of social interaction that must connect itself with other spaces of knowledge known today, allowing the formation of a bridge between knowledge, thus becoming a new element of cooperation and transformation. The way to produce, store and disseminate information is changing; the enormous volume of research sources is opened to all students through the internet, digital libraries replacing printed publications and long-distance courses by videoconference or the internet.

The education of teachers to this new reality has been critical and hasn't been privileged in an effective manner by policies in education or in universities. Proposed solutions are inserted mainly in education programs of post-graduate level or as human-resource qualification programs, for the profile of the teaching professional is oriented to a determined specialization, since that the necessary time for that appropriation doesn't allow for its formative generalization. As a result, the fragility of both actions and education becomes evident, reflecting economical and political interests.

The main objective of introducing new technologies in universities is to open the possibility to do things that are new and pedagogically important that can't be made in any other way. The apprentice, using adequate methodology, will be able to use these technologies in the integration of matters that are apparently airtight. The university becomes a more interesting place that prepares the student for his future, where learning is centred in individual differences and the student's capacity to become an independent user of information, capable of using several types of information sources and means of electronic communication.

To the universities falls the role of introducing these new information technologies and lead the process of the teacher's changing role, the teacher being the key player in these changes, capacitating the student to correctly research for information in several kinds of sources. It's also necessary to raise awareness in the whole school community, especially the students, to the importance of technology in social and cultural development.

The qualitative leap using new technologies may be taken in the way the course's program is elaborated and through the teacher's actions, besides incentivising the use of new teaching technologies, stimulating interdisciplinary research adapted to reality. The most advanced technologies may be used to create, experiment and evaluate educational products, whose goal is the introduction of a new paradigm in education, adequate to the information society, to re-dimension human values, deepen the abilities of thought and make work between student and teacher more participative and motivating.

The integration of work with new technologies in courses, as tools, demands a systematic reflexion about their objectives, their techniques, chosen content, abilities and prior requirements, to the very meaning of education.

With new technologies, there comes the demand for new forms of learning, new competences and new ways to conduct the necessary pedagogical work, being fundamentally necessary to continuously

form the new teacher to act in this environment, in which technology serves as a mediator for the teaching-learning process.

Profile of the teacher

There are difficulties, through conventional means, to prepare teachers to adequately use new technologies, for it's necessary to educate to correspond to the created expectations.

The attempts to include the study of new technologies in the curricula of teacher education courses face the difficult investment required to the acquisition of equipment, the shortage of teachers capable of overcoming prejudice and practices that reject technology maintaining an education in which the prevalent method is the reproduction of replaceable models by others more suitable to the educational problematic.

Teachers are professionals that have a function of systematic recreation, this being the only form to proceed when you have so diversified a field of students and learning contexts, as happens in all levels of education. The teacher's function is the systematic creation and recreation that bears in mind the context in which the activity is developed in and the target-population of said activity.

It's necessary to stimulate research and to be open to the wealth of exploration, of discovery, for the teacher may also learn with the student and during and in the end of the process, needs to incorporate in his methodology:

- Knowledge of new technologies and the ways to apply them;
- Ability to allow the student to justify and discuss his essays;
- Stimulate research as a basis for constructing knowledge through the computer.

The society of knowledge demands a new profile from the teacher, that is: open to changes, dialogue, cooperative action, that contributes so that knowledge in class is relevant to the professional life of the students; that promotes a demanding teaching helping students to advance autonomously in their study processes and interpret in a critical fashion all knowledge and to make evident a solid general culture that makes possible for him to have an interdisciplinary practice dominating educational technologies.

The training of teachers signals the beginning of an innovative curricular organization that, by overcoming the traditional form of curricular organization, establishes new relations between theory and practice and offers conditions for the emergence of collective and interdisciplinary work, making possible the acquisition of a technical and political competence that allows the teacher to place himself critically in the new technological space.

To the teacher falls the role of being involved in the process, aware not only of the new capabilities of technology, its potential and its limitations so that he can betters select what is the best use to be explored within a determined content, as well as contributing to the improvement of the teaching-learning process, through a renovation of the pedagogical practice of the teacher and the transformation of the student into an active subject in the construction of his own knowledge, leading them though the appropriation of this new language to be inserted in contemporariness.

The process of preparing teachers currently consists of courses of short duration, to explore certain programs, falling to the teacher the development of activities with this new tool next to the students, without a chance to analyse difficulties and potentialities of its usage in pedagogical practice.

These changes demand a deep curricular alteration, in which contents by humanity are the objects of knowledge, but new problems and the projects for its solutions constitute the procedures and activities that will be evaluated by universities to witness its efficiency. In truth, for innovations new tools will be required, namely the roads for communication like the internet and the teacher's capacity to tame new technologies.

To train teachers in this context demands the socialization of access to information and the production of knowledge for all, a change in interpretative models of learning passing from the traditional educational model based on instruction (that is, where teaching is constructed from the application of theoretical knowledge formulated from human and social sciences that provide grounds for education); a change of conception in the act of teaching in relation to new ways of devising the process of learning and accessing

and acquiring knowledge; A construction and a new educational configuration that integrates new spaces of knowledge in a proposal of innovation of the university, in which knowledge isn't centred in the teacher or physical space, but seen as the permanent process of transition, progressively building according to new paradigms and a change in the way of conceiving the teacher's work, the flexibility of resumes in universities and the universities' responsibilities in the process of educating the citizen.

The teacher, in the new society, sees in a critical way his role as partner, interlocutor and counsellor of the student in the search of his apprenticeship, for they study, research, debate, discuss and produce knowledge, develop abilities and attitudes. The classroom becomes a learning environment, with the creation of collective work, working with the new resources that technology offers, in the organization and flexibility of contents, the student-student and student-teacher interaction and in the redefinition of his objectives.

The information that students obtain through the internet aren't just received and stored. These represent a point of departure and not an end unto themselves. When a student encounters more related information they constitute themselves into an element of his own education, identifying the importance of what he learned.

When students can exchange knowledge with colleagues from all over the world, such as libraries, research centres, universities, a whole new universe of perception is opened, the perspective of the world and reality is changed, giving way to the formation of a ore global knowledge, less limited to national and immediate borders, being able to construct bridges of knowledge, understand other cultures and other ways of understanding the meaning of reality.

The changes that are underway in all fields of knowledge move the model of education, that occurs in a determined age period of the students' life and in a determined physical space, supported in the specialization of knowledge, for a continuous education that fives importance to the subject, to reflexion and learning of its applicability to social life, grounded in the principles of citizenship and liberty.

Reflexion as a didactic principle is fundamental in any methodology, leading the subject to rethink the process in which he takes part within the university as teacher. Education must consider the reality in which the teacher works, his deficiencies and difficulties encountered at work, so that technology can be visualized as an aid and be utilized in a conscious fashion.

The process of continuous education provides conditions for the teacher to build knowledge based on new technologies, understand how to integrate these into his pedagogical technique and be able to overcome administrative and pedagogical hurdles, enabling the transition from a fragmented system of learning to an integrated approach facing the resolution of problems specific to the interests of each student. On the other hand, it must create conditions so that the teacher knows how to re-contextualize the student and the experiences lived though his education to his reality of a classroom, making the needs of his students and the pedagogical objects being reached for compatible.

This initial education offers conditions necessary for the teacher to dominate technology – a process that demands profound changes in the way of thinking, for the objective of exploratory education, besides the acquisition of teaching methodologies, is to know the learning process deeply, how it happens and how to intervene effectively in the relationship student-computer, offering the student favourable conditions for the construction of knowledge. Indeed, the emphasis of the course should be the creation of educational environments of learning, where the student executes and empowers a determined experience, instead of receiving from the teacher the matter already fully resolved.

Cooperative work as a strategy incentivising work relations between individuals is stimulating, and through it we find a model in which social gathering and self-esteem are increased. Support tools to cooperative work using new technologies are, for examples, hypertexts, e-mail, virtual classrooms. In truth, changes that technologies favour in classrooms help the students establish a link between academic knowledge, an exchange of ideas and experiences taking place in which the teacher, in many cases, is placed in the position of the student learning with his experience. During classes students are led to research and study individually, as well as to seek new information and data to be brought for study and debate in class, emphasizing an active learning and a process of discovery incentivising interactive learning in small groups.

Final Considerations

New technologies may have a significant impact on the role of teachers, through the constant recycling received via the network, in terms of content, methods and usage of technology, supporting a general model of learning that faces students as active participants in the process of learning and not as passive receptors of information or knowledge, the teachers being persuaded to use networks and start reformulating classes and encouraging students to participate in new experiences.

By having access to information technologies, with its application to knowledge, students will later be agents for change in the productive sector by natural influencing in its use. The adequate use of these technologies stimulates the capacity to develop research strategies; selection criteria and information processing abilities, applicable not only to the programming of activities. On the other hand, it stimulates the development of social abilities, the capacity to communicate coherently, the quality of written presentation of ideas, allowing for autonomy and creativity.

Thus, students and teachers have numerous resources that facilitate the task of preparing classes and doing research work, with the possibility of students accessing information networks worldwide during the course of the school year, regardless of their geographical positioning, amplifying their vision of the world and their capacity to communicate with people of other cultures, interests and idioms.

It is expected that in this century, it falls to the teacher to help sow both individual and collective development and that he knows how to work the instruments that culture is indicating as representative of civilized means of living and thinking, specific to a new age. For that end, much research into information technology is still needed, as well as cognitive models, interaction among peers and cooperative learning adequate to models based upon technology that orients the teacher's training in its development.

The galloping evolution of the need for knowledge imprints the need to train teachers to assume themselves as proactive agents in the management of knowledge.

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HOW DO INTERNAL CAPABILITIES INFORM THE STRATEGY OF A UK FASHION RETAILER

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Abstract

This paper aims to discuss the importance of strategic management within the fashion retail industry. It will begin with a brief overview of the industry and will use a Leeds based retailer, Republic limited as a case study. A background of the company will be discussed and the rationale is to understand the importance of the strategic process for a company. The author wishes to determine the extent to which Republic's internal capabilities complement the overall aims and objectives of the business and how these can be exploited to gain competitive advantage.

Keywords – Retailing, fashion, Republic

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Fashion retailing

The clothing sector is the second largest in U.K. retail, (Mintel, 2007). In 2006, clothing retailers posted sales of £28.3 billion (excl. VAT) in the UK, up by 17.4% since 2002. In 2002-06, the sector outperformed both non-food sales (up by 8.2%) and the overall retail sector, (up by 12.1%) its share rising to 22.9% and 12.3% of sales respectively (Mintel,2007). Further Mintel reports, (2007) state that despite deflationary pressures the clothing market has been a good performer for the past five years. The reports show that the growth of value fashion has changed consumer's attitudes towards shopping and has forced the specialists to re-think their value offering, with the mid-market in particular feeling the squeeze. Differentiation is becoming key to retailers (Mintel, 2007).

Background to Republic (Republic, 2007)

Republic is a small/medium sized retailer that began trading as a single outlet in Leeds, West Yorkshire in 1985, (Republic, 2007). The founders of the business Tim Whitworth and Carl Brewins spotted a gap in the market when they struggled to buy a decent pair of jeans from the local high street (Republic, 2007). They set about filling this gap by opening a store specialising in denim brands. The store was an instant success and has steadily grown and developed from a specialist denim retailer into a fashion retailer aimed at fashion conscious young men and women. Republic's competitors include stores such as River Island, Topshop and Abercrombie & Fitch. The business has just opened its 83rd store in the U.K. and this is relentlessly expanding (Republic, 2007). The success of the business, changes it has made to its offering to customers and the aim to acquire a portfolio of 200 stores (Republic, 2007) reflect the strategic thought and planning held by senior management. Republic has grown organically and the founders are still very much in charge of the business.

Strategic thinking

David, (2005) feels that organisations with no idea what they want to achieve or where they want to go are the makers of their own undoing.

Lynch, (1997:1) sees strategy as the "organisation's path for the future; its aims, assets and how it works together in the industry in which it operates."

The internal environment and the strategic capability of an organisation gives a sound underpinning to their overall success. It is the capability or capabilities of a business that can determine its success or failure. This paper aims to look at the resource based view of strategy (Porters

Value chain:1985) to discuss how the functional elements of company strategy can become distinctive capabilities to help achieve competitive advantage and create core competencies. As both merchandising and buying are deeply linked this paper aims to establish how they take place and what the actual process is for Republic Ltd.

Strategy – The history

Johnson and Scholes, (2005) explain the origins of the study and teaching of strategy. It dates back to the 1960s where it can be traced to a number of major influences, one being business courses that were taught at Harvard university. This approach was based on common sense and not so much on theory or research. Following this in the 1970s there were a number of books written on corporate planning. Johnson and Scholes (2005) point out that the importance in this approach is on analysing different influences on an organisation's welfare in order to identify possible threats or opportunities for future development. However, both approaches have come under considerable criticism and as a result of this much research developed addressing strategic questions. Writers such as Minztberg (1998) argue that it is simply not possible to analyse organisations in this way. The 1980s saw the beginning of Michael Porter's work (The Value Chain) and the 1990s Hamel and Prahalad introduced the resource based theories of strategy. These two areas are key issues for the purpose of this dissertation.

Strategy is defined by Johnson and Scholes, (2005:9) as the

> *"direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations."*

Lynch, (1997) agrees with this view of strategy but also highlights that it relates to a company's interaction in the environment in which it functions and defines what the company stands for. He sees everything from the people to the production methods playing a vital role in the organisation's strategy.

Hill and Jones, (2004) relate strategy to managers within an organisation as they feel it is an action they take to achieve organisational goals. They believe that for most companies the main goal is to achieve superior performance over their competition.

Furthermore they point out that it is important to understand the meaning of superior performance and competitive advantage in order to get a clearer understanding of strategic management. Superior performance is usually thought of in relation to one company's profitability over another and they point out that it can be measured by the return it makes on capital invested. They state that a company has competitive advantage when its profitability is more than the average profitability of other firms in the industry.

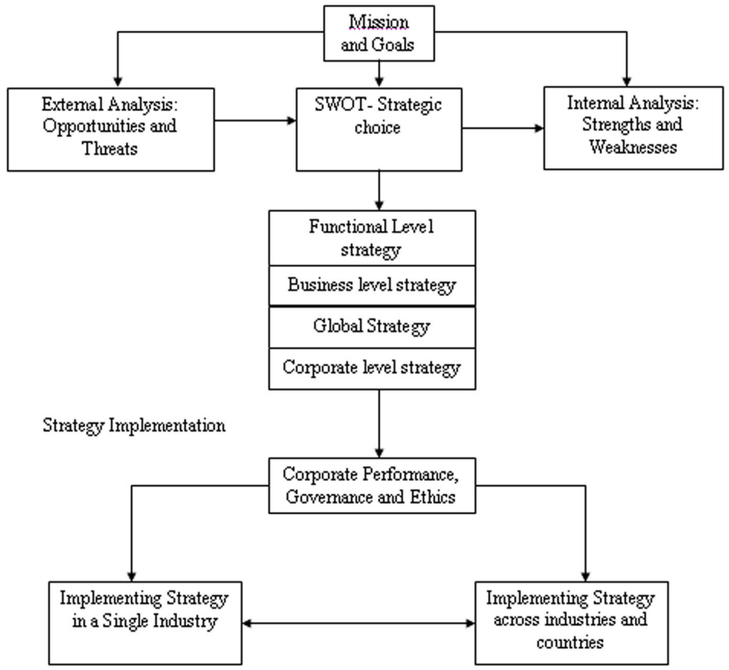
In order for any retail business to succeed the organisation arguably needs to have a strategy in place. Without a strategy a business has no vision for the future. Strategy is a complex issue as can be seen from the various views discussed above. There is general agreement that strategy is involved with an organisations outlook for the future, achieving competitive advantage and fulfilling stakeholder expectations.

As Republic have grown organically it will be interesting to analyse the strategic thought and direction of the company and to assess to what degree it is an emergent strategy or a more prescriptive approach.

Hill and Jones (2004), also see the importance of analysing the organisations internal and external environment and then selecting an appropriate strategy. They call this strategy formulation. In contrast to this they recognise that strategy implementation involves creating appropriate organisational structures and control systems to enable the organisation to put their strategy into action.

Mc Neilly (2002) speaks about the three steps to strategic heaven. He believes that these are the information stage, decision stage and the implementation stage. At the third stage he points out that none of it will work unless it is implemented effectively.

Figure 1 - Strategy Formulation



Source: Adapted from Hill and Jones (2004: 9)

Biglar (2001, cited in Pryor et al: 2007) also feels that strategy execution will become one of the main sources of competitive advantage in the 21st century. Pryor et al (2007) realise that many companies can formulate the right strategies but the problem lies with the execution of these strategies. Humphreys (2004) cited in Pryor et al (2007) believes that organisations consider the execution of strategy less glamorous than formulating the vision.

It is an analysis of the internal processes and their execution with which the author has particular interest. The aim is to concentrate on the buying process in Republic and to determine if this is a possible element to enable the company to add value and gain competitive advantage.

Supply Chain

Purchasing and the supply chain are extremely important elements of company strategy and are closely linked. The key terms will be defined in this section and the development of purchasing into a supply chain activity will be discussed.

The supply chain phrase first came about in the 1980's and was described by Oliver and Webber (1982) cited in Hines and Bruce (2007:28) as a way to describe how organisations procured and managed supplies.

Kauffmann, (2002) suggests that there is no definite definition of supply but argues that professionals agree supply is a series of relationships that add value. Writers such as Hines, (2007:29) challenge this view and provide a working definition of supply chain:

> *"The supply chain encompasses all activities associated with the flow and transformation of goods (products and services) from initial design stage through the early raw materials stage, and on to the end user. Additionally, associated information and cash flows form part of supply chain activities."*

In recent years Thompson (1996) notes that purchasing has become a matter of interest within medium and large scale businesses. It is an area in which the gap between the 'leading edge' companies and the stragglers is widening. He states that a study undertaken by the chartered institute of purchasing and supply (CIPS) and profit impact of market strategy (PIMS) associates of which he is a senior consultant has shown that effective purchasing strategies can add up to 4% of sales value or 30% to profitability. He also highlights the fact that this is an area in which few businesses assess or invest in their development and so it remains relatively unexploited. Thompson (1996) points to the lack of work within this area and lack of expertise within top management of companies which hinders strategic change. He illustrates that the new work has come from the interest shared by both PIMS associates and CIPS. PIMS have devised a unique database of quantitative information and analysis taken from over 3000 companies. Furthermore he points out that improvements in supply chain development can boost productivity and profits. Thompson (1996) feels that a valuable purchasing strategy improves the quality of the supplier's service in terms of product, delivery, response time and customer service as well as price. A better purchasing strategy means lower acquisition costs and better pricing. In the end Thompson (1996) feels that purchasing can only advance in companies that are prepared to invest in people with the right skill set and vision to set suitable supplier strategies and have the ability to make them work both internally and also with the supplier.

The author aims to determine if Republic can in fact use the supply chain to their advantage and like Hines (2007) and Thompson (1996) state, enables an organisation to add value and differentiate themselves from their competitors.

Hines (2007) feels that supply chain management is an essential aspect in managing contemporary fashion businesses'. He believes that today supply chain structures are an important element of supporting company strategies. Macbeth and Ferguson (1990) point out that it was originally concerned with the internal environment of an organisation and how they sourced their goods, managed their stock and how they moved these goods to their customers. Harland (1995) and Christopher (1992) challenge this view and feel that concentration on the internal environment alone was inadequate. They believe the supply chain developed beyond the purchasing company and included the suppliers and their suppliers.

Gundlach et al., (2006) agree with Harland (1995) and Christopher (1992) and feel that purchasing has developed into a function of strategic and external effectiveness that encompasses the firm and larger networks of firms occupying the supply chain.

As the supply chain has developed so too have the boundaries of organisations and Barney (1999) would suggest that these have become unclear. Christopher (1996) goes further than this to suggest that the blurring of these boundaries has meant that it is not organisations that are in competition any longer but instead the supply chains themselves. Slack et al (2001) believe that functional structures have restricted organisational developments in the modern business environment.

Better performance in purchasing is seen by Kekre et al (1995 cited in Brookshaw and Teziovski, 1997) as a key element in the success and ability of a company to meet its strategic objectives. Hines (2007) identifies a new term 'concurrent purchasing' whereby purchasing is repositioned as a key strategic and operational process rather than a standalone function. Brookshaw and Terziovski (1997) state that the pressure on companies to maintain profit in an increasingly competitive market has seen an increasing focus on the purchasing process.

Hines and Bruce, (2007) believe that the fashion supply chain is extremely complex. Christopher and Peck, (1999) (cited in Hines and Bruce, 2007) along with numerous other writers acknowledge the importance of getting the right product to the right place and at the correct time and this is something that can be difficult to accomplish,

Hines and Bruce, (2007) are aware that relationships between buyers and suppliers are an essential element of supply chain management as they allow for communication across an industry that operates on a global level.

Further to this Hines and Bruce (2007) identify some major changes in retail over the years such

as supermarkets moving into fashion retail and this has led to the clothing market being split into segments such as luxury, high street and super-market/ out-of-town discounter. Republic operates within the high street sector. These changes have also meant as Hines and Bruce (2007) point out that the buyer may be responsible for developing own brand lines rather than sourcing 'private labels'(Hines and Bruce, 2007:56). Retailers such as Republic must develop new approaches to remain competitive against these changes in retail as the developments of clothing within the supermarket sector has brought about changes in the way people shop with people able to purchase fast fashion when they do their weekly shop rather than visit the high street.

The importance of purchasing and the supply chain is evident from the various thoughts of the writers discussed above. Purchasing has become increasingly part of the supply chain and they are both key drivers in the success of a business and retailers must be aware of the need to develop this area in order to gain competitive advantage. The author now endeavours to determine if Republic can indeed exploit their buying process and supply chain enabling them to effectively reach their target market and create a core competency.

Methodology

Qualitative data was used and analysed in the study in the form of in-depth interviews. Essentially the research was heavily based on primary research/ data due to the intrinsic conditions of the analysis of this company. The in-depth interviews will be conducted with key stakholders within Republic with a view of understanding their business approach and model of business.

The use of primary data allowed for individual research design and the in-depth analysis of the research topic. On the other hand, the generation of primary data inherently demands the devotion of a majority of research resources, for example, time; in order to attain the desired results. Primary data can be very useful because it is collected first hand, it provides an insight into the topic being researched and it is not out-dated.

In-depth interviews

The most commonly used form of qualitative research is interviews. Amaratunga et al (2002) defines interviews as:

> *"An interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena." - (Amaratunga et al 2002:7)*

The aim of the interview is to research the topic from the perspective of the interviewee, and to understand how and why they come to have this perspective.

The in-depth interviews will be to elicit responses and substantiate key factors identified and outlined in the literature review. It is planned that these interviews will last approximately 20-30 minutes. Structured interview restrict the interviewer from omitting and adding questions throughout the interview. Only predefined questions may be read out. The interviews will be directed at stakeholders and employees of Republic Ltd. The reason for this choice of sample is to enable a good all round understanding of how and why Republic competes/ survives.

Benefits of using in-depth interviews for this research

Blaikie (2000) and Gilham (2003) mention that there are several reasons why in depth interviews are beneficial to use as a research tool. Here are some of their findings:

The acceptability of a longer list of questions as the interview is more personal. There is also a success of open ended questions as the interview acts and takes the form of a conversation. The interviewee given the opportunity to talk freely and the interview can be moulded to an individual situation or context. The interview also becomes more personal and the interviewer has the ability to take note of any facial expressions that the interviewee has. There tends to be a lower refusal rate and the researcher can get closer to the social meanings and interpretations that the interviewee possess.

Analysis

Content analysis will be used to see if there are any main themes arising from the results and to support the predetermine literature.

Results

The following analysis has been as a result of indepth interviews with the buying and merchandising director, Buyer, Brand manager

In essence each product line has a 10 week lifespan and the buying and merchandising director manages the individual lines and the own brands of Republic Ltd. If a line is unsuccessful the price would be slashed and a recoup of money would begin. Overall Republic see themselves as a Multi-brand retailer and aim to be the number one provider of this in the UK. This differentiated approach requires a huge investment in product lines. To achieve this objective focus groups are held on a yearly basis to capture the necessary information to inform the directors of the lines they need to focus on.

Republic had been remoulded over a period of time and in retrospect this has been done through organic growth. Capital has only been re-invested as it has been produced and if the strategy has failed then the mould would be reconsidered.

The development of the retailer has been such through lifestyle changes and attributes and as a fashion retailer they have had to be at the forefront of fashion to fit into this lifestyle shift. Due to the structure of the organisation the response time is much quicker as decision are made due to the responsibility being give direct to the buyers.

Essentially it is more important for the retailer to have a relationship with their supplier to manage lead times. Unlike H&M and Zara, their fashions are derived from the fast fashion philosophy, Republic look at urban fashion and in essence this is their competitive advantage, providing alternative fashion to the main stream as such this is their USP.

With a mixture of attractive brands and own brands with a slightly higher premium this offers and appeals to a large part of the 16-35 demographic market and through their relationships with the suppliers this creates a lower price overall. Also married with the 12 week document, this enables the management of success from a simple method.

As a summary, Republic operates the following approaches to achieve their position within the Fashion Market in the UK:

- 12 week monitoring of fashion lines
- focus groups with target market on a frequent basis
- Urban fashion and own brands that represent 80% of the product lines
- Decentralised decision making for speed and lead times

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AUGMENTED REALITY IN RETAILING OF LOCAL PRODUCTS OF MAGNA GRÆCIA: CONSUMER'S RESPONSE

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Abstract

In recent years, shopping places are assuming the characteristics of entertainment places. For this reason, many researches are focusing on the best application of new technologies in the stores (i.e. plasma screens, touch screens, interactive kiosks, etc.) in order to improve consumers' satisfaction and influence their buying behaviour.

Moreover, many researches carried out the importance of the link product/territory, which is one of the main factors which influence the local products buying behaviour.

The aim of this research is to investigate the consumers' response about the use of Augmented Reality techniques in retailing of local products of Magna Græcia. To demonstrate the useful of AR for these products, we chose two silver amphorae, reproduced from the original ones used by Greeks during the colonization period of Magna Græcia (VIII cent. B.D. and I cent. A.D.). These products are displayed in a virtual environment, reconstructed via computer, which represents the market place of that historical period.

Augmented Reality techniques allow to combine real and virtual elements to increase the consumers' feeling of immersion. In this way, the system underlines the link product/territory and allows consumer to live an experience more attracting and exciting.

The virtual reconstructions have been realized by using he software Quest3D, which allows the creation of real-time 3D applications. In this scenario, it possible to exploit the stereoscopy, which gives user a perception of 3-dimensionality of the images. The effect is caused by the combination of 2 images of the same object from different points of view.

Consumers wear special glasses with polarized lens to visualize them. These glasses give consumer the feeling of immersion in the virtual environments.

A sample of consumers visited it and has been interviewed.

During the research we used the qualitative method of in-depht interviews, which have been analyzes through a software for the content analysis.

Data carried out allow to improve the system according to interviewed opinion, to develop new retailing strategies in order to influence consumer buying behaviour and promote in a new attractive way Calabrian local products.

Keywords: retailing, augmented reality, virtual reconstructions, consumer's response, Magna Græcia

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Introduction

In recent years, shopping places are assuming also the characteristics of entertainment places (Janes, 1999; Gallucci, 2005), by introducing relaxing places (restaurants, gyms, cinemas, parks and so on). In fact, "consumers are increasingly demanding enjoyable experiences in their consumption activities" (Kim, 2001). Hence, the importance of experience-based consumption and of creating emotionally engaging in-store experience for consumers increased (Bäckström & Johansson, 2006).

Because of the influence of shop atmosphere on consumer buying behaviour, several studies are focusing on the best practice to make store more attractive and interesting (Michon et al., 2005), for example by introducing applications of

new technologies in conventional retail stores to improve consumer's in-store-shopping experience like kiosks, interactive displays (with touch-screens sensors), or mobile and ubiquitous computing applications (Burke, 2002; Chang & Burke, 2007).

Furthermore, the use of Augmented Reality (AR) techniques in the stores can influence shopping experience and consumers' buying behaviour.

These techniques are "a combination of the real scene viewed and virtual (computer-generated) images" (Ghadirian & Bishop, 2008), where "the technologies completely immerse a user inside a synthetic environment" (Azuma, 1997). In this scenario, AR can influence few of the most important factors influencing shopping experience: ambient factors, design factors and situational factors (Kourouthanassis et al., 2007).

In particular, the system can be very efficient in communicating the link product/territory, which is one of the most influencing factors during consumers' shopping experience (Pantano, 2008). In fact, AR techniques can facilitate the promotion, because it emphasize the link product/territory and attract more consumers.

The aim of the paper is to analyze the consumer's response about the use of AR techniques in retailing of local products of Magna Græcia, in order to develop new retailing strategies and promote in a new and attractive way Calabria local products.

The first part of the paper illustrates the store realized with AR techniques, and the second one is related to consumers' response of this new kind of store.

Local products coming from Magna Græcia

In recent years consumers have started "to appreciate the typical nature of the product" and to see "it as a distinctive attribute with superior quality to the other general products of its kind" (Mattiacci & Vignali, 2004). Furthermore, consumers' interest in the origin of product and the place of production has increased (Codron et al., 2006; Dimara & Skuras, 2003; Schaefer, 1997; Pantano, 2008a), so that it can be considered one of the major factors in consumer perception regarding a product (Aiello et al., 2008; Kaynak et al., 2000; Phau & Leng, 2008; Teas & Agarwal, 2000; Yu & Littrell, 2003). Hence, information related to production place and the link product/territory, tradition play an important role for consumers.

In this scenario, the AR techniques can be very effective for local products to underline the link product/territory.

Calabria has a considerable patrimony. In fact, the production of its products dates back to the cultural heritage of Magna Græcia (the heritage of Greek colonization between VIII cent. B.D. and I cent. A.D.) (Bertacchini et al., 2007; Bertacchini et al., 2008). Many productions have inspired the creation of new artefacts whose shapes, in a particular way, echo archaeological finds from that historical period (Pantano, 2008b). Despite its considerable patrimony, Calabria has still not fully exploited its potential as a tourist destination on account of the low profile outside the region of what the region has to offer and the lack of promotion (Confindustria Calabria, 2005).

In this scenario, it is very important for Calabria local products to exploit AR techniques to promote local economic development.

AR techniques in retailing of local products coming from Magna Græcia

We used AR technique in a point of sale based on two silver amphorae with the shape of the real ones used by Greeks during the colonization period and a virtual environment related to the Magna Græcia period, by using the stereoscopic tools.

Stereoscopy is a visualization technique which gives user a perception of 3-dimensionality of the images. The effect is caused by the combination of 2 images of the same object from different points of view.

We realized the 3D environment by using several software for 3D graphics: Quest3D and 3D Studio Max.

These programs allowed us to modelling the virtual environment of ancient Magna Grecia, in particular the market zone.

The Figure 1 represents the point of sale with the objects in the original environment and how consumer visualizes them with some special glasses.

Figure 1: The real objects in the reconstructed environment in the store.

Consumers need glasses with polarized lens to visualize the virtual environment. These lens give them the perception of a 3D environment.

Consumers can explore the environment, virtually touch its elements and live a new shopping experience.

In this way, they have the feeling of completely immersion in the virtual environment. So that they need less mental effort to understand the link product/territory.

Methodology of research

A qualitative research allow us to analyze the consumers' emotional response regarding the application of this technology to retailing, and their suggestions to implement the current system.

In particular, we interviewed a sample of 19 consumers, which visited the store reconstructed in labs.

We chose to adopt the qualitative method because qualitative research is mainly carried out to provide the starting point for the subsequent quantitative research.

It is carried out because it allows the perspective of the interviewee to emerge, to explore the ways in which a specific group of people perceive a certain thing, to see the cognitive and emotional aspects connected to a specific situation, to explore a process from the participants' point of view, and finally to confront diverging points of view (Vinten, 1994; May, 2006; Burke & Onwuegbuzie, 2004).

We chose the interview method, because it is probably the most common method used in data collection in qualitative research (Dyer, 2006; Ritchie & Lewis, 2003).

The interview could be seen as "a site in which interviewers and interviewees co-construct data for research projects rather than a setting that provides authentic and direct contact with the interviewees' realities" (Roulston et. al., 2003).

Furthermore, the interviews were carried out using the face-to-face method, which allows one to obtain good quality data and potentially add further non previously predicted questions to the list of questions initially drafted (Janes, 2001; Collins & Cordon, 1997).

In fact, through the observed method, the researcher has the opportunity to penetrate more accurately the situation under analysis, in particular she may have access to certain elements of behavior which would be otherwise hard to examine, and manages to understand more in depth the ways in which the process which she intends to study actually unfolds (Vinten, 1994; Rowley, 2004; Dyer, 2006).

The interviews were collected and transcribed before proceeding to the subsequent content analysis by using the software MAXQDA.

Results

In-depth interviews with consumers were conducted during November 2008.

We chose to analyze the results using content analysis as this allows for a rigorous exploration of various fields which are otherwise hard to examine (Duriau et al., 2007).

Each interview was transcribed and memorized in digital form in order to make subsequent analysis and the use of software easier.

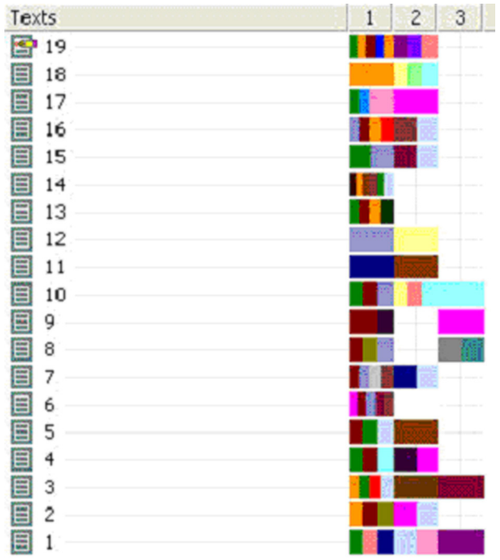
Figure 2: Frequency of codes (characteristics of the system) in the interviews with the consumers.

Code-ID	Code	All Coded Segments
24	colours	1
28	displaying	1
11	fascinating	1
18	good idea	1
26	great visual impact.	1
20	innovativeness	1
25	lighting	1
6	music	1
9	realistic	1
27	success	1
4	surprising	1
23	exciting	2
22	modern	2
15	very refined	2
5	virtual sellers	2
17	added value	3
21	effective	3
19	environment	3
7	immersion	3
8	virtual environment	3
12	virtual reconstructions	3
10	link past/future	4
16	link product/history	4
13	buy	5
14	interesting	7
2	innovative	8
29	object	9
1	very nice	10
3	attractive	12

After having collected the information from the interviews and having identified the most useful statements for the research, we proceeded to the individuation of some codes, each of which corresponds to a particular attribute of the system, and with the support of MaxQda we analyzed the frequency of such words in the text in order to carry out a more in-depth analysis of the interviews with the aim of identifying the most important elements in this kind of store according to the consumers (Figure 2). In particular we identified 29 elements. To each element we assigned a code and we identified the frequency of each code in consumers' interviews as follows: added value (frequency 3), attractive (frequency 12), buy (frequency 5), colors (frequency 1), displaying (1), effective (frequency 3), environment (frequency 3), exciting (frequency 2), fascinating (frequency 1), good idea (frequency 1), great visual impact (frequency 1), immersion (frequency 3), innovative (frequency 8), innovativeness (1), interesting (frequency 7), lighting (frequency 1), link past/future (frequency 4), link product/history (frequency 4), modern (frequency 2), music (frequency 1), object (frequency 9), realistic (frequency 1), realistic (frequency 1), success (frequency 1), surprising (frequency 1), very nice (frequency 10), very refined (frequency 2), virtual environment (frequency 3), virtual reconstructions (frequency 3), virtual sellers (frequency 3).

The research shows a positive response in consumers. In fact, they appreciated the new kind of store. In particular, they described it very nice, attractive, interesting and innovative because the use of the new technologies. Furthermore, interviewers said that these characteristics of the store influence them in the buying process of the products displayed in the store. Because of this new displaying, consumers think that products have more importance and they are better communicated. In fact, the system has been built around the object.

Figure 3: Comparison between the interviews and the codes.



Moreover, the virtual environments underlines the link product/history, and this link is one of the most appreciated characteristics of the store.

In this way, consumers have the feeling to not just a product, but a piece of history, tradition and the meaning which the product treasures, which is an added value for the product itself.

Furthermore, many consumers suggested to model and insert in the virtual environment also a virtual reconstruction of sellers, who should wear ancient clothing, so that he can help and support consumers during exploration of the store and of the products. Also the presence of "ancient" music could improve the level of consumer immersion in the environment.

In Figure 3, we show the map of comparison between the texts (inter-text comparison), in which we can notice the comparison within the codes emerging in each interview; in particular, each code corresponds to a different color. In such a way a comparison can be drawn between the diverse answers given by the consumers.

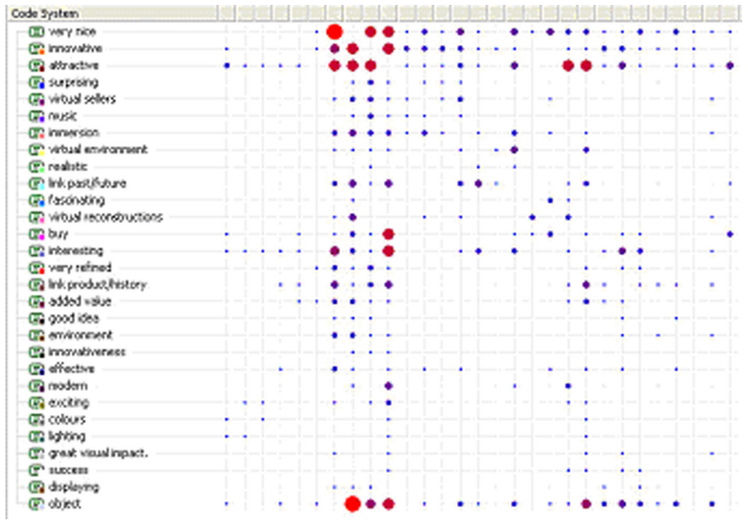
The first line shows the various sections in which each text has been divided (in order to make immediately visible also which part of the text the factor appears in); in the left column we find the interviews, each of which is identified by a different univocal code in decreasing order; in the middle we find the codes reported in different colors, in order to show how many times the same code is repeated in the various interviews.

In Figure 4 we show the graph for the correlations between different factors to highlight which factors are interrelated and which are not, with the aim of identifying those which can be potentially group together.

From this graph we can infer the ways in which we can cluster into one single code displaying, attractive and innovative, as they have very similar relations with the other codes. This is justified by the fact that the store used a new kind of displaying generated by the technique of AR, which attract consumers.

It is further possible to cluster into one single code link product/history and link past/future as these also have similar relations. In fact, the link past/future can be considered like a link between product (present and future) and past, tradition, history.

Figure 4: Graph of relations between codes.



Furthermore it is possible to cluster also realistic, music and very refined, as they also have similar relations. In fact, the "ancient" music in the store improve the level of immersion, the quality of the immersion gives user the feeling to be really there. In this way, consumers consider the store very refined.

Conclusions and future works

Consumers had a positive response for the new store concept. In particular, they appreciated the virtual environment and the possibility to visit the virtual reconstructions of the Magna Græcia, which allowed him to live a more immersive and exciting experience.

Furthermore, the use of AR technologies involve, interest and enjoy consumers. In this way, their satisfaction for the shopping experience increases.

The presence of AR technologies in the store attracted consumers' attention, which has been focused on the objects. The technologies underlined the link product/territory and this link influenced consumer's buying behaviour. In fact, many answered that they would like buy these products. Moreover, they would prefer buying these objects in this new kind of store than in a conventional one.

Furthermore, the system can be implemented exploiting consumer' response. In particular, it could be useful add particular music which arouses the historical period of Magna Gæcia, or shopping assistants who wears traditional clothing. In this way, consumers will be supported and helped also during his store's exploration.

This system should attract more consumers and promote the development of Calabria economy.

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ORGANIZED RETAILING AND ITS IMPACT ON THE BOTTOM OF THE PYRAMID – AN INDIA SPECIFIC STUDY

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ABSTRACT

The past decade has witnessed an economic explosion in the Asian continent. Two economies specifically, India and China have emerged as the engines of growth and continue to witness rapid economic transformation thereby impacting the global economy. Compare this with the economic slowdown being faced by many countries in Europe and America. This scenario has led many organizations to consider opportunities in the lucrative markets of Asia. One such sector which is seeing such an upsurge is the retail sector.

While the transformation in the retail sector in China started a few years ago, in India the government has capped the entry of Foreign Direct Investment in this sector to 51 % on single brand retail. The other route open for retailers to enter the Indian market is by way of the Cash and Carry format. The past five years have seen many large Indian business houses enter this sector in a bid to tap to cater to the diverse marketplace. This means value offers and employment opportunities in the Indian context.

The aim of this research is to study the impact of organized retail on "bottom of the pyramid consumers" and the expected employment that it is likely to generate for this segment. While secondary data from various sources would be used, the authors propose to study the impact of the value offers on the end consumer and the employment opportunities that the organized retail trade will bring to the economy as a whole.

Keywords: retail, bottom of the pyramid, employment, consumer

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Introduction

India and the phenomenon of organized retail

The past decade has witnessed the emergence of a strong global economy with countries like China and India posting robust growth. Belonging to the 'developing' category large economies like China and India virtually enjoy the 'learning curve 'situation in certain sectors, particularly retail. With more than four decades of expertise available from developed economies India's success would depend on how well it embeds this learning into business practices and enhances productivity.

To the developed world India is known as a 'nation of shopkeepers' with one of the highest retail density (more than 12 million retailers) and about 40 million people engaged in this vocation .However the retail sector is not recognized as an industry. A vast majority of the retailers, almost 96% operate in the unorganized or the traditional system on the neighborhood or convenience store

principle with practically no systems or standards but contributing between 8 to 10% to the GDP .

The start of this decade has seen a number of multinational retailers entering India though the routes available for entry. By willing to get organized India will have the opportunity to invite investment, and obtain technology leading to world class retailing with focus on customer experience in terms of brand choice. Foreign Direct Investment remains pegged at 51% for single brand retailers. Despite these constraints some Indian corporates have entered this segment (Future group, Tata's, Aditya Birla group etc…) and are beginning to make a presence, by offering the shopper experience in organized retail. Promotions and offers are gradually becoming the order of the day.

The rapidly growing Indian economy is witness to rapid urbanization, and creating an expanding middle class, with more disposable income to spend. While per capita income was $620 in 2005, over 150 million Indians have annual incomes of more than $1,000, and many who work in the business services sector earn as much as $20,000 a year.

More women are entering the workforce as well, further boosting the purchasing power of Indian households. Between 1991 and 2001, the percentage of women increased from 22% to 26% of the workforce, according to the 2001 Indian government census. While this is the brighter strata of the demographics, the question is in sustainability. Perhaps not if we don't care for the bottom of the pyramid which consists of the 4 billion people across the world living on less than $2 per day

The focus of this paper is to study two important aspects of organized retail, the first being the potential that the retail sector has for employment, and second the value it creates to the needy shopper.

The need for the study

In India the estimated discretionary retail consumption in 2009 will be about $436 billion (about Rs 18 lakh crore) out of the $720 billion (about Rs 31 lakh crore) of private consumption . Of this, about 45 per cent ($196 billion or about Rs 850,000 crore) is urban, and the balance is rural. By 2013, both rural and urban retail markets could be as much as $290-300 billion each (and the total Indian retail market over $600 billion), i.e. an increment of almost $200 billion in additional consumption at current prices over next five years compared to 2008.

Of this, modern retail, which currently is less than $15 billion (about Rs 65,000 crore), may touch $95-100 billion by 2013, i.e. almost Rs 400,000 crore (Rs 4,000 billion). Food & beverages, of course, accounts for almost half of this retail consumption, though, both in absolute terms as well as percentage terms, other product and service categories will substantially increase in the coming years. However, this consumption -- in absolute financial terms -- is largely accounted for by the middle and upper tiers of the pyramid. According to NCAER estimates, in 2009, of the 222 million households in India, the absolutely (Bop) households (annual incomes below Rs 45,000) account for 15.6 per cent of them or about 35 million (about 200 million Indians). Another 80 million households are in income levels of Rs 45,000-90,000 per year.

These numbers also are more or less in line with the latest World Bank estimates of the "below-the-poverty-line" households that may total about 100 million (or about 456 million individuals). Of the $436 billion projected retail consumption in 2009, the bottom (Bop) (35 million) households will account for only 5 per cent or about $21.8 billion (just about Rs 90,000 crore). Further, only 9 per cent of this consumption (i.e. about US$2 billion or Rs 8,600 crore) is in urban India, spread across 5,500 towns, and the balance 91 per cent (or about US$20 billion) is spread across the 660,000 plus villages in rural India.

Lastly, of the minuscule Rs 90,000 crore (Rs 900 billion) consumption from these 200 million individuals in the 35 million (Bop) households, as much as 72 per cent is accounted for by food, another 4 per cent by tobacco and other intoxicants, and about 7 per cent by clothing, and about 8 per cent by basic durables.

Inclusive growth is essential for our country to sustain itself in the future. Hence it is imperative for us to take an in depth look into the extent with which organized retail has helped in providing better employment and in turn better living standards for large numbers of the Indians who represent the Bottom of the Pyramid (BOP).

Review of Literature

The KPMG/FICCI report (2006) offers a bird's eye view of the Indian retail scene touching on a number of retail impacting factors notably, retail operations, learning from international brands, and how the Indian retail scene particularly the organized segment will touch US$ 23 billion by 2010. Of particular interest is the issue of human resources and the impending war for talent as this would be one of the key success factors. The report comes out with a suggestion that there needs to be in place processes, systems and practices to enhance competency and retention.

Gan Bhukta, (2004) refers to an Associated Chambers of Commerce & Industry of India (ACCI) report which projects Indian retail at US$ 300 billion by end 2008 with the organized segment witnessing a three fold growth .According to this study the unorganized sector will continue to enjoy an edge till such time as FDI is permitted. It mentions that FDI in the retail segment would generate millions of jobs directly besides indirect employment for many more. It cites Thailand and China as positive examples.

A detailed ICRIER study Impact of Organized Retailing on the Unorganized Sector Mathew Joseph et al (2008) reviews the overall positive impact of organized retail in India on other linked segments like unorganized retailers, consumers, intermediaries, farmers and manufacturers and the policy recommendations. What must be noted is the fact that there is no evidence of a decline in overall employment in the unorganized sector as a result of the entry of organized retailers and that there is competitive response from traditional retailers through improved business practices and technology up gradation.

The Methodology: Study 1 – focus on employment

The mixed phenomenon of growing organized retail and a large section of the population concentrated at the Bottom of the Pyramid, brings the authors to frame the primary research objective viz,

1. Whether BoP is aware of opportunities in organized retail?
2. How BoP is going to get benefited from employment opportunities that will be opening up in the organized retailing sector?

By benefit we mean including as in comparison to their previous employment to the one they are actually doing in organized retail.

The primary objective of the first research was to understand the following:

In store employees:

1. If organized retail has provided better employment opportunities to the Bottom of the Pyramid.

Other BoP people:

1. Awareness of organized retail and their employability in it.

The secondary objective is to find out:

1. The willingness of people to work in this sector.
2. Constraints if any, to join organized retail.

HYPOTHESIS

1. In store employees :

H0 = With increase in organized retail there exists better employment opportunities for people in the BOP in terms of a) Salary b) Career growth c) Job satisfaction

2. Other people in the BOP (Non store employees)

a. H0 = with increase in retail getting organized there exists awareness amongst the people in the BoP.

b. H0 = There exists willingness to work in organized retail amongst the people in the BoP.

The key limitation of this study was that it was restricted to a specific tier II city and had a limited sample size. The format visited was a supermarket. The scope of scope of project involved checking for the awareness, willingness to work and identify any constraints to join retail.

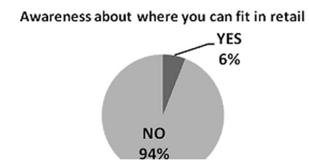
The sampling plan consisted of store employees and non employees. The personal interviewing technique was employed to collect data. A pilot test

was done for each category to check the validity of the questionnaire. Questionnaire 1 appears as Appendix 1.

Key Findings

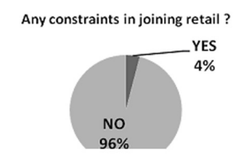
PEOPLE BELONGING TO BOP (Other than Retail)

As can be seen from the above pie chart very few people (10%) from our sample could actually recall store names when asked about it. Also naming things which these stores sell was a tough question for them. This shows very poor awareness level among the BOP about organized retail.



Only 6 % of the people in our sample had awareness as to where they could fit in retail.

Most of them felt intimidated by the prospects of working in retail because they felt they would not be entertained in a retail store.



A majority of the population have no constraints in joining a retail store if given the opportunity. Though a small number have a few concerns like having to travel huge distances to work in a store.

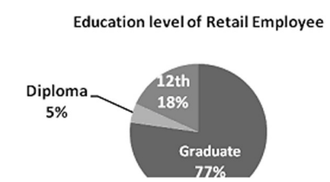
This shows the openness of the BOP when choosing a career in retail.

Majority of the people we interviewed expect monetary benefits more than anything else.

The interviewed people wished to get salary with least or no deduction from it (Maximum in hand cash)

BOP people perceive retail as a high paying career option where career paths are clearly defined and they would paid well for their hard work.

INSTORE RETAIL EMPLOYEES BELONGING TO BOP

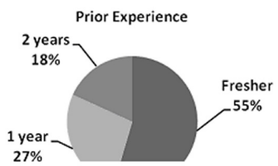


The minimum education qualification asked by the retailer is HSC.

But retailers prefer graduates with computer proficiency.

Education is a factor in determining the level to which the employee can be promoted.

With HSC as qualification, the employee can be promoted only up to the level of supervisor and not as store manager.

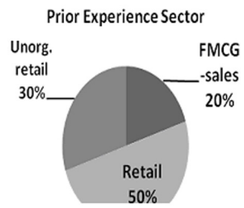


Of the samples collected, the fresher's contributed maximum. Especially, the fresher's with graduation are preferred.

As these graduates can be employed for lesser salary compared to those who are experienced, this could be one of the reasons for their large share.

Retailers also seemed biased in recruiting female candidates. In their opinion, females if married can be considered.

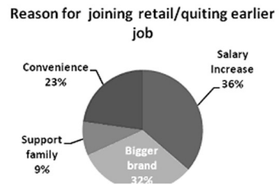
(Vishal Mega Mart store manager stressed on this point)



Among the employees with prior work experience those with experience in retail (organized) contributed maximum.

People with prior work experience in kirana store, local cloth stores or shoe store were also recruited.

It was also noticed that people having worked for some FMCG company as sales person have good understanding and convincing power, thus also find place in retail store.



Increase in Salary was primary reason for switching the jobs.

Graduates with no work experience joined to get associated with good brand. They think that they can leverage this experience in future.

Females joined especially to lend a helping hand to their family.

Surprisingly, few fresher's had strong demand for convenience (distance) even at the cost of low salary.

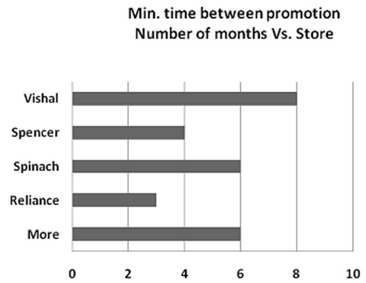
There are usually 5 levels in retail store.

Typically, CSA-customer service Associate, Sr. CSA, Supervisor, Asst. Store Manager & Store manager.

The difference between salary offered to fresher and 1 or 2 year experienced is approximately Rs. 1000-1500/month.

Fresher's fetch minimum salary of Rs. 3000/ month.

Salaries in retail are function of prior experience and performance at the store.



There is no fixed rule for promotions.

If the employees demonstrate good performance, there have been cases where he/she has been promoted in 2 months period also.

The chart besides denotes the commonly observed time frame for promotion.

Yearly appraisals with interview or written test take place religiously.

Apart from the above it was found that besides monthly salary, the employees get incentive which is based on monthly sales target. The monthly sales target is decided based on the usable store area (Sq. ft). Based on achievement of sales target, incentives for each employee is calculated, the formula for which varies store to store.

The employees also get PF contribution. One retailer also had a policy of providing shrinkage benefits to the employee (Approximately Rs. 1000/ month) if the physical and system count of goods match and there are no thefts or misplaced goods.

Finally employees are entrusted with different responsibilities regularly in approximately 2 month's time e.g.: He/ she is might handle vegetables section and then might work on the cash counter after 2 months. This helps them understand store functions and ultimately grooms them for future positions.

Besides training the employees in classroom and on site, training is also provided if required or requested by the employee.

Conclusions:

The findings from the research conducted indicated that in terms of Instore employees:

1. Fresh Graduates with computer proficiency are in demand.
2. Less education (10th/12th) can hinder future growth.
3. The female: male ratio in retail is drastically low which means there is a lot of scope for employment for female workers in this sector. But there is bias to some extent in recruiting females.
4. People having prior work experience in FMCG sales or in unorganized retail are given preference.
5. People switch jobs largely for increase in salary. So retaining employees in retail will remain a big question for retailers and thus their salaries shall remain competitive. Female employees as seen primarily joined to support their family and can be hope to stay in employment for long time.
6. Salary being function of experience and performance at store, the variable part of salary can fetch employee a good amount on account of performance. Also on account of good performance, one can climb the hierarchy fast with suitable qualifications.

Other BoP People:

1. BoP people who have low education qualification are unaware of employment opportunities, and thus unable to identify job suitable for them.
2. As these people are always in search of better opportunities, they have no constraints for working in retail store also. For a very few, convenience in terms of distance to be travelled to the place of work is an issue. This is because he/she might spend considerable part of salary on transportation.
3. BoP people prefer no deductions in their salary. There seems to be lack of understanding regarding government policies which are aligned to help BoP.

The results prove that H0, the null hypothesis is accepted as validated by the analysis of the data. Thus with increase in organized retail there exists better employment opportunities for people in the BOP in terms of a) salary b) career growth c) job satisfaction

The results also prove that H0 (the second hypothesis) , the null hypothesis is rejected as validated by the analysis of the data. Therefore with increase in retail getting organized there exists little awareness amongst the people in the BoP who don't belong to retail.

Lastly, the hypothesis testing the willingness to work in organized retail amongst the people in the BoP, is accepted as validated by the analysis of the data. Therefore with increase in retail getting organized there exists willingness to work amongst the people in the BOP who don't belong to retail.

Fortune does exist in the bottom of the pyramid. Not only are they the largest untapped market in the world for products and services they are also the largest untapped market for employment.

Study 2: The impact on BOP Consumers

The term 'inclusive growth' urged the researchers to take up the study of impact on the BOP consumers and for the purpose of this study parameters for defining a sample of this segment (BOP) would be same as in our preceding study of employment . Even as the organized retail market is starting to take off, there is an associated surge in branded discount outlets in India. Top retailers and local retail chains are developing malls in regional boroughs, specifically to sell premium branded goods.

The good news for retailers is that they are still riding the wave of an extremely buoyant market, even if it isn't all plain sailing. A combination of good prices and quality products available when consumers need them are the main driving factors. While discounters and department stores were waging a war on price, the luxury sector "never looked back", is relying on quality and selection to lure their customers. The emergence of luxury merchandise as a must-have category along all retail formats has made high-end apparel, jewelry and electronics more accessible to a wider range of consumers.

According to the study done by ICIRA (international council for research on international economic relations) it has been found that low-income consumers save more than others through shopping at organized retail outlets. This is a result of targeted discount shopping. It is also seen that farmers gain considerably from direct sales to organized retailers, with significant price and profit advantages as compared with selling either to intermediaries or to government regulated markets. Large manufacturers have also started feeling the competitive impact of organized retail through both price and payment pressures. Yet, they see the advantages from a more efficient supply chain and logistics that accompany the growth of organized retail.

The use of in-store promotion techniques has increased rapidly in recent years and current predictions indicate that companies will allocate more than 70% of their promotion budgets to "below-the-line" or merchandising activities by the mid 1990s (Erickson & Dagnoli 1989). Price discounting is a well known merchandising technique whereby manufacturers, retailers, or both, offer consumers an economic incentive to induce them to purchase a particular brand.

The need for the study

Before 1990 organized retailing in India was led by few manufacturers on retail outlets, manly from the textile industry. Liberalization of the Indian economy led to the dilution of stringent restrictions and paved the way for the entry of few multinational players like Nanz into the Indian market. This was further augmented by the changing profile of the Indian consumers, who were being greatly influenced by western lifestyles. Increasing wages of the employees working in Greenfield sectors gave rise to completely new groups of buyers with higher purchasing of power. It is a growing sector in India and has a tremendous potential for its growth.

The management of an organized retail has concerns over the sales, competition, customer base, promotion design etc. among these the promotion strategies have prime concerns in organized retail as they have to deal with the different types of brands at the same time and management wants that every product that entered in the shop has to be sold as soon as possible. In other words, the focus on reducing the shelf life

of the product so that the smooth product flow can be maintained. This is generally achieved by giving various offers and discounts on the different products. Sales promotions are paid impersonal communication activities that offer extra value and incentives to customers to visit a store and purchase merchandise during a specific period of time.

This phenomenon has become so prevalent that no organized retail outlet can work with out it and discounts and offering are generally has a significant effect on the sales. Massy and Frank (1965) investigated the short term effects of temporary price discounts and found that both brand-loyal and non-loyal buyers responded to a discount promotion. Hinkle (1965) argued that a brand's age may influence the extent to which a price discount can increase its share. He found that price discounts were most effective with new brands, which tended to achieve higher gains with smaller price reductions than more established brands. More than a decade later, Dodson, Tybout and Sternthal (1978) corroborated Hinkle's findings and concluded that price discounting increased the market share of the promoted product, at least in the short term. Furthermore, they suggested that a high discount led to a greater increase in market share than a low discount.

Theoretical framework of the proposed study:

The most common sale promotion is a special sale or special offer. The other forms of sale promotion are contests sponsored events and coupons etc. sales promotion activities are typically conducted to influence customers buying behavior during the short period of time. It also increases the over all excitement of the shopping experience among the customers. It is generally believed that retailers organized the sale promotion for the following reason:

- To attract more new customers.
- To announce a new item or even a whole new product line
- To dispose off excess stock left over after end of a season; and
- To counter the promotion of competitors

Price plays a significant role in retailing since it is the only retail mix element that generate incomes. So when fixing the price of goods or the services in retail store , the decision maker should set a price that meet the objective of the store and the expectation of the customer. Offers and discounts have a direct impact on the image of the project which is also a main concern of the management.

Elements, hypotheses, theories, or research questions to be investigated: Elements: Discounts and offers from the customers prospective and retailers prospective

Hypothesis: From the secondary research we drew the hypothesis that there is a high impact of discounts and offers on organized retail in terms of increased sales and high inventory turnover

Null Hypothesis: There is no relationship between Discounts / offers and increase sales –customers / high inventory turnover

Alternate Hypothesis: There is a relationship between Discount / Offers and increase sales-customers / high inventory turnover.

Research questions to be investigated were discussed during a brain storming session and these were based up on the following guidelines:

i) Promotion scheme

ii) Pre and post discount inventory velocity

iii) Types of product category and their impact

iv) Sales impact including drawing in customers

v) Effect of organized retail in food division and FMCG etc.

vi) manufacturer discount / retail discount

vii) Consumer perception v/s expectation.

viii) Trade discount v/s sales discount

Review of literature

The use of in-store promotion techniques has increased rapidly in recent years and current predictions indicate that companies will allocate more than 70% of their promotion budgets to "below-the-line" or merchandising activities by the mid 1990s (Erickson & Dagnoli 1989). Temporary price discounting is a well known merchandising technique whereby manufacturers, retailers, or both, offer consumers an economic incentive to induce them to purchase a particular brand. Research into price discounting has concentrated on three key issues: the effect price discounts have on market share, brand-switching and purchase quantity and timing.

Massy and Frank (1965) investigated the short term effects of temporary price discounts and found that both brand-loyal and non-loyal buyers responded to a discount promotion. Hinkle (1965) argued that a brand's age may influence the extent to which a price discount can increase its share. He found that price discounts were most effective with new brands, which tended to achieve higher gains with smaller price reductions than more established brands.

More than a decade later, Dodson, Tybout and Sternthal (1978) corroborated Hinkle' findings and concluded that price discounting increased the market share of the promoted product, at least in the short term. Furthermore, they suggested that a high discount led to a greater increase in market share than a low discount.

Other studies explored the subsequent behavior of brand switchers to determine whether consumers reverted to the purchase patterns they held prior to the promotion. Lawrence (1969) and Shoemaker and Shoaf (1977) concluded that this was the case and suggested the market share gained from the promotion could be as temporary as the promotion itself. Thus they concluded that these promotions may have a limited effect because they serve only to disrupt consumers' short-term purchase behavior, which eventually resumes its normal pattern.

Temporary price discounts may affect other aspects of consumers' purchase behavior, such as the quantity of product they purchase, and their interpurchase intervals. Wilson, Newman and Hostak (1979) found a strong relationship between the buying situation and the number of units purchased.

Shoemaker (1979) concluded that price discounts have more effect on the quantity purchased than on buyers' inter-purchase interval, although later research questioned this. Blattberg Eppen and Lieberman (1981), Neslin, Henderson and Quelch (1985) and Gupta (1988) concluded that these promotions may only displace sales that would have otherwise occurred at the product's usual price, thus delaying their subsequent purchase of it and competing brands.

In summary, manufacturers who promote their brands by way of temporary price discounts may, in the short term, induce buyers of competing brands to purchase their product, but it appears that price discounts do not usually have a permanent effect on consumers' brand preferences. Research into purchase timing has generally concluded that this is disrupted during discount periods. However, the effect on competing brands' sales has not received detailed research attention.

The study conducted in this project was designed to address the issue of impact of discount offering on customer behavior, and analyzed the reasons for such discounts both from customer's as well as retailer's point of view.

Research Methodology

A study of secondary data of previous research work carried in similar fields to know the impact of offers and discounts on Organized Retail (Article on Quantity Discounts by Charles L Munson at Washington State university in the year 1998) and some others helped identify factors/ parameters affecting Organized Retailers through offers and discounts and are listed below:

1. Reason for offers and discounts.
2. Pre and post purchase impact of discounts.
3. Types of product categories and their end impact on retailers.
4. Types of discounts offered to the customer.
5. Customer Behavior towards discounts and offers.
6. Increasing competition of organized retail with unorganized retail.

This was the basis for the factors on which the Questionnaire was drafted comprising of 18 Questions (Annexure-1). The final Questionnaire was prepared and a pilot study was conducted to make the necessary changes.

A study was conducted in a tier II city, and the population selected for the Questionnaire was the retail managers, store managers, sales persons for the retail response and the number of customers visiting the outlets. Data was collected on the basis of various locations, different timings and especially some data was also collected on weekends to see the change in impact (if any).The response data was collected (sample Annxure-2) in the Excel sheet with each response specified by its order against the questions.

According to the survey it was found that out of the total customer base, 60% belong to middle class, 20% belong to upper class and 20% higher middle class as per the customer and as per the retailer survey, out of the total target customers, 60% belong to Middle Class and 40% belong to higher middle class.

Findings and inference from

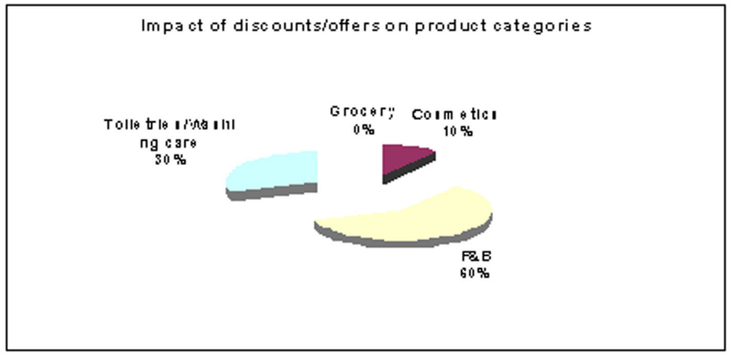
Observation: According to the survey it was found that out of the total customer base, 60% belong to middle class, 20% belong to upper class and 20% higher middle class as per the customer and as per the retailer survey, out of the total target customers, 60% belong to Middle Class and 40% belong to higher middle class.

Inference: According to the Retailer, the target customer does not include upper class but the customer has different view about it and feels that the target customer also includes upper class (20%), so the end impact on sales can be improved and new customer base can be developed by the Retailer by providing new schemes especially to attract upper class. Hence, the retailers have a perception that the discounts/ offering are not a mode of attraction for upper class. However, as per the customer survey, a 20% customer segment belonging to upper class has shown interest in availing discounts and offers. So the Retailer should frame a business model to target upper class like providing high quality goods targeted at premium segment.

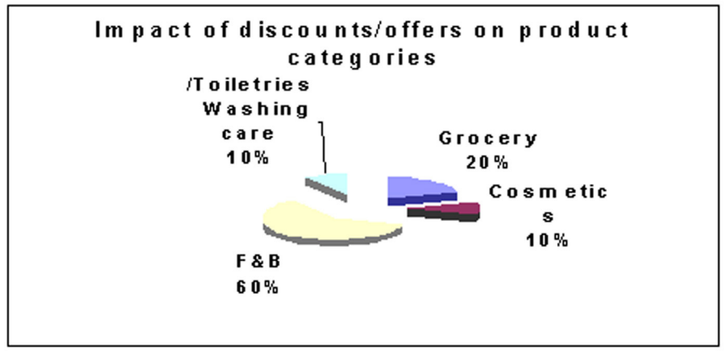
Observation: As per the survey from the customer and the Retailer, it

was found that customer's value discounts mainly on F&B and it attracts the customers most as given in the following pie charts.

Customer Perspective



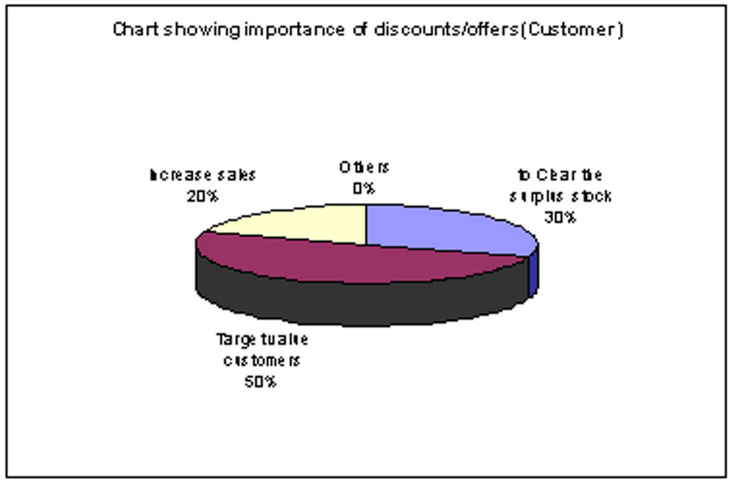
Retailer Perspective

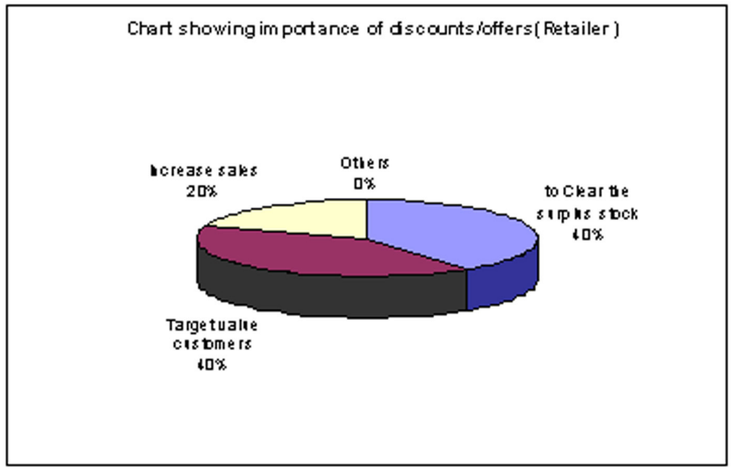


Inference: According to the Retailer, the target customer does not get much attracted (only 10%) by discounts on toiletries and washing care products but the customer gets attracted more by discounts on the same product category. So the Retailer should offer more discounts on these. At the same time the Retailer values discounts on grocery but the customer had different opinion about the same as he feels that they do not require much discounts on the same and are not attracted by it.

Discount/offer Structure and its end impact:

Observation: As per the survey from the customer and Retailer, it was found that both feel that offers/discounts are important to target all sets of customers including value customers and also the discounts and offers are given to reduce the surplus inventories.





Inference: In this case there were similar responses from customer and Retailer in favor of increasing the customer base by attracting all sets of customers especially value customers.

This shows that both think that it is more important to increase the overall market size of the organized retail as there is only 5% organized retail in India and if major emphasis is paid upon increasing market size for MORE, increased market share in term of sales and increase in demand will follow. And also being a Service Industry major emphasis is reaching the customers with the right discount strategy.

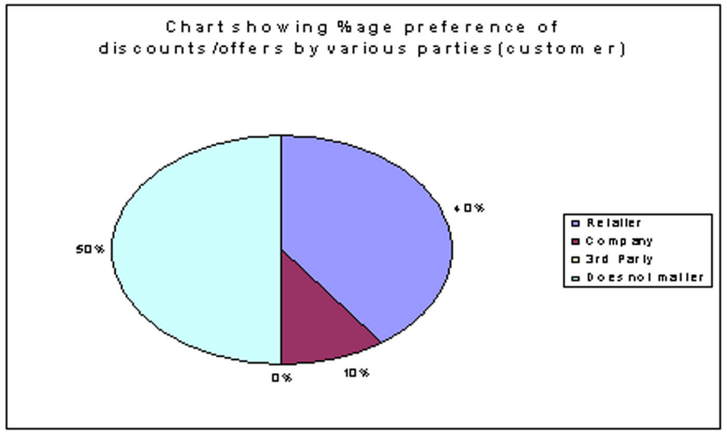
a) As per the survey for both customer and Retailer, it was found that out of the total target customers, 70% gets attracted by money discounts and rest by item aggregation (Bundling).

b) As per the survey the highest preference of discount structure is offered by giving %age discounts i.e. 60% approx for both customer and retailer instead of Free gifts (15%) and Discount melas(10%) are least preferred for MORE from both customer and retailer point of view. They also give less emphasis on Everyday low pricing. %age discount may refer to reduction in prices, or extra product etc.

c) End impact of such kind of Structure: Both customers and Retailers think that more number of discounts/offers will increase the number of footfalls (40% in favor) in the shops but it may not result in an increase in sales in the same proportion. Also as discussed previously the number of customer base will increase and both the customer and the retailer are of the view that the discounts/offers will have the highest impact on bringing lower segment customers into the existing customer base.

iii) Customer Perception Vs Customer Expectation

Observation: As per the survey, it was found that customers do not bother about the party offering discounts and are more concerned about the amount and kind of discount. The break up is shown in the following pie charts.



Inference: In addition to the above, customers perceive that discounts/offers which gives them an opportunity to get good quality at cheap prices, bulk purchases, try additional things. The biggest end impact by these offers/discounts is when the customer perception of getting good quality at lower prices matches with the retailer expectation of customer perception of providing the above so that the customers don't treat offers as something bad and does not mark the Retailers as only discount stores offering things at lower prices.

iv) Competition with Traditional Retailers

As per the survey, it was found that discounts and offers are one of the major way in which Organized Retails compete with traditional ones almost 70% and proximity to the customer(60% response in favor) is the major point in favor of Traditional Retailers.

On the other hand, in this changing economic scenario Organized Retail can become more popular and ahead of the competition by working

more upon their "all under one roof" concept(70% response in favor).

v) Final Impact of Sales Promotion

This is true that discount, offers and sales promotion influence the customers to buy (70% in favor) but by and large the price has a stronger impact on the purchasing behavior which is found true in our survey i.e. 80% believe in this.

From the above survey and the analysis of the data we find that there is strong linkage between the various group categories which were formed.

It is right that the offers and discounts have a positive impact on the customer purchasing behavior and more customers get attracted by the discounts offered thereby increasing the total market size which is first and foremost for any organized retailer.

But it is important that if the retailer wants that these discounts/offers have a positive end impact on them like increasing sales, profitability, customers, then they must work to close the gap between customer perception and their expectation.

It is thus important that they have the right discount structure in place as per the target customer and only then these established and organized retailers can compete with the unorganized and traditional retailers. Last but not the least, only sales promotion and discounts cannot change the buying habits of the customer but price plays a pivotal role in the whole discount structure.

Limitations of the study:

The chief limitation of the study was that it was conducted only in one Tier II city and the actual findings cannot be generalized, as cultural factors play an important role.

In the study, the feedback from the BOP consumers in terms of communication is likely to be hindered hence the study focused on analyzing the impact of offers and discounts on different classes of the population and inferences were made from the same.

Final conclusions

The following are the major conclusions that have been arrived at after analysis of the test data.

1. Retailer's misperception of customer segment seeking discount: As indicated by observation, the retailers have misinterpreted the customer tendency of seeking discount as an indicator of low purchasing power. This kind of thinking leads to the belief that only middle class or higher middle class avails discount and offer. This was not found to be true as even a section of upper class takes keen interest in promotional offers. The percentage of this class may not be very large. However, retailers can increase their profit margins by offering these high end customers certain amount of promotion offers.

2. Conflict between customer and retailer on the product categories offering discount: Customer have shown interest in availing discounts on food and beverages, which mainly comprise of packaged food and bottled beverages. Considering the nature of product, these have much higher shelf life, both at retailers as well with customer as compared to groceries. Hence customer can buy larger amounts that can be stocked over for a while. The same cannot be done with groceries, which are perishable in nature. The retailer here is under pressure to sell away as much grocery as possible. However, customer will have only a limited amount of need and he too cannot store grocery for long considering its shelf life. Hence, the customer will only buy the amount of grocery that is required by him for a particular period, irrespective of the sales promotion offer on it. The same conclusion can be reached regarding toiletries, which the retailer wants to increase the sale numbers. Hence, retailers attempt to increase sales in these two conditions fails and it eventually lead to loss of margin as price reduction does not necessarily leads to increase in sales volume.

3. The retailer's main objective in terms of promotional offers was to target value customers. This indicates the importance attached to them. Thus the retailers want to change their customer mix by increasing the number of value customers. It is interesting to note that increasing sales with the existing customer mix is third in priority according to retailers. The importance of selling away the surplus stock is also an important aspect for the retailer.

4. The success and failure of promotion schemes will eventually be judged by the increase in footfall with comparison to increase in sales. An increase in footfall without a corresponding increase in the sale would imply that the promotional schemes were not able to attract the customer and hence, the retailer has failed upon converting footfalls into sales. Similarly, if an increase in footfall is not observed, it would imply that the promotional scheme has failed altogether as it was not even sufficient to pull the customer to the store.

5. Customer, specifically the value customer does not consider the party which is offering the discount. For the customer, it is eventually the price he pays from his pocket.

6. Sales promotion can be a vital tool in increasing the competitiveness of organized retail against unorganized retail.

Thus it can be concluded that the elasticity of demand must be considered at the time of offering discount. Also the buying behaviors need not be directly related to income groups. A customer whose rising income has transcended him to high income bracket may retain its old buying habit. Lastly, despite of consolidation and high quality at offer, organized retail still has to compete against unorganized retail considering its stone throw away location advantage.

Finally, it can be recommended that retailers should not broadly divide their customers on the basis of their income groups when giving discounts and the nature and perish ability of a product at the customer premises should be considered during the offering of discount.

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AN ANALYSIS OF RETAIL PURCHASE BEHAVIOUR TO DEVELOP RETAIL STRATEGY FOR GLOBAL RETAILERS

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ABSTRACT

The retail sector is one of the fastest emerging sectors in India. Western pattern of retail formats in India do not suit people and culture. The researcher has endeavoured to judge the differences in retail purchase factors across customers of different locational points and suggest appropriate measures for developing effective global market strategies with local orientation. The outcome of the study undertaken in Pune (Maharashtra) reveals that there is no significant difference in overall retail expectation in three urban and suburban areas in case of grocery and food purchases. A significant difference has been observed in the apparel sector. In the case of apparel proximity, there is no importance attached to the three different locational points. For grocery and food the respondents have given weightage to nearby stores whereas for apparel they prefer to travel some distance. Regarding communication, the opinions expressed were found alike for grocery and food but different for apparels. Price has been found alike for grocery and food while difference has been notable in the apparel sector area - wise. Service is also one of the important areas.

Retail format has to be Indianized in terms of communication, assortment, ambience and service. People are still price sensitive. Regarding ambience of the store, people prefer western format.The global retailers have to redesign the retail format strategies on the basis of customized regional approach. The analytical corpus of the research makes it amply evident that exclusive showrooms of branded companies and goods (viz. Wal Mart) are not feasible in the Indian scenario and they have to reframe their strategies.

Key Words: Retail Management, Purchase Behaviour, Retail Strategy, Global retailing.

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INTRODUCTION

The retail sector is one of the fastest emerging sectors in India. According to Mc Kinsey Report 2007, India is the second largest market in the world. The worth of transition is Rs. 17 trillions at present and it is expected to cross Rs. 70 trillion by 2025 AD. Food and Grocery is the second largest segment of the retail market. As per KSA Techno Pak Report (2007), these constitute 70% of the total retail sales. In India, food and grocery retail business has been estimated to be worth Rs. 7,43,900 crore out of Rs. 12,00,000 crore retail market and it is also noticeable that grocery stores dominate the retail market. Around 99 percent market is well dominated by neighborhood grocery stores.

No doubt, retail industry is one of the largest industries in India, but it is highly fragmented

and the least organized sector. In other words, it is well dominated by unorganized market (Bajaj et al 2007). As per estimation in India, there are around 15 million retail outlets which is not only the highest number of retail outlets but also the highest number of per capita outlets in the world. It is also noticeable that almost 96 percent of these retail outlets are less than 500 sq.ft in size, the per capita retail space in India being 2 sq.ft. compared to the US figure of 16 sq.ft.. India's per capita retailing space is thus the lowest in the world. (KSA Techno Pak (2007).

It is amazing that only 4% of the total retailing is being catered to by the organized sector in India. The growth rate of organized retail sector has been slower. For this slower growth and development, the reasons are as follows –

a) Government restrictions on consumer goods and consumerism till early 1990s.

b) Low level of per capita income in comparison to developed countries.

c) Lack of consumer culture.

d) Cultural and regional differences.

Besides these, the main reason is that the western pattern of retail format in India does not suit the people and culture. Blindly opting and replicating of western retail format without considering the differences in all types of micro and macro environmental factors would not give fruitful results. India is known for her diversities of socio-economic and cultural factors.

The growth and development of retail sector depends much more on the following factors - socio – economic, cultural, psychographic, demographic, technological and governmental policies. These play a vital role in determining the growth and development of the modern retail formats. Demographic factors like proportion of young population, proportion of female workers, increasing number of middle income group families, growing awareness, literacy, and increasing number of nuclear families are important variables which affect the growth and development of modern retail format.

With the help of family life cycle (FLC), assessment of influence on various stages of life can be made regarding purchase behaviour of the customers. For instance- the bachelor/young stage represents fewer responsibilities but needs are very much affiliated to other activities and likelihood of purchases of leisure, entertainment, personal care items, clothes etc. As persons grow older, their tastes and preferences for products and activities change with the passage of time. In other words, it may be said that younger are more flexible, dynamic, energetic and easily adopt new innovative ideas and deeds in comparison to older generation.

The demographic profile has played a vital role in giving momentum to modern retail formats in our country. According to UN Report 2005, the largest young population below 45 years is in India. As per Census Report 2001, out of total population of 1027 million, about 285 million live in urban areas and the rest in rural areas. It is also noticeable that 545% of the population is below the age of 25 years and 45 percent below 19 years. On the basis of these factors, Sinha (2004) has worked out the median age of Indian people as 25 years. According to AT Kearny Report (2006), an estimate reveals that there will be 600 million plus effective consumers by 2010 AD. There will be change in family size and it will be 5.4 members per family.

With the expansion of modern retail format in India, change in consumer preference and tastes can be seen.. With rising income, urbanization and changing life-styles, increasing number of nuclear families and working women - consumer aspirants are rising at a faster rate because the consumer intends to purchase convenience and wants access to everything under one roof with multiplicity of choice. The expanding coffers of the organized retailers have attracted the customers by offering Comfort, Luxury and Status (CLS) under one roof.

REVIEW OF LITERATURE

Various studies have been conducted regarding the purchase behaviour of customers with reference to retail market. Moschis (1992)) reviewed a number of studies of shopping behaviour and research reports of the Centre for Mature Consumer Studies and examined the reasons for patronizing a range of retail shop types- food and grocery stores, apparel and shoe stores. He reached the conclusion that there was a clear difference in the reasons for patronizing these stores with the types of products purchased. In the case of food and grocery store purchases with regard to issues

pertaining to convenience, and closeness to place of residence. This finding emerged from the response of 83 percent respondents. Mason et al (1978 and 1979), Sherman et al (1973), Bearden et al (1979) and Abrams (1985) have covered the same ground and come up with similar conclusion. Lumpkin (1982), (1984), (1985) and Lumpkin et al (1985) examined the purchase behaviour in the context of apparel and found that the respondents have patronized the store rather than brands of the products. Subramanyam et al (1982) conducted a study in Vishakhapatnam (India) to examine the buying habits of the consumers relatied to grocery, apparel and electrical appliances. They reached the conclusion that the socio-economic characteristics of the consumers highly influence their purchases. There is a direct relationship between monthly income, the level of education, the size of family, the structure of family, the life style and consumer behaviour. In case of grocery and food purchases, the influence of social groups has been found to be very less while advertisement plays a vital role in influencing the purchase of apparels. Rao et al (1987) also made study regarding the consumer behaviour and drew the same conclusion that education is an important factor which influences the purchase behaviour. Kaushal et al (1976), Das et al (1976), Singh(1981) have also studied the purchase behaviour of the customers and they reached a similar conclusion that demographic profile of the consumers affects the purchase behaviour.

Lumpkin (1984) and Schiff Man et al (2001) have also studied purchase behaviour regarding activities, interests and opinions (AIO) in the context of various products. They reached the conclusion that stores are patronized by consumers rather than brands of the products. Further the outcome of their studies reflects that respondents were very conscious about price, quality and guarantee of the products. Datta et al (2005) also tried to assess the perception of the customers regarding the purchase behavior of retail shopping. The outcome of the study differs from the outcome of Lumpkin (1985). Lumpkin found in study that as compared to young shoppers, elderly shoppers were less price conscious and proximity of residence to store was not an important factor for them. The outcomes of Datta'study reflects that blindly opting and replicating of western retail format does not suit Indian people, It was, therefore, found necessary to carry out the study for investigating the perception of the customer regarding purchase behavior to develop retail strategy for global retailers so that the pace of growth & development of modern retail sector may gain momentum.

OBJECTIVES OF STUDY

(i) To highlight the differences in retail purchase factors across customers.

(ii) To suggest measures for developing an effective marketing strategy in global markets with local orientation.

The paper is organized as follows - Section 1 deals with Introduction, Section 2 presents Review of Literature, Section 3 discusses adopted Research Methods, Section 4 provides Empirics followed by Conclusion & Policy Implications in Section 5.

RESEARCH METHODOLOGY

The study has been conducted in Pune (Maharashtra). The survey has been carried out in three areas i.e. Pimpri, Chinchwad & suburban area Talegaon.

Total 450 respondents were selected from all three study areas. From each selected area, only 150 respondents were selected randomly for comprehensive study. The selected respondents were given questionnaire containing 24 statements and they were asked to respond on the basis of Likert scale- 5 points for Strongly Agree, 4 points for Agree, 3 for indifferent, 2 for Disagree and 1 for Strongly Disagree. Further, an attempt was made to verify the hypothesis that people of different locational points have different overall retail expectations in the study area.

In the second part of the study, an attempt has been made to find out the impact of heterogeneous character of respondents with regard to purchase behavior.

STATISTICAL ANALYSIS: FACTOR ANALYTIC APPROACH.

GENERAL ATTITUDE OF CUSTOMER TOWARD RETAIL PURCHASE BEHAVIOUR.

In order to find out the factors determining general attitude of customers towards retail purchase behavior, 24 statements have been factor analyzed. The statements were measured on a five point Likert scale.

DATA FOR FACTOR ANALYSIS.

Factor analysis was made to find out major factors of concern in retail purchase decision making which is required to find RPF (Retail Purchase Factor) Scale.

*The correlation matrix was computed and examined. This reveals that there are enough correlation to go ahead with factor analysis.

* Kaiser- Meyer – Olkin (KMO) measures sampling adequacy (MSA) and is an index used to examine the appropriateness of factor analysis. If value is high and ranges between 0.5 to 1, it indicates that factor analysis is appropriate, if value is less than 0.5, it implies that the factor analysis may not be done.

*Communality is nothing. It reveals the amount of variance a variable shares with all the other variables being considered. In other words, communality reflects the amount of variance in each variable that is accounted for.

*For Principal Component extraction, it is always equal to 1 for correlation analysis.

* Barlett's test of sphericity shows statistically significant number of correlations among the variables.

On the basis of above standards, data set is examined to find out whether it is fit for factor analysis or not. It has been found fit for factor analysis. Principal component analysis has been employed for extracting factors. Six factors have been extracted. Together it accounts for 77.21 % of the total variance.

ROTATED METHOD

The varimix rotation method was run. Further the factor correlation matrix revealed that the variables are correlated in the population and further data reduction was found necessary.

EMPIRICS

CONSTRUCTION OF RPF SCALE BY FACTOR ANALYSIS.

Communalities are the row sum of squared factor loadings. They reflect the amount of variance in a variable that is accounted for by six factors taken together. The size of community is a useful index for assessing the amount of variance in a particular variable which is accounted for by the factor solution. Large communalities mean that a large amount of variance has been accounted for by the factor solution. Small communalities reflect that a major portion of the variance in a variable is unaccounted for by the factors. In other words, large communalities indicate that the extracted components represent the variable well. The extracted components account for nearly 77.11 % of the variability and rest 22.79 % components are unaccounted. The result shows that a model with six factors is satisfactory.

Table 1 - COMMUNALITIES

	Initial	Extraction		Initial	Extraction
RPF-1	1.000	0.738	RPF-13	1.000	0.760
RPF-2	1.000	0.763	RPF-14	1.000	0.710
RPF-3	1.000	0.831	RPF-15	1.000	0.675
RPF-4	1.000	0.765	RPF-16	1.000	0.871
RPF-5	1.000	0.806	RPF-17	1.000	-0.424
RPF-6	1.000	0.820	RPF-18	1.000	0.732
RPF-7	1.000	0.894	RPF-19	1.000	0.981
RPF-8	1.000	0.705	RPF-20	1.000	0.872
RPF-9	1.000	0.760	RPF-21	1.000	0.740
RPF-10	1.000	0.819	RPF-22	1.000	0.973
RPF-11	1.000	0.844	RPF-23	1.000	0.820
RPF-12	1.000	0.957	RPF-24	1.000	0.942

Extraction:

Bartlert's test of sphericity has been found highly significant at 5 %t level. It reflects that the variables are correlated in the population so that further data reduction is necessary. Kaiser – Meyer Olkin (KMO) measures adequacy of sampling. It has been computed as 0.741 which is high. It indicates that factor analysis is appropriate.

NAMING OF FACTORS:

The last step in factor analysis is naming of the factors. The labeling is intuitively developed by the factor analysis depending upon its appropriateness for representing the underlying dimensions of a particular factor. According to Hair et al (1995), the process of naming factor is not very scientific and systematic. Only a factor loading represents the correlation between on original variable and its factor. The signs are interpreted just with any other correlation coefficient. On each factor 'like sign' of factor, loading means the variables are positively related and opposite sign reflects that the variables are negatively related. In orthogonal solution, the factors are independent of each other. Therefore the sign for a factor loading relates only to the factors that must not appear with other factors in the solution.

All six factors extracted have been given appropriate names. The naming of the factors, the statement label and factor loading has been summarized in the following table. The six factors shown in table have been discussed below

Table 2 - Naming of the factors - Factor Name of Dimension Label Statement (Factor Loading)

1. Communication	Q. 4	Those shops are preferred which make advertisement regularly 0.765.
	Q.12	Advertisements create awareness about availability of goods in Malls 0.957
	Q.15	Grocery does not need advertisement 0.894
	Q.7	Advertisements are wastage of money for retail shops. 0.675
2. Ambience	Q.21	Products are displayed along with musical background 0.740 preferred.
	Q.23	Preference for those having mix branded and non-branded products across the mix prices 0.820.
	Q.18	Well decorated & sophisticated shops having high price just avoided 0.731
3. Proximity	Q.3	Move long way to avail maximum amount of choice 0.831
	Q.13	Purchasing is preferred in nearby shops 0.765
	Q.16	Going to Mall irrespective of distance preferred 0.871
	Q.19	Departmental stores are preferred for daily needs items 0.981
4. Services	Q.5	Salesmen of malls are very helpful 0.806
	Q.8	You don't want help of any body at shopping 0.705
	Q.10	Always look for help in a big shop 0.819
	Q.17	Prefer to pick up own stuffs without any help - 0.424
	Q.24	Neighborhood shop is small but provides home delivery. so preferred - 0.942
5. Price	Q.1	For branded goods, price does not matter 0.738
	Q.11	Purchasing with discount is preferred 0 .839
	Q.14	Discount shops (Big Bazzar, Food Bazzar) offered cheaper rate 0.710
	Q.6	Product available on discount offer is not always good 0.884
6.Product Assortment	Q.9	Preferred shops that specialize in few things with long variety and range 0.760
	Q.23	Those shops are preferred which keep branded and non-branded products across all price ranges 0.740
	Q.20	Don't mind if any thing is in shop which is unrelated product 0.872
	Q.2	Those shops are preferred which keep every essential item 0.763

FACTOR – 1 COMMUNICATION

The above table reflects the fact that communication is the important factor explaining 11.21 % of variance. All the four statements are highly correlated. Most statements are in favour of advertisements which guide customers in purchasing requisite goods. The implication is that the respondents have not favoured grocery and food as well as retail shops that issued advertisements.

FACTOR-2 AMBIENCE

The factor explains 13.77% of the total variance. All four statements are highly correlated. The statement underlines the fact that customers prefer those shops which have branded and non-branded products associated with mixed prices followed by products which are displayed nicely along with musical background.

FACTOR-3 PROXIMITY

Convenience in purchasing goods is the next important factor for the customers. This factor explains 14.61% of total variance. There are four statements which are closely correlated. The people prefer to buy goods/ products of daily need from departmental stores (0.981). People have the craze to move a long way to avail maximum amount of choice (0.831) and they are ready to go to malls irrespective of distance (0.871). The marketing strategies have developed the craze among customers for organized sector of retail market.

FACTOR -4 SERVICES.

Perceptions and preferences towards importance of service have been gauged. The factor explains 10.33% of total variance. Five statements were considered and they have been found highly correlated. All of them are strongly correlated. The statement with the highest factor loading is- "Neighbour's shop is small but provides home delivery so it is preferred." This is followed by another statement- "Always look for help in a big shop." The negative statement which is least correlated is- "Prefer to pick up own stuffs without any help."

FACTOR -5 PRICE

Four statements are loaded into this factor explaining 14.11 % of variations. All four are highly correlated. Products available on discount offer are not always good but purchasing with discount is preferred. For branded goods, price does not matter. Discount shops (viz. Big Bazaar, Food Bazaar) offer goods at cheaper rate. Therefore, this factor is named 'Price' because perceptions and preferences of the customers are also governed by the price of the products.

FACTOR -6 PRODUCT ASSORTMENT

There are four statements which are significantly loaded in the context of this factor. The factor explains 12.19% of variations. These statements deal with product assortment. The customer perceptions and preferences have been duly measured - whether they prefer those shops which provide mix branded and non-branded products with wide varieties and ranges and keep essential items. On the basis of the aforementioned factors, it has been named Product Assortment.

INFLUENCE OF LOCATIONAL DIFFERENCE ON OVERALL RETAIL EXPECTATIONS.

APPAREL SECTOR

The result of one way ANOVA comparison of Retail Purchase Factor (RPF) scores of all three locations has been worked out and a significant difference in Retail Expectation F value has been calculated. Since equal variance was not assumed, so post hoc measure - Levene statistic, has also been calculated. The perception of people of Pimpri & Chinchwad has not been found statistically different in RPF score while people of Talegaon differ significantly from both of them, being suburban area and 35 kms away from Pune City.

GROCERY AND FOOD SECTORS

For this sector, the result of one way ANOVA was calculated. Comparison of RPF score of all three locational points reflects that there is no significant difference in Overall Retail Expectation.

On the basis of the above analysis it is concluded that the people who are more concerned regarding

purchase of apparel, live within the periphery of the urban area while suburban people have least expectation for the apparel. An important observation is that across the locational points, everybody has shown their perception that they don't have much expectation in the grocery sector.

INFLUENCE OF LOCATIONAL DIFFERENCE ON INDIVIDUAL RETAIL PURCHASE FACTOR REGARDING COMMUNICATION.

APPAREL SECTOR

The result reveals that the one way ANOVA comparison of communication score for all the three location points of the study areas for apparel sector indicate that a significant difference exists. F (2, 447) = 19.3 p < .05) Equal variance is assumed and Levene statistic reveals that the people of both urban areas (Pimpri and Chinchwad) have no difference but there is difference between urban and suburban people.

GROCERY AND FOOD SECTORS

The result of the one way ANOVA comparison of Retail Purchase Factor for Communication of all three areas has been found alike. For Grocery and Food the opinion expressed was recorded alike (F (2,447) = 0.765, p> .05). The post hoc measure -Levene statistic (2,447) also reflects the same. In other words, there was no significant difference in all three locational points of study areas.

INFLUENCE OF LOCATIONAL DIFFERENCE ON INDIVIDUAL RETAIL PURCHASE FACTOR REGARDING EXPECTATION OF PROXIMITY

APPAREL SECTOR

In the case of apparel proximity, the results of one way ANOVA indicates that a significant difference exists (F (2,447) = 20.345 p < .05). The post hoc measure- Levene statistic indicates that all three location points of study area statistically differ from each other.

GROCERY AND FOOD SECTORS

The result of one way ANOVA comparison of proximity scores of all three points of study areas for Grocery and Food sectors indicate that there is significant statistical difference (F (2, 447 = 0.636, p > .05) On the basis of the result it may be said that the respondents have given weightage to nearby stores for Grocery and Food.

INFLUENCE OF LOCATIONAL DIFFERENCE ON INDIVIDUAL RETAIL PURCHASE FACTOR REGARDING EXPECTATION OF AMBIENCE

APPAREL SECTOR

The results of one way ANOVA comparison of Ambience scores of all three locational points of study areas reflect that a significant difference exists (F (2, 447) = 13.74 p < .05). Levene statistic also indicates that all three areas statistically differ from each other.

GROCERY AND FOOD SECTORS

The result of one-way ANOVA comparison of Ambience of all three points of location of the study areas reflects that there is no significant difference (F (2,447) = 0.498 p > .05) Levene statistic also signifies that all the three areas have no significant difference (2,447) = 0.357 p > .05)

INFLUENCE OF LOCATIONAL DIFFERENCE ON INDIVIDUAL RETAIL PURCHASE FACTOR REGARDING EXPECTATION OF PRICE.

APPAREL SECTOR

The result of the one-way ANOVA comparison of Price scores of all the three areas indicate a significant difference (F (2.447) = 13.33, p < .05). The Levene statistic also proves this fact.

GROCERY AND FOOD SECTORS

The result for comparison of price score through one way ANOVA reflects that there is no significant

difference across all the three locational points of the study areas. (F print (2, 447) = 0.763 >p .05)

On the basis of the above analysis it is concluded that price is very sensitive and it has been found alike for Grocery and Food sectors while differences have been noticeable in the apparel sector, area wise.

INFLUENCE OF LOCATIONAL DIFFERENCE ON INDIVIDUAL RETAIL PURCHASE FACTOR REGARDING SERVICE EXPECTATION

APPAREL SECTOR

Service is one of the important areas where the expectation of the persons varies time to time, place to place. The result of the one way ANOVA comparison of Service scores of all three points of study areas have been worked out (F (2,447) = 23.23 > p.05). Levene statistic also underlines (2,447) = 23.215 p > .05) that all the areas across urban as well as suburban statistically differ from each other.

GROCERY AND FOOD SECTORS

There has been a similar finding in the sector of Grocery and Food. The one way ANOVA comparison of Service scores of all three points of the study areas have been found statistically significant (F (2,447) = 17.231 p > .05). Levene statistic also supports the result (2,447) = 17.196 p>.05).

INFLUENCE OF LOCATIONAL DIFFERENCE ON INDIVIDUAL RETAIL PURCHASE FACTOR REGARDING EXPECTATION ON PRODUCT ASSORTMENT

APPAREL SECTOR

In the context of product assortment for apparel, the perceptions and preferences of the people of urban and suburban areas have been investigated and one way ANOVA comparison of Product Assortment scores indicates statistical difference (F (2,447) = 14.37 p > 05) for all three locational points of study areas. Levene statistic also reports the same (2,447) = 14.394 p > .05).

GROCERY AND FOOD SECTORS

In case of Grocery and Food sectors, the perceptions and preferences for all the three locational points viz. urban areas (Pimpri and Chinchwad) and suburban area Talegaon have been recorded. The outcomes of one way ANOVA comparison of Product scores (F (2,447) = 1.327 p < .05 reflects that there is no significant difference regarding product assortment of Grocery and Food in all three points of the study areas irrespective of urban and suburban areas.

Analysis and Implication of the Study

The retail sector is one of the fastest emerging sectors in India. No doubt India is witnessing tremendous progress but the performance of organized retailing has been dismal. Reasons are very obvious. Western pattern of retail formats in India does not suit the people and culture. Blindly opting and replicating of western retail format, without considering the abysmal differences in all types of micro and macro environmental factors, may not give fruitful results. The outcome of the study reveals that there is no significant difference in overall retail expectation in three urban and suburban areas in case of grocery and food purchases. A significant difference has been observed in the apparel sector. Further analysis reveals that there is similarity in two urban areas while suburban area is markedly different. In the case of apparel proximity, no importance is attached to the three different locational points. For grocery and food the respondents have given weightage to nearby stores whereas for apparel they prefer to travel some distance. Regarding communication, the opinions expressed were found alike for grocery and food but different for apparels. So far as ambience of the retail outlet is concerned, opinions vary area to area but for grocery and food stores the opinions of the respondents have been found alike. Price has been found alike for grocery and food while difference has been notable in the apparel sector area - wise. Difference in service has been recorded across all three locational points of the study areas in all three sectors. In the context of product assortment for apparel, the perceptions and preferences of the people of urban areas are similar while in suburban area it is different, but in the case of grocery and food they are similar across all three locational points. Thus on the basis of the above findings, it is recommended that

grocery and food sectors ought to be standardized for optimum results.

Due to other retail product factors, retail format has to be Indianized in terms of communication, assortment, ambience service and locational surroundings. Grocery and food are low involvement goods, people hardly waste time in purchasing these goods. With the passage of time, people have become more aware regarding grocery and food but people are still price sensitive. Regarding ambience of the store, some changes have been observed in the attitude of the respondents of all three locational points. They prefer western format and its influence can be seen in two locational points of the urban areas i.e. Pimpri & Chinchwad but in suburban area Talegaon, it has not been preferred. The main factors are difference in life style and cultural set - up of the society. In case of apparel, no standardized format may be recommended for retail format due to heterogeneity in demographic and socio-economic profile of the society.

On the basis of the above facts, figures and conclusion, the global retailers need to redesign the retail format strategies according to local needs and environment. The western pattern of retail format may not serve the requirements of society and it does not suit Indians. This is the factor behind the slow pace of growth of organized retail sector. A multi - tier retail format may give momentum to progress. Indians are very much accustomed to shopping for all types of goods and services in limited areas. It is therefore recommended that a big market should be developed either in limited areas or under one roof where all merchandise is available. The analytical corpus of the research makes it amply evident that exclusive showrooms of branded companies and goods (viz. Wal Mart) are not feasible in India. The global retailers need to reframe strategies for socio- economic segmentation in order to cater to the specific requirements of segmented classes and adopt a customized regional approach. On this very foundation, the retail format ought to be developed. Exclusive showrooms and economies of scale do not fit the Indian scenario.

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AS A GOLDFISH IN THE SHARK TANK - THE IMPORTANCE OF REPUTATION MANAGEMENT IN THE GERMAN FOOD RETAIL

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Abstract:

In the past years, the situation in food retail has become a lot more competitive in Germany than in other European countries. One of the reasons, besides the large number of sales areas per resident, is the growing comparability of goods offered, as well as the nationwide opening of discounters. To persist in this extremely competitive market, the consumers will have to be persuaded not only by the range of products, but also by the enterprise itself, e.g. by taking social responsibility. In literature, reputation management is considered as one of the most effective marketing tool. In spite of these consolidated findings, the effect of positive reputation in food retail industry has hardly been analyzed so far.

Keywords: Reputation, Reputation management, German food retail

The German food retail industry is not only to be characterized by its high competitive pressure, but also by its oligopoly structure. According to Liebmann et al (Liebmann et al., 2008) 76,5% of sales in food retail will be generated by five major food retailers by the year 2010 (In 2005, it was only 69,2%). Among them are those discounters which, owing to high expansion activities in the last years, are represented nationwide in Germany (Zentes, 2006). It is especially those market participants, who stimulate the price struggle in food industry. Besides low prices, the German consumers particularly appreciate the quality of discounter products. The two biggest German discounters Aldi and Plus recently ranked one and four in popularity of German discounters in a study established by the market research institution „TNS-Infratest“ (o.V., 12.09.2008). A study of KPMG Consulting also made clear that classical super markets can no longer be silhouetted against discounters: in the customers' perception, the biggest German complete assortment retailer EDEKA couldn't outclass Aldi by a single score (KPMG, 2005).

Besides the high concentration and growing competitive pressure, some political-legal and socio-economic requirements impede the existence of medium-sized enterprises on the market. For example, the opening hours in Germany are considered very restrictive in German literature (Bauer, 1997). But also the Land Use Ordinance strongly affects the opening of large-area retail stores (Liebmann et al., 2008). German food retail also has to face the decrease in population: The average number of households is constantly decreasing, the population is growing older and the savings rate has increased significantly (KPMG, 2006).

Moreover, the spending on „food, drinks and tobacco“ ranks third in Germany. With a portion of 15% this is not only a rather low value (Bundesamt, 2008) compared to other European nations, but also reflects the low importance of food industry in Germany. The attitude „Geiz ist Geil“ (a popular German advertisement, meaning „I save as, much as I can“) has tremendously influenced food industry. This may explain the constant growth of discounters.

Especially the medium-sized retail stores have to fight the accelerating price aggressiveness of major stores and the stagnating turnover in this industry. In order to face this high pressure, it is absolutely necessary for the medium-sized retail stores to set themselves apart from the giants of the industry and to generate additional benefit for products compared to major stores.

Due to the increasing competitive pressure and globalization in recent years, immaterial assets have become more and more important, both in theory and practice (Schwalbach, 2004). In literature, positive reputation is considered the most crucial immaterial corporate asset (MacMillan et al., 2004).

Even for retail trade in general, literature agrees: "Retailer reputation is an important factor that influences consumer's store patronage" (Ou et al., 2006).

The origin of the term reputation is Latin and has always played an important role in history (Rademacher, 2006). "Reputations are all over assessments of organizations by their stakeholders. They are aggregate perceptions be stakeholders of an organization's ability to fulfil expectations, whether these stakeholders are interested in buying the company's products, working for the company, or investing in the company's shares."(Riel and Fombrun, 2007).

The positive effects of solid enterprise reputation may be explained by the asymmetric access to information for the stakeholders (Quevedo-Puente et al., 2007). Particularly measurement categories such as corporate quality, reliability or credibility are hard to approach for the market participants. Therefore MacMillan et al (MacMillan et al., 2004) argue that reputation emerges with the exchange of experience between the stakeholders. This helps to minimize uncertainty and to choose an enterprise with as little doubts as possible (Nerb, 2002).

Studies on positive effects of enterprise reputation can often be found in contemporary literature. In order to go beyond the scope of this paper, the following illustration is to give a general idea of these results according to (Schwaiger, 2004b). page 22.

In order to utilize the abundance of positive effects of enterprise reputation, it is necessary to control the success factor. Reputation Management is defined as a goal-oriented and systematic strategy, control and monitoring of enterprise activities, thus encouraging credibility and reliability among the stakeholders (Wiedmann and Buxel, 2004). It should be taken into account, however, that positive reputation does not necessarily imply the same importance to all groups of stakeholders, while each group of stakeholders prioritizing different features. To come up with the individual expectations and requirements, Fombrun and Rindova (Fombrun and Rindova, 2000) recommend a so-called "listing phase" in the initial stage of reputation control, in which these expectations should be collected during discussions within the individual groups of stakeholders. In general, successful reputation control can only be ensured by continuous communication with the stakeholders: „Because corporate reputation is based on perceptions far more than on real knowledge, managing corporate reputation is not only, but primarily, a task of corporate communications." (Schwaiger, 2004a).

Although reputation management is considered one of the most important marketing tools, which is to generate positive success for an enterprise [(Weill, 2005), (Srivastavs et al., 1997), (Eidson and Master, 2000), (Nakra, 2000)] the effect of positive reputation in food retail industry has hardly been analyzed so far.

To create a successful reputation management, the first step is to analyse the most important stakeholder groups:

Due to the direct contact with customers, e.g. at counters, the employees working in the food retail industry represent an important group of stakeholders. The second group, which has a really big meaning for the success of a food retailing company are the customers. Just if a company can manage to deliver their customers' needs, profit can be realised. Because of the replace ability of products and the high quality level in German food retailing, the future idea of this industry will have to go beyond the mere offering of goods to satisfy customers.

Although the advantage of good reputation may appear much promising at first sight, literature advises against careless decisions. Only if behaviour and products of an enterprise are considered reliable by its stakeholders, it will continue to benefit from the positive effects of reputation (Bauhofer, 2006). Particularly for the food retail industry, which is hard to assess with regard to quality and cost/performance ratio, reliability is the predominant condition for success (Bauhofer, 2004).

Especially the conditions in German food retail industry have not been observed in literature with regard to reputation management.

The objective of my PhD is to analyze reputation management as a marketing tool in the German

medium-sized food retail industry. As there aren't any literature research results for this particular industry, the decisive factors for a positive reputation in food retail have to be determined first. By means of these results and the determination of the relevance of positive reputation in the food retail industry, the conclusion of this paper may bring along a recommendation for future approaches for medium-sized food retailers.

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COMPLEXITY BETWEEN TRANSPORTATION AND LOGISTICS CHAIN

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ABSTRACT

The objective of the paper is to define the role of transportation in logistics in close connections with other components, in reference of further improvement, to clarify and redefine the position/ relationship (synergy) between transportation and logistics systems through collecting and analyzing various application cases and practices in ncwilogistics from literatures.

The second part presents a discrete-event model example-based, for transportation. The use of models for global strategies in logistics does not look quite possible because of limited and small entities to take into account within the logistic network. This does not offer enough elements to make transportation decisions, simultaneously with keeping the stability of the systems. In this paper, we will take a modest mathematical contribution to understand the dynamics of logistic processes. The paper is develop using a distribution model with calculation examples, that considers the distances, order timing, demand intensity and maximum utilization of the logistic facilities.

The research undertakes logistics managers' analysis, and transportation planners to define and comprehend the basic views of logistics, its various practice applications and the comprehensive relationships between logistics and transportation.

Key Words: transportation, supply chain management, reverses logistics, non-discrete-event model for transportation.

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Nowadays, the transportation is crucial in the manipulation of logistic. Reviewing the current condition a proper transport technique requires linking production procedures. The operation of transportation generates and enables the efficiency of moving products. The progress in techniques and management principles improves the moving load, delivery speed, service quality, operation costs, the usage of facilities and energy saving. The main types of logistics presented hereunder, in pyramidal forms, prove the complexity as increasing from top to down:

a) Supply Chain Management is the classical concept of logistics where we may identify the three main activities, as: purchasing, manufacturing and transportation. As described by the Council of Logistics Management, logistics is a process referring to the movement of products and materials from suppliers to the assembly line operations, to the physical distribution of goods towards the final users. Logistics also fits the direct communication with any company's engineering staff. To understand better the transportation role in the supply chain we analyzed on the impact of transport and logistics over the competitiveness of Bulgaria's textile and clothing industry. The study, as developed aims to: 1)Demonstrate the importance of transport and logistics within the context of increasingly complex demands of the global textile and clothing market; 2) Explain how various constraints and weaknesses within Bulgaria's transport and logistics system can increase transaction costs and affect competitiveness; 3) Highlight critical weaknesses and bottlenecks within the transport and logistics system, and 4) Identify actions to reduce costs, enhance reliability and increase efficiency.

The new competitive environment significantly increases the importance of logistics and transportation management for the export sector, requiring multilateral and complex approaches so that exporters: a) Adapt better in managing the goods inbound flows from international suppliers, (b) Act fast and reliably in managing production and delivery schedules over a network of sub - contractors and (c) Ensure fitted patterned distribution to buyers.

For Bulgaria, managing this flow is both complex and costly. It involves over 20 non - production

activities and can account for up to 40 percent of the cost of the finished product. Administered within limited or no technological assistance, the improving performance along the shipment processes can have a direct impact on costs and competitiveness for the sector. The analysis tried to understand the Issues affecting transport and logistics from several different perspectives: a) the specificity of any activities to performing to meet buyers' need; b) the sample cost contributors; c) the private and public sector participants involved in shipment network; d) examination of a wide range of supply chain models currently prevalent in the industry.

The analysis suggests that the key opportunities for improving transportation and logistics performance for apparel exporters in Bulgaria are: 1) Increasing the capacity and capability of border crossings to handle greater throughput (Border delays can contribute up to 35% of total freight costs on certain routes); 2) Custom's procedures for duty exempt goods imported for exportation need to simplify, accelerate and become more friendly; 3) Exporters have opportunities to reduce costs in the key areas - freight and shipment consolidation, term view to mutual operational challenges.

There are huge opportunities for industry participants to increase efficiency and reliability adopting only those technologies that improve operations and provide linkages to upstream and downstream partners.

Manufacturers have to develop transportation and logistics competencies and use only those capabilities creating value for buyers and competing against global competitors with lower cost. There is also an important aspect connected to the physical infrastructure need for up gradation . The study, relevant for the entire East European region, suggested similar solutions for the entire region.

b) Reverse logistics is focused on the concept of "business of returns", due to the fact that up to 7% of enterprise's gross sales are captured by return costs. Third Party Logistics Providers (3PLs) realize profits on this business, hosting returned, damaged or obsolete products, using good communication and transportation networks. This system needs professional skills in logistics management. The proliferating of the 3PLs is expected to be one of the more important factors, to reduce the costs and returns processing.

Other important aspects refer to the interaction with IT used to support reverse logistics during all different phases of a product life cycle. Regarding the phase of product development and actual manufacturing, there are two variables to consider within dimension: material content and product structure. The materials used and specifically combined determine both the degree and the type of a potential recovery once the product at the end of its life. Marking parts with manufacture identification are also helpful when a product has to be pulled out of the market due to a defect, i.e. product recalls (Smith, 1996). There are lots of companies developing product programs encompassing design for the environment, for recovery, for disassembly - generally called as Design for X, or just DfX.

c) Recovery can also be the starting point for product development, as it is the case of Walden Paddlers, who launched a 100% recycled kayak project (Farrow et al., 2000). The project had to rely much on computer experiments as no design then available suited recycled resins. The company was able to attract a manufacturer to invest in advanced rotational molding technology and to convince the supplier to proceed to further resins' separation (Landers et al, 2000) highlighting the importance of tracking component's orders in the case of a closed - loop business telephones supply chain. As the authors used a "virtual warehousing" the use of ICT lead to some improvements in stock levels, routing and picking processes when compared with the pre - ICT scenario. The tool permits to apprehend the interrelations between the production and the remanufacturing of products. Another technology available is the electronic data logger (EDL). This device is able to store data on physical parameters, to use later. The idea is to put them into products or equipment to register information on different parameters as used. Thus, at the point of recovery, one could make use of this information to decide which destiny to give to certain product without first investing resources in disassembling and testing components. Confronted with limited investment capacity, it is highly helpful to know the phase in which the investment would contribute most to save company's money or which one is the best, if alternative are hereby. Starting from this explained example, thinking that costs and benefits of collecting and managing data and costs of investing and managing the technology are the most relevant parameters in logistics to understand better the role of transportation and its implication in the day-by-day activities we used

a discrete event shipment model that calculated different delivery scenarios for route decision makings.

Model of Discrete-Event Shipment

Logistics operate with a specific combination of different parameters and variables. We raked by importance and relevance those characteristics and variables generating combination of factors pending on management of orders, transportation, discharging of reclamations and used in our model, the followings:

Parameters:

i = denote area, region of goods distribution/ transportation, where i = 1,2…n; often is referring also to the means of transport/ vehicle, because from practical point of view every client from a certain geographical area is allocated to the same driver

r = denote client, where r = 1,2…m

Next parameters are referring to vehicle:

V = volume of orders, means capacity of shipment/ vehicle transportation expressed also in volume/ weight of goods (m3/ kg); every vehicle has a maxim loading capacity Vmax, obviously V < Vmax

Umax = number of maximum orders per vehicle (show vehicle utilization according with received orders) or whole area i; is calculated by divided of maximum shipment capacity to used capacities Umax = Vmax / V

Variables:

Tr = window of time (hrs.) for delivery goods from depot to client r; in particular Tir show asked period of time for transportation from central delivery point to zone i and client r

Ni = number of orders per windows of time transported in i area; in particular Nir is orders/ windows of goods transported into the i zone and to r client; for whole area i, ∑Nir = Vr

ir = time of minimal waiting (gap time) (hrs.) to assure the fulfill of all number of orders Nir within window of time Tr for client r in zone i.

Xir = additional time denoting passing of demand in next windows of time for client r in zone i; has noting in common with previous state function of system xir even notation is quite similar in theory system literature

Hi = threshhold waiting time (hrs.) for vehicle (zone) i is maximum acceptable waiting time do not perturb next shipment

Note: this variable is referring only to the vehicle/ zone; according to it planner is helped to decide on shipment strategy, respectively threshold/ point of equality between request and demand only for parameter i

Di = daily distance (Km) for vehicle/ zone i; in particular Dir is distance for vehicle i to customer r; in calculation appear also Li = total travel distance (Km) from central distribution center to i area and return, that is calculated using formula Li = 2 Ei Di, where Ei is coefficient of load efficiency for car shuttle

Ei = coefficient showing the load efficiency for vehicle (zone) i.

Galván D. in table 1 shows the possible related cases between two consecutive window of time Tir and Tir+1, demand of goods Nir asked by clients r and r+1 within Tir, for additional time Xir, and acceptable waiting time (threshold) Hi. The "decision threshold" (noted as Cases in Table 1) is a good tool with which will be evaluate the shipment strategy (vehicles that are full loaded or not).

Graphic 1

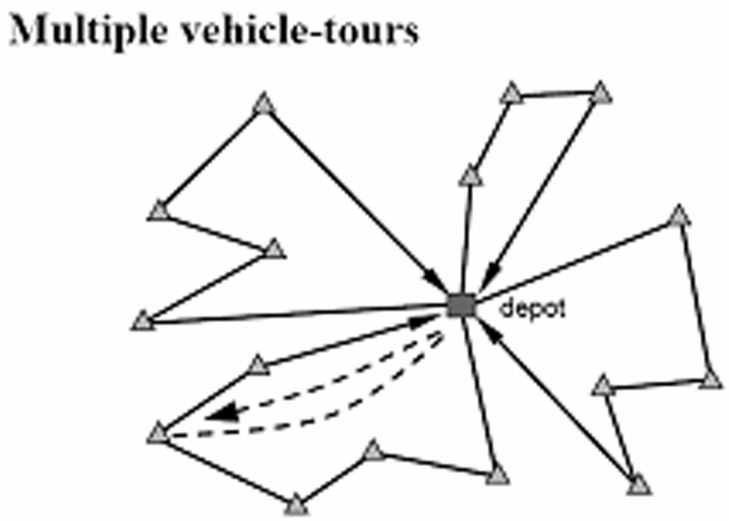


Table 1 Choice methodology for calculation of shipment number

Case	Duration	Demand	H_i corelation	σ_{ir} corelation
1a	$T_{ir} \le T_{ir+1}$	$N_{ir} > N_{ir+1}$	$T_{ir+1} - X_{ir} \le H_i$	--------
1b			$T_{ir+1} - X_{ir} < H_i$	$T_{ir} + X_{ir} \ge \sigma_{ir}$
1c				$T_{ir} + X_{ir} < \sigma_{ir}$
2a		$N_{ir} \le N_{ir+1}$	$T_{ir+1} - X_{ir} \le H_i$	--------
2b			$T_{ir+1} - X_{ir} < H_i$	$T_{ir} + X_{ir} \ge \sigma_{ir}$
2c				$T_{ir} + X_{ir} < \sigma_{ir}$
3a	$T_{ir} > T_{ir+1}$	$N_{ir} > N_{ir+1}$	$T_{ir+1} - X_{ir} \le H_i$	--------
3b			$T_{ir+1} - X_{ir} < H_i$	$T_{ir} + X_{ir} \ge \sigma_{ir}$
3c				$T_{ir} + X_{ir} < \sigma_{ir}$
4a		$N_{ir} \le N_{ir+1}$	*No inefficiency exists in Tr+1*	

Graphic 2

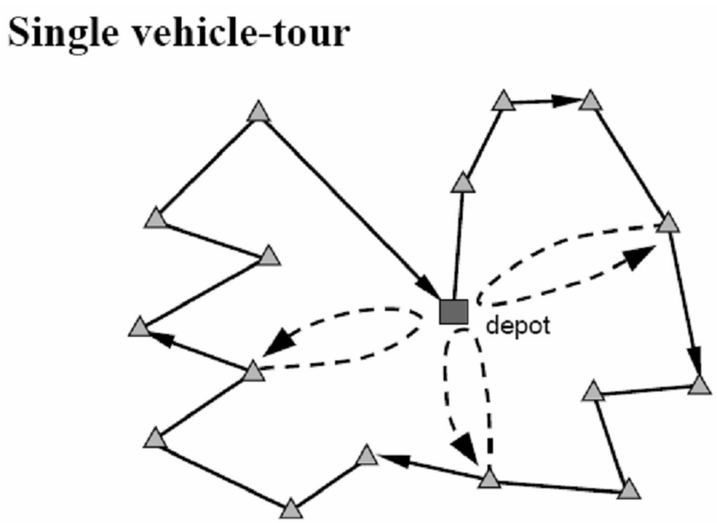


Table 2

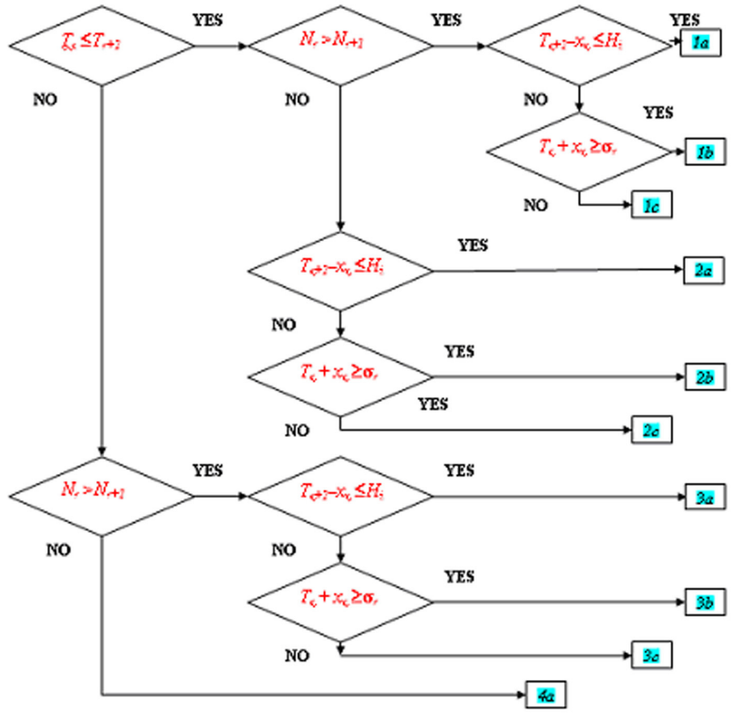
Case	Duration	Demand	H_i corelation	σ_{ir} corelation
1a	$T_r \le T_{r+1}$	$N_r > N_{r+1}$	$T_{r+1} - X_r \le H_i$	--------
1b			$T_{r+1} - X_r < H_i$	$T_r + X_r \ge \sigma_r$
1c				$T_r + X_r < \sigma_r$
2a		$N_r \le N_{r+1}$	$T_{r+1} - X_r \le H_i$	--------
2b			$T_{r+1} - X_r < H_i$	$T_r + X_r \ge \sigma_r$
2c				$T_r + X_r < \sigma_r$
3a	$T_r > T_{r+1}$	$N_r > N_{r+1}$	$T_{r+1} - X_r \le H_i$	--------
3b			$T_{r+1} - X_r < H_i$	$T_r + X_r \ge \sigma_r$
3c				$T_r + X_r < \sigma_r$
4a		$N_r \le N_{r+1}$	No inefficiency exists within T_{r+1}[1]	

In a distribution system with a single origin and many destinations, the purpose of the model is to satisfy delivery times (windows of time) Tir for shipments. For i=1 simplified notation algorithm is presented above:

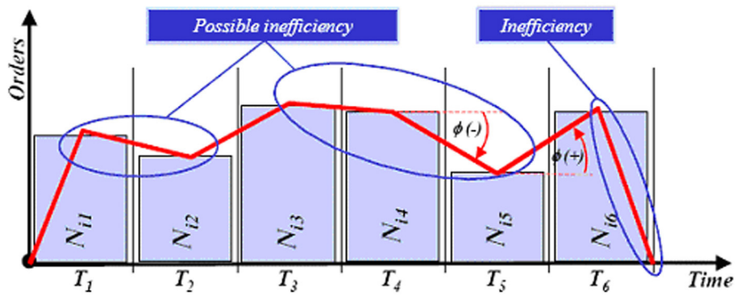
For this case, the decision and calculation graphic, simplified, are the following:

The interpretation of results is on the next graph. Let suppose that in m=6 windows of time with Tr = constant (that means that period and condition of transports and deliveries are very similar), and also that Tr < r < 2Tr (time enough to assure fully shipment in T1=T2=T3=T4=T5=T6). Brocken line Ni1 – Ni2 – Ni3 – Ni4 – Ni5 – Ni6 shows «inefficiency» for negative slope . Otherwise, if hourly distribution is positive, load is an efficient one.

Table 3. The flow chart & scheme for decisions makers:



Graphic 3



To avoid inefficiency and fully satisfy the demand, carriers try to use shipment volume Vr to the maximum capacity of the vehicles Vmax. If still we consider only one zone (i=1) and vehicle has not sufficient time to satisfy all its deliveries without interruption, appear a time gap r and due to the limited window of time Tr the number of shipments is no longer a function only of the demand and the maximum capacity (Ni / Umax), but heavily depends on the vehicles' rate of service (determined by the number of vehicles that operate during this period).

In this case, when a part of orders signalized by will pass to new delivery time Tr+1, system "efficiency" is needed to analyze additionally. So, new concept of windows of time is quite good opportunity to further developed analyzes.

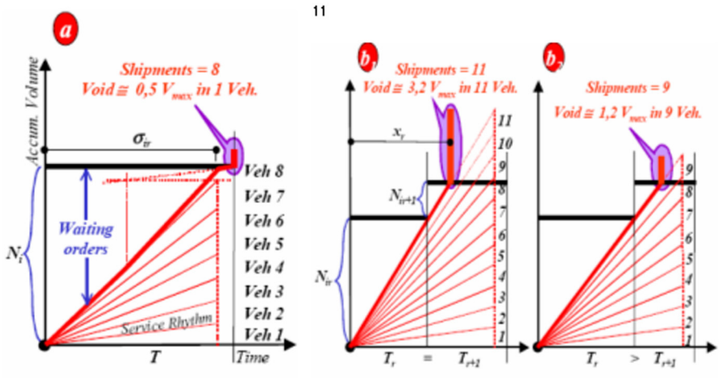
As graphs show there are three situations: ir < T=ct (situation a), Tr = Tr+1 (situation b1) and Tr > Tr+1 (situation b2). For situation a of efficient using of cumulate shipment volume and Tr=constant is used 8 vehicles and order is covered, waiting of time Tr is fully used and shipment is done with cost reduced at minimum.

To analyze situation b also for a single zone (i=1) number of shipments is increased from 8 to 11 (b1, Tr = Tr+1) or to 9 (b2, Tr > Tr+1). Please notice that volume of goods transported beginning with vehicle 7 is passed in other windows of time Tr+1. Consequently number or orders Xr are passed also to another vehicle(s), even the time of delivery Tr is enlarged. Here the inefficiency translates into the under-utilization of vehicle. If situation b2, when window of time is added "longer" that before, the inefficiency is growing (semi-loaded vehicles), but is fully satisfied client with goods in "dead time" transportations, which in practice unfortunately is often happen.

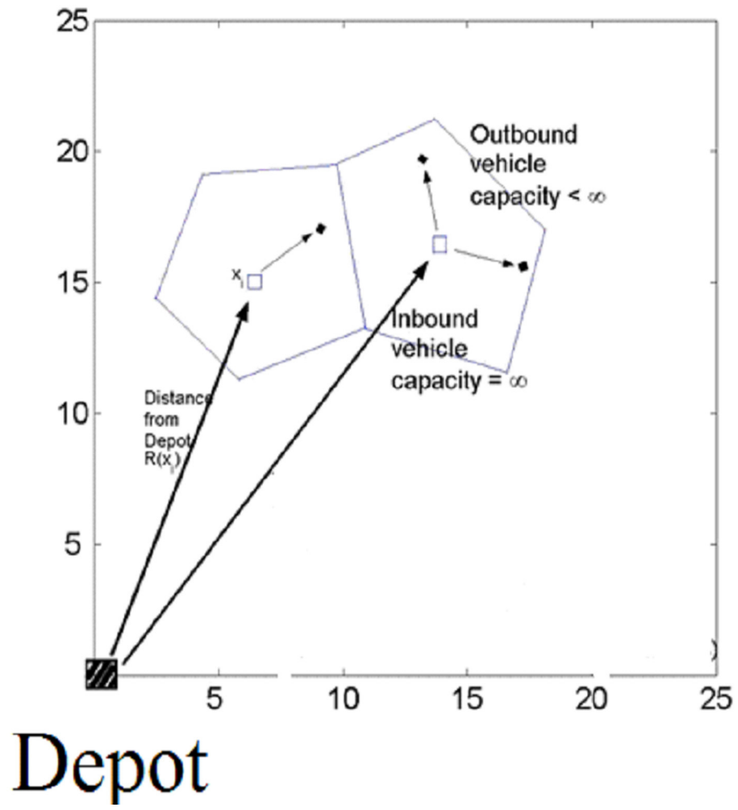
Issue of cost and efficiency

Costs in logistics are another difficult problem. Majority of logistic models assume that $C_i = f(D_i, r_i, u_i, x_i)$, therefore, cost is a function on delivery distances Dir, density of client order ir, input variables uir and internal variables xir.

Graphic 4



Graphic 5



Let's assume the case of vehicle(s) sent in one-stop radial shipment (inbound & outbound, as in graph) on the alveolar square areas i [3]. Trip is characterized by the number of (daily) orders Nir and its density (Nir). Demand decreases with the distance from the depot at the corners in radial distribution, $R_i = K N_i \sqrt{r_i}$ where K>0 is a constant. For i=1, R is a concave function, see [8]. Derived Rr has the form. $\frac{dR_r}{dr} = \frac{K N_r}{\sqrt{r_r}}$

If the reception is "personal" to client r (case 10 - 30 from page 2), where r = 1,2…m, and starting with assumption that delivery distance Dir $\sum_{r=1}^{r=m} \frac{dR}{dr} = D_r$ we find out that

$$D_r = K N_i \Big/ \sqrt{r_r}$$

Also, we assume that for each zone i is associated a distribution interval (window of time) Tir for the demand/ windows Nir, and that the density ir depend on the parameter ir = Nir / Ni.

The distance traveled to all zones i could be determined by Dir and more:

$$D_r = K\ N_r \mathbf{r}_r^{-1/2} \sum_{r=1}^{m} \Pi_r^{1/2}$$

An important simplification is reaching under the condition $\sum_{r=1}^{m} \Pi_r = 1$. Thus cumulated distance Di for the all region i reshape the formula:

$$D_r = K \sum_{r=1}^{m} N_r \mathbf{r}_r^{-1/2}$$

result obtained on other calculation base by Daganzo in 1999 and Robusté in 2002. Interpretation is quite rational: delivery distance Dr is directly proportional with the number of orders Nr distributed to client r and inversely proportional to the square root of the density r of client.

Because the daily distance Li for area i is twice multiplied (vehicles being also return to one or more shipments) by de distance Di: $L_i = 2E_i D_i$ where the Ei is a factor of proportionality

According with revolutionary methodology adopted in 1987 by Daganzo coefficient of load efficiency, simply efficiency Ei is calculated assuming that customer preferences are notably decided on periods delivery (windows of time). Daganzo eliminated Li in a model build with the few geometric variables, and reproduces accuracy the real problem of sharing transportations:

$$E_i = N_i \left\{ \frac{1}{U_{\max}} \sum_{r=1}^{m-m'} \Pi_r + \sum_{r'}^{m'} \left(\frac{\Pi_{\dot{r}'}}{C_{\dot{r}'}} - X_{\dot{r}'+1} \right) \right\},$$

where

ir = denote rate of transportation from distribution center to zone i and client r; is calculating as follows: ir = Nir / Ni

r = subset of window of time for cases 1a, 1b, 2a, 2b, 3a, 3b and 4a,

r' = subset of window of time for cases 1c, 2c or 3c,

m' = subset of window of time only for case 4a,

Xir'+1 = subset following analysis window of time of pair time (r'+1 and r'+2). If analysis reveals case 4a of „no efficiency": Xir'+1 = ir'+1 / Umax; otherwise, that means "exist efficiency": Xir'+1 = (ir'+1 / Cir'+1) – Xir'+2.

Cir' = percentage of cost of transportation of vehicle/ zone i to client r (relevant for cases 1c, 2c and 3c). About this parameter please see [5,7].

To resume, in case 4a there is no efficiency, because load is exceeded transportation capacity

$$E = N \frac{\sum_{r=1}^{m-m'} \Pi_r}{N U_{\max}} - N \sum \left(\frac{\Pi_r}{C_{r'}} - \frac{\Pi_{r'+1}}{C_{r'+1}} - X_{r'+2} \right)$$

Let leave away last part of equation

$$K_1 = N \sum \left(\frac{\Pi_r}{C_{r'}} - \frac{\Pi_{r'+1}}{C_{r'+1}} - X_{r'+2} \right)$$

Remembering that ∑Nir = Vr and Umax = Vmax / V first factor is reshaped as follows:

$$\frac{\sum N_{\dot{r}}}{\sum N_i} \times \frac{V_r}{V_{\max}} = \frac{V_r^2}{V_r V_{\max}} = \frac{V_r}{V_{\max}}$$

$$E = \frac{V_r}{V_{\max}} - K_1$$

,

where K1 is a constant resulting from different calculation.

For the other cases:

$$E = \frac{V \sum_{r=1}^{m-m'} \Pi_r}{V_{\max}} - N \sum \left(\frac{\Pi_r}{C_c} - \frac{\Pi_{r+1}}{U_{\max}} \right)$$

In the cases 1a, 1b, 2a, 2b, 3a, 3b load efficiency looks simplified by lacking of relevant costs (case often chosen by couriers based on empirical observation):

$$E = \frac{V_r}{V_{\max}} = \frac{\text{volume (of orders) carried to client } r \text{ in planned window time}}{\text{maxim volume (of orders) carried by vehicle}}$$

For cases 1c, 2c, 3c load efficiency is proved by next formula, not avoiding the important quota costs Cr':

$$E = \frac{V_r}{V_{\max}} - N \sum \left(\frac{\Pi_{r'}}{C_{r'}} - \frac{\Pi_{r'+1}}{U_{\max}} \right)$$

$$E = \frac{V_r}{V_{\max}} - K_2$$

where K2 is also constant resulting from different calculation, but K2 << K1. Constants are "pouring" expanses and have their importance in calculation of load vehicle efficiency.

Model applications

Using 3-D presentation we could simulate for example a network of three parameters (Umax, Xir, Nir), under the condition that i=1. Remember that:

Umax = number maxim of orders accepted on vehicle/ whole area i,

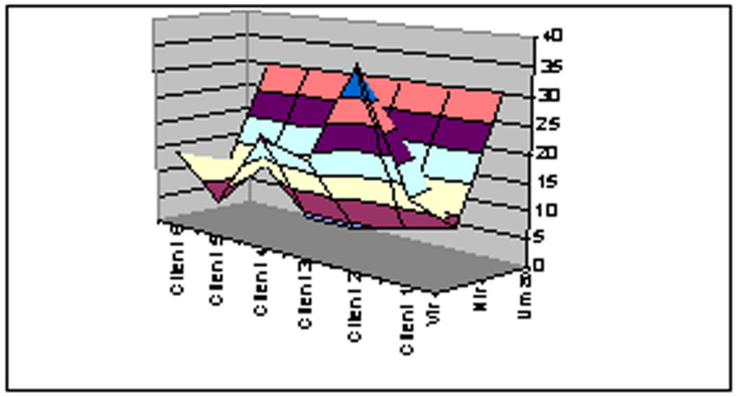
Nir = number of order/ windows of time of client r,

Vir = number of daily orders received from client r.

Table 4

	U_{max}	N_{ir}	V_{ir}
Client 1	30	8	15
Client 2	30	6	36
Client 3	30	4	18
Client 4	30	4	21
Client 5	30	12	7
Client 6	30	9	15

Graphic 6



Graphic 7

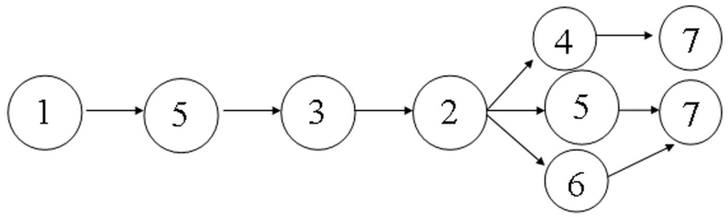


Table 5

	$\sigma_{\rho\iota}$	H_{ir}	T_{ir}
Client 1	13	2	20
Client 2	16	7	24
Client 3	15	5	16
Client 4	11	6	28
Client 5	21	17	22
Client 6	9	8	26

Now we choose 3-D model with following variables and chain shipments:

ir = gap time (hrs.) for reaching client r in zone I (ir < Tir),

Tir = window of time (hrs.) to zone i and client r,

Hir = threshold time (hrs.) for vehicle/ zone i and client r.

Let us consider the last exemplification of previous algorithm with data:

Conclusions

We have analyzed Model of Discrete-Event Shipment and discussed control enters of this model and its effects on the dynamics and stability of the shipment schemes. The model takes into account the logistics variables (distances, times, volumes, density and frequency of the shipments, priority of received orders, stops-over, costs, and new concept of windows of time so relevant in transportation issues).

Graphic 8

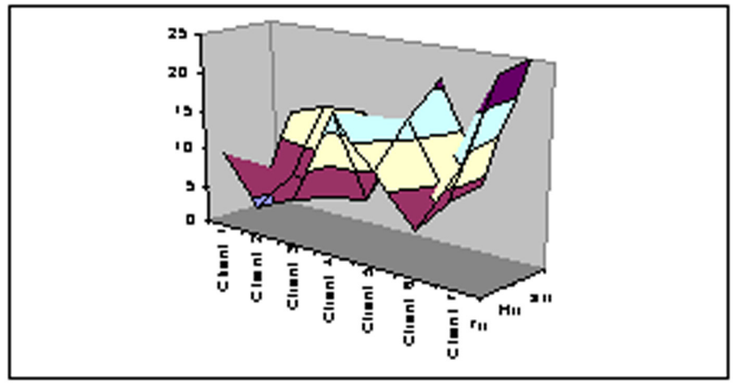


Table 6

lient r	1	2	3	4	5
w of time T_{ir}	1	3	4	7	10
ders/ windows	600	400	800	300	350
hold time H_i	3	2	4	1	2
onal time X_{ir}	0,5	1	2	3	2
me σ_{ir} ($\sigma_{ir} \leq T_{ir}$)	1	1	3	2	5
C A L C U L A T I O N S according with the proposed algorithm					
T_{ir+1}	1<2	3<4	4<7	7<10	
N_{ir+1}	600>400	400<800	800>300	300>350	
X_{ir} and H_i	1-0,5<3 (situation 1a)	3-1=2 (situation 2a)	7-2>4	10-3>1	
$_{ir}$ and σ_{ir}			4+2<3 (situation 1c)	7+3>2 (situation 1b)	
C A L C U L A T I O N of vehicle load efficiency					
ıc or Kg/ ə)	1000	800	1500	400	5000
ıc or Kg/ ə)	1000	1000	1000	1000	1000
ncy V_r/V_{max}	100%	80%	(150-K_2)%	40%	50%

Application for distribution of the electronic industry network (Helwet-Packard Co.) shows that the current market procedure seems planned for a very low demand share (less than 40%).

The findings are important for both transportation planners and e-logistics industry or e-commerce management. Planners should consider "parking space" of vehicles, modern handling and loading procedures so that the deliveries to be made efficiently and with few traffic perturbations in time. In distribution system and supply industry should start getting ready to understand the high cost of quality of service, for example the "picking" process with high cost that cannot be assumed in high volumes transportation and everyday delivery due to the trouble with parking, bus lane blocking etc. New and more parameterized models for calculation of cost in logistics is promising and will offer a new look on the matter.

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HOW SUPER- AND HYPER-MARKETS CONTRIBUTE TO ITALIAN LOCAL DEVELOPMENT

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Abstract

Supermarkets and hypermarkets still represent a relatively new retailing format in Italy and in its Southern area in particular, where they were introduced decades later than in other Western countries, such as France and the UK in Europe, and the US in America. Nowadays, these retailers have become large organisations potentially capable of influencing local development from an economic, social and urban perspective. The literature concerned with their effects on the local economy, in particular, has focused on labour markets, price dynamics, inter-type competition, instead the impact on macroeconomic factors such as GDP, value added and investments in specific sectors, as agriculture, industry and services. This study tries to fill this gap by empirically investigating associations between key characteristics of these retailers and specific macro-economic factors.

Keywords: Retailing, Food sector, Supermarkets, Hypermarkets, Italian local development.

Introduction

In general, the retail market is made up of two large sectors – the food sector, and the non-food sector – which have followed different evolutions over time. The food sector has been the first one to experience the impact of modern retailing format, as the main typologies of modern trade have found in it their origin. Furthermore, food sector dynamics still exert strong influence on the micro and macroeconomic environment, specifically, on agricultural and industrial production, transport, trade, consumption, per-capita income, as well as on social and urban aspects (Bertozzi 2006; IRES 2002; Lago 2002).

In Italy, since the Sixties, the growth of the retailing sector has driven a process of economic development and industrial restructuring, even though its delay with respect to other Western countries and its non-homogeneity over the national territory; furthermore, the small retail trade has undertaken the role of social absorber and occupational stimulus, especially in the South. The Nineties represented a turning point in the process of modernisation of the retailing sector, as its inefficiencies were recognised as the causes of the inflation process which had lead to detrimental effects on the purchasing power of salaries and to workers' retributive claims. Endogenous processes of rationalisation and concentration and exogenous dynamics induced by the Italian legislator (Martora Law, Bersani Law and Reform of the V Title of the Constitution, Riforma del Titolo V della Costituzione) have been activated. Thus, the trade sector experienced a process similar to the one undergone by the manufacturing sector, in particular (Lago 2002; Pellegrini 2001): i) the strong reduction of selling points of small food and non food retailers and their concentration; ii) the growth of large retailers, especially in the South; iii) the concentration and the growing horizontal competition among firms; iv) the entrance of new international competitors and the success of new distribution techniques. This process leads retailing companies to the control and standardisation of quality, cost reductions through new operative and managerial techniques, personnel specialisation, and diffusion of more accurate information.

For these reasons, supermarkets and hypermarkets represent a relatively new form of large retailing format in Italy, and especially in the South – still characterized by a persistent economic backwardness – where their introduction came with

decades of delay with respect to other Western countries such as France, the UK, Germany and the US (Marbach et al. 2000; Pellegrini 2001). In Italy, supermarkets and hypermarkets are defined according to the selling area: supermarkets have a selling area between 400 and 2.500 square meters, while hypermarkets have a selling area greater than 2.500 square meters (Osservatorio Nazionale sul Commercio 2004). Main characteristics of supermarkets and hypermarkets – their bargaining strength, large dimension and ability to attract consumers – have allowed them to become large organisations potentially capable of influencing local development from an economic, social and urban perspective.

The aim of this paper is investigating their impact on macroeconomic factors such as GDP, value added and investments in specific sectors, as agriculture, industry and services, by considering associations between key characteristics of these retailers and specific macro-economic factors. Results show that the diffusion of super- and hyper-markets differently interact with some important local development variables, in the Apulia region, South of Italy, and the rest of the country.

The Economic Impact of the Retailing Sector

Since the Seventies, the prevailing literature has focused both on the study of the dynamics concerned with inter- and intra-format power relationships, and on the exploration of economic, social and territorial factors that influence the large retailing localisation (Dunne and Lusch 1999). Only in the last years, some authors have highlighted that the retailers' power may represent a factor of disequilibrium for local economies.

The discussion about the modalities through which it is possible to evaluate the impact of modern retailing, and in particular of supermarkets and hypermarkets, is intended to investigate the economic and non-economic problems – which are often not directly quantifiable – induced by the creation of new selling points. Moreover, it is intended to analyse the problems linked to the monopoly/monopsony power and, in general, all market failures which self-regulation mechanisms can not influence (Beresteanu and Ellickson 2006; Clarke 2001). More accurate studies have focused on the consequences in terms of prices and employment (Basker 2005; Drewianka and Johnson 2006; Guariglia 2002; Neumann 2006). Furthermore, the evaluation of the consequences on local economies generated by new large retailers can be studied in a more recent theoretical framework aimed to define methodological and operative implications oriented to the interpretation of social, economic and territorial effects (IRES 2002; Lago 2002; Prasad and Reddy 2007).

Whereas traditional forms of retailing represent an economic and urban phenomenon, they do not have singularly the ability to influence local equilibrium, on the contrary, modern retail companies have reached a dimension such that the choices concerned with their single creation need to be calibrated accurately, both by managers and local public administrators, just because of their social and economic consequences on agriculture, industry and services industries. The settlement of relevant economic activities brings about effects of different nature, both for firms and the community, which can be classified in the following way: i) general and sector-based economic effects on prices, income, employment and competitive equilibrium among firms and different distribution channels; ii) social effects concerned with mobility, aggregation, social, individual and cultural development; and iii) environmental effects on territorial morphology, ecosystems balances, and degree of pollution in the areas of new plants localisation (Bertozzi 2006).

Modernisation of the Italian Retailing Sector

In Italy, the modernisation of the retailing sector has not been uniform, but it has followed different dynamics because of geographic, sectorial and legislative concerns.

Because of economic and competitive factors, the modernisation process has involved primarily Northern and Central areas. The widespread diffusion of large structures in these areas is due to different factors, specifically, similarity of social-economic conditions with respect to other European countries and high density population areas and urban concentration. Then, from the Nineties the progressive reduction in Centre-Northern regions of geographic areas available for new plants has pushed large structures toward Southern Italy areas, where competitive dynamics were still weak.

Because of sectorial elements, the modernisation process of the retailing sector has been sharper in the food sector than in the non-food one – even though the latter it is experiencing an intense acceleration. The delay accumulated by the large non-food retailing seem be dependent crucially on the nature of products, and especially on the high level of customer services required. The de-specialised food retailing stores have moved towards the increase of territorial coverage, as well as the increase of the areas of selling points. Their sector concentration has progressively raised, and, according to the ACNielsen data, in 2006 the top ten companies covered a 59.3% market share (the first six covered a 44.9% market share).

Because of legislative aspects, geographical evolution and modernisation of the Italian retail trade is affected by the authorisations needed to open medium and large retail structures. The 144/98 Law, the so called Bersani reform, introduced a sort of trade federalism among regions, even in a national framework, and afterward, it has been overcome by the reform of the V Title of the Italian Constitution (Titolo V della Costituzione) which has given to Regions the legislative power in this field and the opportunity to depart from the Bersani reform. The rationalisation of the retail system has been carried out in a non-homogeneous fashion among regions, but more strongly in the food sector. Despite the liberalisation, the 426/71 Law shapes the retailing system as it contributes to: i) the absence of incentives to facilitate the growth of small and medium retail firms and the absence of stimuli and pressures that, in other countries, have contributed to obtain high levels of efficiency; ii) the entrance of foreign competitors, and French in particular, which after the saturation of their marketplace have had the opportunity to strengthen themselves and become the Italian market leaders; iii) the absence of agreements able to foster international synergies and the supremacy of the control of the territory; and iv) the presence of high inefficiency rates and high costs which are reflected on average prices, higher than in the rest of Europe.

Research Aim and Objectives

The general aim of this study is investigating the interaction between the evolution of new retailing format and wealth and regional development, in Italy, and, specifically, in Southern Italy and in Apulia region, which has experienced, in the last years, a fairly good dynamic of the retail sector with respect to the rest of Italy and the other Italian Southern regions.

As already outlined, literature concerned with effects of retailing trade on the local economy has focused on labour markets, price dynamics, inter-type competition, instead the impact on macroeconomic factors such as GDP, value added and investments in specific sectors, as agriculture, industry and services. In particular, existing literature and empirical analysis conducted in the last years on the retail sector are focused, on the one hand, on the causal link between socio-economic and productive factors, and the birth and the evolution of the large retailing. On the other hand, these studies are directed to the investigation of the causes which underlie the localisation of the large retailing formats in a given area, such as demand, per capita GDP, and employment rate. More accurate studies aim to examine the main effects of large retailing, in its different forms, the relationship between producers and retailers, price dynamics and local employment levels. The opposite process – dealing with the economic and social impact of modern retail exerted on local economies – seems to be less explored and focused on specific aspects. This study tries to fill this gap by empirically investigating associations between key characteristics of these retailers and specific macro-economic factors.

In the present study the following two objectives were identified. The first objective is demonstrating that Apulia region has followed a significantly different model of development of the retailing typologies with respect to Italy and the other Southern regions. The second objective is showing the existence of an empirical association between the diffusion of new retailing format – supermarkets and hypermarkets – and some economic indicators, such as investments and value added obtained in the observed areas and in specific sectors.

Methodology

The survey has been conducted for Italy, Southern Italy, which includes 8 regions – Abruzzi, Apulia, Basilicata, Campania, Calabria, Molise, Sardinia and Sicily – and, in particular, for Apulia region. Italy, and specifically Southern Italy and Apulia region, would be a representative case in the initial stage of new retailing format development, with a moderately low market share of hypermarkets and

supermarkets but with a contemporaneous high expansion.

The study of modern retail in the Italian food sector is interpreted through the observation of two different typologies of selling points: hypermarkets and supermarkets. The assumption that the two categories represent a good indicator of the dynamics of large distribution is not new in literature and has been implemented in empirical studies carried out by ACNielsen, SVIMEZ and CESCOM-Bocconi. Supermarkets can be viewed as a good indicator of the presence of GDO within urban areas; hypermarkets – localised in urban areas or ex-urban areas within shopping centres (which represents the main appealing elements) – are the expression of the large organised retailing (Verhetsel 2005).

Data Collection

The dataset used for the analysis includes information on residents and some macroeconomic variables, extrapolated from the Italian Institute of Statistics (Istituto Italiano di Statistica, ISTAT) and Krenos databanks – University of Cagliari (Italy); as far as the hypermarkets and supermarkets are concerned, selling points has been recovered from the National Observer on Trade (Osservatorio Nazionale sul Commercio) and the Italian Ministry of Industry and Trade (Ministero delle Attività Produttive). The longitudinal data cover 19 years starting from 1988 until to 2006. The choice of the year is not casual, but it overlaps with the new survey of the National Observer on Trade (Osservatorio Nazionale sul Commercio). In 1988 it has started a new procedure which takes into account the two retailing typologies – supermarkets and hypermarkets – separately, in terms of numerical consistency, areas and number of employees.

The dataset includes the following time series observed over the period 1988-2006 for Italy, Southern Italy and Apulia region: i) number of hypermarkets and supermarkets; ii) selling areas of hypermarkets and supermarkets; iii) average selling areas of hypermarkets and supermarkets; iv) regional GDP and private consumption; v) investments, total value added and agriculture, industry and services value added on a regional basis and according to the ATECO classification; and iv) value added for the ATECO categories, in particular, data on: “Food, Beverages and Tobacco” for the industry sector; “Trade, Hotels and Public Establishment” and “Transport and Communication Services” for the service sector.

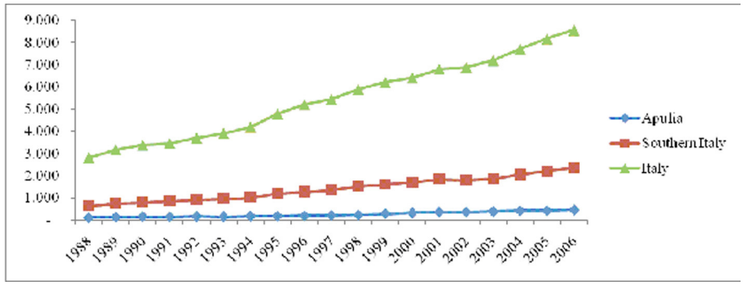
The consideration of value added is useful to appreciate the growth of the economic system in terms of new goods and services. Value added has to be thought of as the difference between the production value of goods and services and the value of intermediate goods and services needed to produce (input and auxiliary resources, and services supplied by other firms). To summarise, the variables describing the value added in the main sectors may represent good proxies of the wealth produced in those specific sectors; the variables linked to the sub-sectors may represent proxies of the trend of economic activities in the sectors more directly exposed to the expansion of supermarkets and hypermarkets: food, trade, and transports.

Analysis and Results

Descriptive Statistics

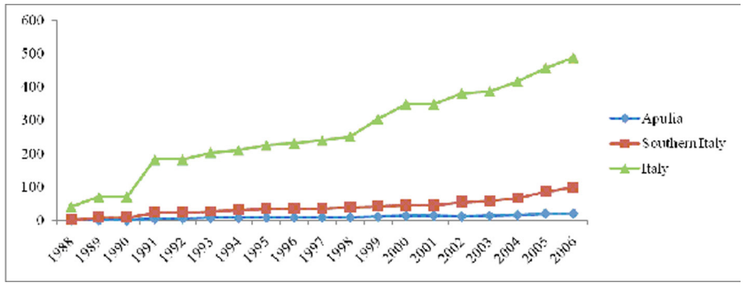
Descriptive analysis shows that number of supermarkets and hypermarkets increased significantly in the considered period: from 1988 to 2006 number of supermarkets augmented, in Italy, from 2,818 to 8,569; in Southern Italy, from 625 to 2,176; and in Apulia, from 91 to 393 (see Figure 1). Number of hypermarkets increased in Italy, from 40 to 490; in Southern Italy, from 1 to 99; and in Apulia, from 4 (in 1991) to 20 (see Figure 2).

Fig. 1: Cumulative Number of Supermarkets in Italy, in Southern Italy and in Apulia Region from 1988 to 2006



Source: Elaboration of data provided by the National Observer on Trade (Osservatorio Nazionale sul Commercio).

Fig. 2: Cumulative Number of Hypermarkets in Italy, in Southern Italy and in Apulia Region from 1988 to 2006



Source: Elaboration of data provided by the National Observer on Trade (Osservatorio Nazionale sul Commercio).

Table 1: Average Annual Growth Rate of Number of Supermarkets and Hypermarkets in Italy, in Southern Italy and in Apulia Region from 1991 to 2006

Area	*Annual Average Growth Rate of Number of Supermarkets from 1991 to 2006*	*Annual Average Growth Rate of Number of Hypermarkets from 1991 to 2006*
Italy	6%	6%
Southern Italy	6%	10%
Apulia	8%	11%

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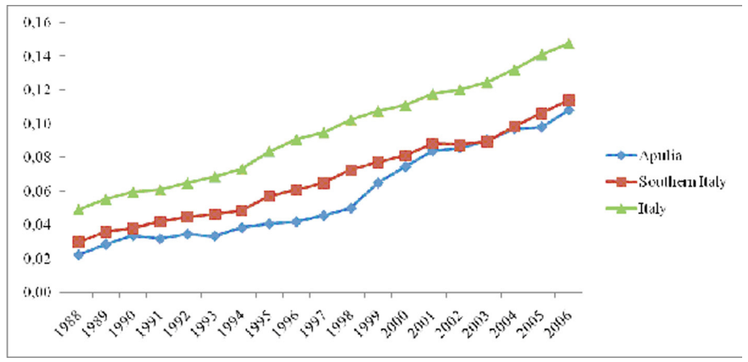
Italy	6%	6%
Southern Italy	6%	10%
Apulia	8%	11%

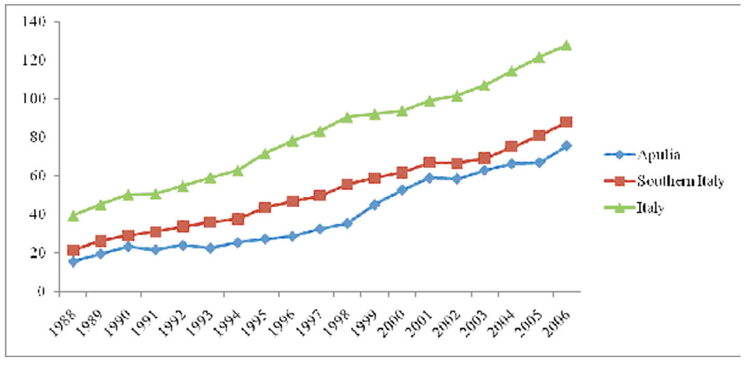
Source: Elaboration of data provided by the National Observer on Trade (Osservatorio Nazionale sul Commercio).

Figure 3: Number of Supermarkets/1,000 Inhabitants in Italy, in Southern Italy and in Apulia Region from 1988 to 2006



Source: Elaboration of data provided by National Observer on Trade (Osservatorio Nazionale sul Commercio) and ISTAT.

Figure 4: Retail Area of Supermarkets/1,000 Inhabitants in Italy, in Southern Italy and in Apulia Region from 1988 to 2006



Source: Elaboration of data provided by National Observer on Trade (Osservatorio Nazionale sul Commercio) and ISTAT.

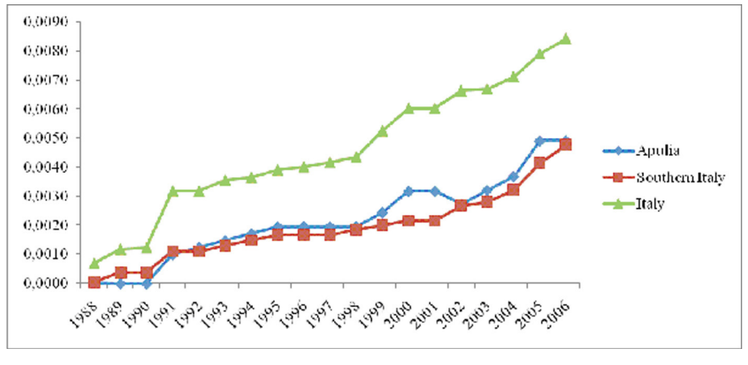
Furthermore, the average annual growth rate of the new retailing formats was significantly high for Italy (6% for both supermarkets and hypermarkets), Southern Italy (6% for supermarkets and 10% for hypermarkets) and, particularly, for Apulia region (8% for supermarkets and 11% for hypermarkets) (see Table 1).

Data on number and retail area of supermarkets and hypermarkets are considered in relation to population. In the period from 1988 to 2006, number and retail area of supermarkets per 1,000 inhabitants in Italy increased in a continuous and gradual way. In particular, number of supermarkets per 1,000 inhabitants increased, in Italy, from 0.05 in 1988 to 0.15 in 2006, in Southern Italy, from 0.03 in 1988 to 0.11 in 2006, and, in Apulia region from 0.02 in 1988 to 0.11 (see Figure 3). Retail area of supermarkets per 1,000 inhabitants increased, in Italy, from 40 square meters in 1988 to 128 in 2006, in Southern Italy, from 21 in 1988 to 88 in 2006, and, in Apulia region, from 16 in 1988 to 76 (see Figure 4).

Number of hypermarkets per 1,000 inhabitants increased, in Italy, from 0.001 in 1988 to 0.008 in 2006, in Southern Italy, from 0.001 in 1988 to 0.005 in 2006, and in Apulia region from 0 in 1990 to 0.005 in 2006, thus demonstrating a relevant gap in relation to the national data (see Figure 5). Data related to retail area of hypermarkets per 1,000 inhabitants confirm that, in 2006, Apulia region has a higher level (44.8 square meters) than that of Southern Italy regions (31.9 square meters), and slightly lower than that of Italy (51.0) (see Figure 6).

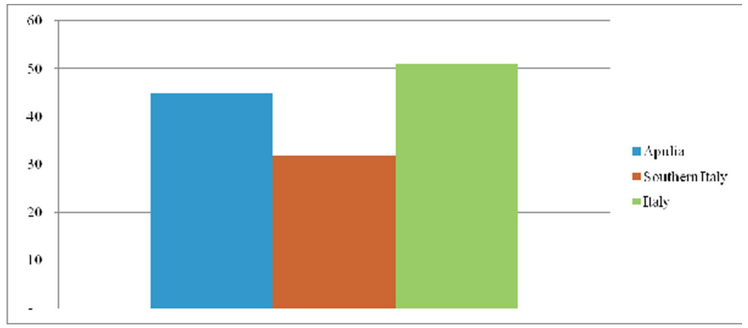
In 2006, Apulia region has the highest percentage of number and sales area of hypermarkets, as compared with data related to the other seven regions of Southern Italy (see Table 2).

Figure 5: Number of Hypermarkets/1,000 Inhabitants in Italy, in Southern Italy and in Apulia Region from 1988 to 2006



Source: Elaboration of data provided by National Observer on Trade (Osservatorio Nazionale sul Commercio) and ISTAT.

Figure 6: Retail Area of Hypermarkets/1,000 Inhabitants in Italy, in Southern Italy and in Apulia Region in 2006



Source: Elaboration of data provided by National Observer on Trade (Osservatorio Nazionale sul Commercio) and ISTAT.

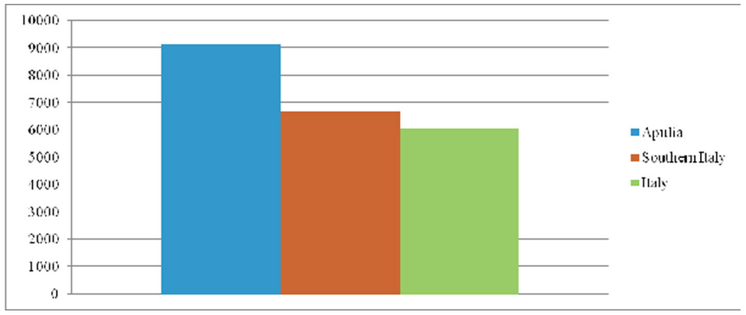
In 2006, Apulia is also the Italy region with the higher sales area of hypermarkets: the average surface area in Apulia increased in a relevant manner, going from 0 square meters in 1990 to 9,131 square meters in 2006.

Table 2: Number and Retail Area of Hypermarkets in Southern Italy in 2006

Areas	*Retail Area of Hypermarkets for Each Region on the Total of Southern Italy (2006)*	*Number of Hypermarkets for Each Region on the Total of Southern Italy (2006)*
Apulia	29%	20%
Campania	19%	15%
Abruzzo	17%	14%
Sardinia	11%	18%
Sicily	13%	17%
Calabria	8%	9%
Molise	1%	3%
Basilicata	1%	3%
Southern Italy	100%	100%

Source: Elaboration of data provided by National Observer on Trade (Osservatorio Nazionale sul Commercio).

Figure 7: Average Retail Area of Hypermarkets in Italy, in Southern Italy and in Apulia Region



Source: Elaboration of data provided by National Observer on Trade (Osservatorio Nazionale sul Commercio).

Correlation Analysis

Statistical analysis has been carried out through correlation analysis between a specific indicator of the large retailing sector and macroeconomic factors. To obtain a unique variable for the large retailing sector, both for supermarkets and hypermarkets, the data relative to the selling area/1,000 inhabitants were considered. This indicator is more able than their numerical consistency to capture the pressure exerted by the large retailing sector on the local economic environment. Furthermore, the data relative to supermarkets and hypermarkets sales areas were considered to obtain a unique indicator of the weight of the two forms of large retailing sector.

The correlation between the synthetic indicator of large retailing sector – selling area/1,000 inhabitants of supermarkets and hypermarkets – and the eight variables examined – GDP, consumption, value added and investments in agriculture, industry, services and the sub-sectors of food, trade and transports – must be interpreted as a simple

measure of linear dependence between X and Y (Stock and Watson 2006) (see Table 3).

Results of correlation analysis showed that, in Italy, development of large retailing formats has a high correlation with GDP ($r = .75$, $p < .05$), per-capita household consumption ($r = .74$, $p < .05$), value added in industry ($r = .67$, $p < .05$), in food ($r = .45$, $p < .05$), in services ($r = .66$, $p < .05$), in trade ($r = .67$, $p < .05$), and in transports ($r = .61$, $p < .05$). Furthermore, it is correlated with industry investments ($r = .70$, $p < .05$), food investments ($r = .44$, $p < .05$), services investments ($r = .59$, $p < .05$), trade investments ($r = .68$, $p < .05$), and transports investments ($r = .44$, $p < .05$). In Southern Italy regions, increase of new retailing formats is highly correlated with GDP ($r = .92$, $p < .05$), per-capita household consumption ($r = .94$, $p < .05$), value added in agriculture ($r = .92$, $p < .05$), in services ($r = .95$, $p < .05$), in trade ($r = .89$, $p < .05$), and in transports ($r = .92$, $p < .05$). Moreover, it is positively correlated with industry investments ($r = .44$, $p < .05$), food investments ($r = .91$, $p < .05$), services investments ($r = .64$, $p < .05$), trade investments ($r = .74$, $p < .05$), and transports investments ($r = .93$, $p < .05$), and inversely correlated with value added in industry ($r = –.72$, $p < .05$) and agriculture investments ($r = –.47$, $p < .05$). Results also showed that, in Apulia region, development of super- and hyper-markets has an important correlation with GDP ($r = .98$, $p < .05$), per-capita household consumption ($r = .98$, $p < .05$), value added in industry ($r = .57$, $p < .05$), in services ($r = .99$, $p < .05$), in trade ($r = .98$, $p < .05$), and in transports ($r = .98$, $p < .05$). Furthermore, it is positively correlated with agriculture investments ($r = .84$, $p < .05$), services investments ($r = .71$, $p < .05$), trade investments ($r = .92$, $p < .05$), and transports investments ($r = .90$, $p < .05$), whereas it is negatively correlated with value added in food ($r = –.51$, $p < .05$).

Tab. 3: Correlation Analysis of the Considered Variables

Variables	*Italy*	*Southern Italy*	*Apulia*
GDP	0.75	0.92	0.98
Per-capita household consumption	0.74	0.94	0.98
Value added in agriculture	0.11	0.92	0.16
Value added in industry	0.67	–0.72	0.57
Value added in food	0.45	0.24	–0.51
Value added in services	0.66	0.95	0.99
Value added in trade	0.67	0.89	0.98
Value added in transports	0.61	0.92	0.98
Agriculture investments	0.11	–0.47	0.84
Industry investments	0.70	0.44	0.18
Food investments	0.44	0.91	0.19
Services investments	0.59	0.64	0.71
Trade investments	0.68	0.74	0.92
Transports investments	0.44	0.93	0.90

Source: Elaboration of data provided by the National Observer on Trade (Osservatorio Nazionale sul Commercio) and the Italian Institute of Statistics (Istituto Italiano di Statistica, ISTAT).

Discussion

In Italy, the large diffusion of new retailing format in the last 20 years has contributed to the modernisation of the retailing food sector, which shows a more intense level of market concentration. The beginning and growth of supermarkets and hypermarkets and the subsequent decline of small independent retail sector, as occurred in other countries (Baron et al. 2001; Coca-Stefaniak et al. 2005; Gordon and Walton 2000; Peston and Ennew 1998), allowed Apulia region to overcome the initial backwardness and to be aligned, in 2006, with Italy and Southern Italy regions. While supermarkets were equally installed from a long time in Italy and its Southern area, on the contrary, hypermarkets can be considered a new and a not homogeneously diffused retailing format. In Southern Italy regions hypermarkets appeared only in recent times, and, in particular, in Apulia region the first hypermarket were launched in 1991.

Results obtained showed that Apulia region has followed a distinctive model of development of large retailing with respect to Italy and the other Southern regions. Specifically, whereas number and retail area of supermarkets per 1,000 inhabitants in the considered regions improved constantly in the period 1988-2006, cumulative number of supermarkets increased more in Apulia region than in the rest of the country, with the annual average growth rate equal to 6% in Italy and in Southern Italy and to 8% in Apulia region. Considering hypermarkets, analysis illustrated that, notwithstanding Apulia region registered even now a significant gap in relation to the national data concerning number of hypermarkets per 1,000 inhabitants, their cumulative number increased constantly in the considered period, and their average annual growth rate is significantly high for Apulia region (11%), as compared with the same rate related to Italy (6%). Moreover, in 2006, Apulia region has the highest percentage of number and sales area of hypermarkets of Southern Italy regions, and has also hypermarkets with the highest sales area in Italy (9,131 square meters in 2006, and in 1991, when the first hypermarket appeared the mean retail area was equal to 4,796 square meters). These results corroborate the growing trend of market share of new retailing format in the food sector: while in 1996 supermarkets and hypermarkets had a weight equal to 50,2% in relation to traditional stores (49,8%), in 2006 they had a weight equal to 70,2%, as compared with traditional stores (29,8%) (ACNielsen). Most likely, consumers appreciate the value of large retailing formats, and, specifically, advantages of hypermarkets such as free admission, low prices, extensive assortment of food products, advertising and several additional services (free parking, delivery, free bars) (Cliquet 2000; Farhangmehr, Marques and Silva 2001).

Relevant differences have emerged in Italy, its Southern area and Apulia region in the relationships between the diffusion of new retailing format – supermarkets and hypermarkets – and some economic indicators, such as investments and value added obtained in the observed areas and in specific sectors. The results showed that the diffusion of super- and hyper-markets in Apulia region is more correlated with GDP and per-capita household consumption ($r = .98$, $p < .05$) than in the rest of the country ($r = .74$, $p < .05$). This higher association characterising the Apulia region seems to be connected with a similar correlation pattern emerged for added value in services, in general, ($r = .99$, $p < .05$) and in transport and trade, in particular ($r = .98$, $p < .05$), while it seems to be in contrast with the correlations emerged for value added in agriculture and the food sector. More specifically, the results showed a low correlation between the presence of super- and hyper-markets and the value added in agriculture in Apulia region ($r = .16$, $p < .05$) and in Italy ($r = .11$, $p < .05$), while the same correlation was high in the South of Italy ($r = .92$, $p < .05$). At the same time, the correlation between the diffusion of super- and hyper-markets and the investment level in agriculture was higher in the Apulia region ($r = .84$, $p < .05$) compared with that emerged for Italy ($r = .11$, $p < .05$), while the same correlation was negative for the Southern regions ($r = –.47$, $p < .05$). Moreover, a negative correlation between the diffusion of these retailers in the Apulia region and the value added in food-beverages-tobacco ($r = –.51$, $p < .05$) was registered, while this correlation was slightly positive in the South of Italy ($r = .24$, $p < .05$) and positive in the rest of the country ($r = .45$, $p < .05$).

The difference found in the relationship between the diffusion of new retailing formats and the value added in agriculture and in food-beverages-tobacco sector among the different geographical contexts revealed that in Apulia region investments among farms do not assure a sustainable competitive advantage and the access to the super- and hyper-market supply chain, either as local producers are

not capable of selling their products to this local point-of-sales, or do not obtain a sufficient margin of profit.

Policy implications derive from this research. The obtained results suggest that encouraging production investments among farms may be not enough to enable them to achieve a sustainable competitive advantage to access super- and hyper-markets' supply chain. Local administrations are recommended to intervene in establishing conditions that encourage networking activities at different levels. First, specific agreements among farms (such as consortia) for the development of region-of-origin brands might improve farms' image and the perceived quality of their products towards these retailers. Second, other agreements might be established among farms, food firms and large format retailers in order to assure a price system that re-allocate profits among parties more homogeneously.

In this sense, the research might confirm the age-old problems asserted by farms – not only regional ones – concerning the economic harms caused by the so called "long retailing channel" adopted by large retailers, intended as the logistic supplying chain with the suppliers of agricultural products localised kilometres away from the selling points. In that respect, market globalisation – extended to fresh food products – allows supermarkets and hypermarkets to select agricultural products among a wide set of possibilities. Moreover, it pushes a cost-driven competition among suppliers and leads to lower returns. The power exerted by modern trade in the channel retail – as documented in the literature (Ailawadi 2001; Buzzell, Quelch and Salmon 1990) – might frustrate those public policies intended to promote the development of regional agricultural sectors and based on investment-oriented subsidies and grants.

Limitations and Future Research

A limitation of the present study derives from the difficulty of collecting the data, as in retailing studies the need of updated data is only partially fulfilled by the official statistical sources. Files and data made available by different institutions (Ministero delle Attività Produttive, Infocamere, Istat) are often incomplete, inharmonious and referred to different criteria when surveying heterogeneous selling points. For these reasons, backwardness picture of the Italian retailing sector is partly due to the excessive fragmentation and discordance of available data (Gismondi and Giorgi 2002). The analysis conducted on supermarkets and hypermarkets data has also highlighted the following problems: i) even though the classification criterion based on the selling area is the most exploited (Osservatorio Nazionale sul Commercio, AC-Nielsen, IRI-Infoscan), it is not common to all the studies and is not a parameter used by ISTAT (Marbach et al. 2002); ii) the simple data relative to the numerical consistency of retailers diverges according to different sources and empirical studies; iii) the most reliable source, the Osservatorio Nazionale sul Commercio, provides discontinuous data (for example, the data collection on the numerical consistency of retailers has been interrupted in 1996 and started again in 2000); and iv) the first data on hypermarkets – collected by the Osservatorio – are available from 1988, while for the previous years they are included in the data for supermarkets.

Future research will try to broaden the analysis presented in this paper, by considering further territorial areas and food retailing channels. The present research is based on the assumption that only supermarkets and hypermarkets localised in administrative regional areas characterise and affect the targeted local economies and their production structure. As a matter of fact, investments and regional value added might depend, among other variables, on large resellers located in wider areas – i.e. macro-regions, national and international areas – or on new retailing formats – i.e. e-commerce. In the modern market, characterised by the globalisation of trade and economies, many producers are active not only in local markets, but they can distribute their products outside regional an national borders. Furthermore, e-commerce – the purchasing, selling, and exchanging of goods and services on the Internet, especially on the world wide web – and its main categories, such as B2B (business-to-business) – companies doing business with each other – B2C (business-to-consumer) – companies selling to the general public – C2B (consumer-to-business) – individuals offering goods and services to companies – and C2C (consumer-to-consumer) – transaction between consumers on web sites offering auctions and forums – could have an impact on value added and on investments.

Finally, future research will try to extend the analysis presented in this paper by taking into account and deepen the nature of the link among

large retailing, investments and value added, and the coexistence of other explanatory variables, such as infrastructures, morphology and local social structures (IRES 2002).

Conclusions

This study shows that the diffusion of super- and hyper-markets differently interact with some important local development variables, i.e. value added and investments, observed over a 19-year period in the Apulia region, South of Italy, and the rest of the country. Local administrations should intervene for encouraging networking activities, such as consortia among farms for the development of region-of-origin brands, and agreements among producers and retailers in order to assure a price system that could re-allocate profits among parties in a more homogenous way.

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RETAILING INNOVATION AND MARKETING PERFORMANCE OF GROCERY RETAILERS IN CROATIA

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Abstract

Increasingly dynamic and competitive marketing environment places new demands on retailers. During the last two decades retail sector has undergone through a tremendous changes fuelled by innovative management thinking and development of technology. Retail companies that developed and/or adopted innovations faster gained competitive edge that enabled them to grow faster and outperform the competition. The major changes in the sector included increase in market concentration, shift of power in the channels of distribution, mergers and acquisitions, increased internationalization, widespread use of technology and innovative marketing concepts in the area of store formats, merchandising, category management, ECR, loyalty schemes, branding and so on. In the midst of economic crisis that globally prevails, at the time when retail consumer spending had dropped sharply in many countries, innovations may prove to be fundamental fuel for further retail growth. The focus on efficiency of operating formats or even new retailing models might become the prime objective and thus lead to replacement of less efficient operating models and further and faster restructuring of the sector. The internationalization of Croatian retail market in a last decade led to faster diffusion of innovation and caused high concentration of the market. In this paper connection between retail innovations and marketing performance of the Croatian retailers has been empirically investigated pawing the way for objective forecasting of future trends in the Croatian retailing.

Key words: retailing, marketing, innovation, Croatia

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Introduction – Effects of innovation on business performance

During the last two decades many researchers pointed toward innovation as a means to create and maintain sustainable competitive advantages. Innovation is therefore considered a fundamental component of entrepreneurship and a key element of business success (Johannessen, Olsen & Lumpkin, 2001). Dynamics of marketing environment driven by technological progress and information abundance creates continuous changes in knowledge levels and availability thus crating new disequilibrium situations and therefore, new profit opportunities or gaps. Shifts in the nature of consumer demand and increased global competition demands that retail companies focus on being innovative in order to create and sustain competitive advantage. The growing importance of innovation is reflected in a dramatic increase in literature that addresses the role and nature of innovation. In spite of this increase and resulting vibrancy within the field, prior research has not yielded a widely-held consensus regarding the definition of innovation as well as good measures of innovation. Without adequate measures, theory development is impeded and it becomes difficult to suggest appropriate interventions for firms seeking to pursue innovation. Nearly every

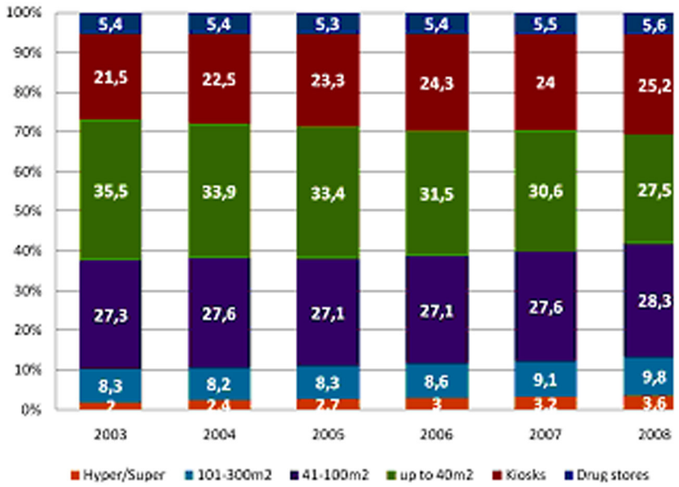
definition of innovation focuses on the concept of newness. Innovative activities in organization might be connected toward new products, new services, new methods of production, opening of new markets, new sources of supply and new ways of organizing. Most of the widely-used definitions of innovation focus on novelty and newness. For example, the European Commission Green paper on innovation defines innovation rather broadly as a synonym for "the successful production, assimilation and exploitation of novelty in the economic and social spheres" (European Commission, 1995, p. 9). Nohria and Gulati (1996) defined innovation to include any policy, structure, method or process, or any product or market opportunity that the manager of an innovating unit perceives to be new. Damanpour defined innovation as "the generation, development, and adaption of novel ideas on the part of the firm" (1991, p. 556), and Zaltman et al. defined it as "any idea, practice, or material artefact perceived to be new by the relevant unit of adoption" (1973, p. 10). Kotler for marketing purposes defines innovation "as any good, service or idea that is perceived by someone as new" (Kotler & Keller, 2006). Innovation is perhaps best described as a pervasive attitude that allows businesses to see beyond the present and create a future vision (Kuczmarski, 2003). Innovation is almost always inseparable from risk. Although innovation is perceived as potentially powerful, many organizations are actually averse to the type of aggressive investments it usually requires and that is particularly true for retailers. However, due to the consolidation, saturation and enhanced efficiency in retail it is obvious that cost-cutting strategies can not be a successful base for indefinite time period. The incremental benefits of streamlining processes, reducing the workforce and decreasing unit costs are in most cases limited. To gain real competitive advantage, the focus of innovation must be on developing new market practices and products and in retail this often means - new retail formats. However, most approaches to innovation automatically assume that increased innovativeness leads to improved organizational performance. Thus more attention has been focused on innovativeness than on innovation performance. Some recent empirical evidence questions uncritical optimism that surrounds innovation as driver of business performance.

The rapid growth in information and communication technologies over the past 20 years has been a major driver in the growth of service industries and continues to be main engine for innovation within the retail sector (EDI, ECR, CM, etc.)(Chapman, Soosay & Kandampully, 2003). Retail organizations are redesigning their structures and relationships and creating knowledge networks to facilitate improved communication of data, information and knowledge, while improving their coordination, decision making and planning. These new internal and external relationships are based on advanced ICT technology and are in line with the new business paradigm. There are numerous benefits to be gained by retailers from increased knowledge sharing. These include: achievement of greater efficiency, increased customer satisfaction, better strategic planning, more flexibility and adaptation to market changes, improved decision making, rapid and flexible assortment management, and other benefits leading to rapid innovation capabilities.

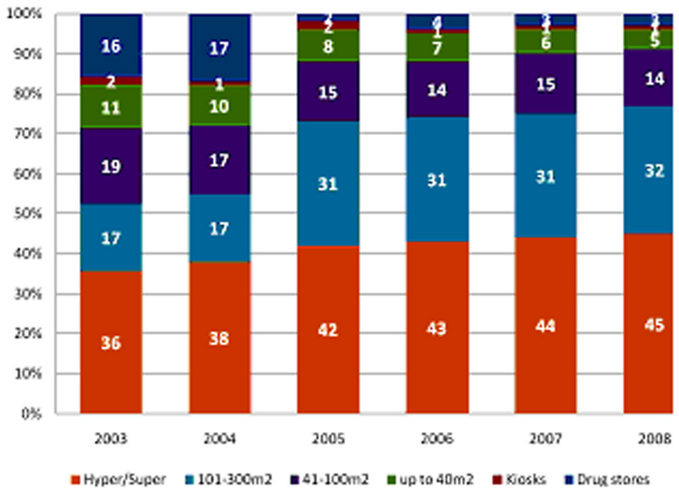
Main trends in the Croatian retail market

Croatian retail sector represents quite vibrant sector of national economy. Trends of increasing concentration can be observed on annual basis. In the last five years total number of shops declined by almost 10%. That is mostly attributed to the decrease of small shops (up to 100m2) which decreased 20% while larger shops increased in numbers. In year 2008 hyper and supermarkets reached 3.6% in total number of shops. However, their market share as a format accounted to 45% in 2008 which is a 9% increase in comparison to the year 2005 as seen from the graphs bellow.

Graph 1: Share by number of different retail formats in Croatia in %



Graph 2: Share of revenues by different retail formats in Croatia in %

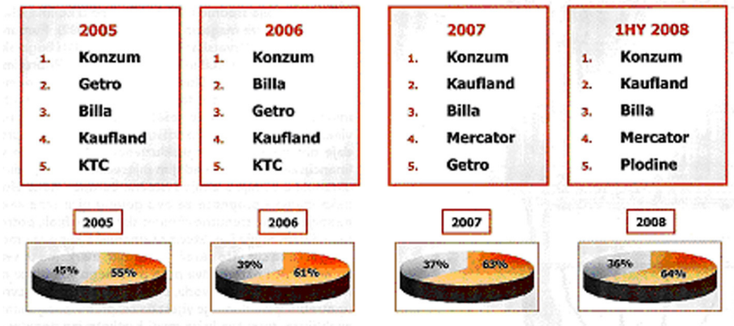


Source: AC Nielsen Croatia, 2008.

Top five retailers held total market share of 55% in year 2005 but it went up to 64% in the year 2008 (figure 1). Many surveys conducted so far indicate that customers are trying to reduce the frequency of shopping errands, to concentrate their purchases and increase their supply of goods at home. Beside this, the latest trends are towards building modern shopping centres that provide various shopping amenities and entertainment under a single roof. They are also becoming places for gathering and social contact. Total number of FMCG stores decreased and at the same time selling space has been increased due to the opening of larger store formats. Large international retailers such as Metro, Rewe, Lidl as well as regional chains such as Ipercoop, Spar and Mercator has set up new standards and increased competitive pressure on the Croatian market. This in turn lead to the consolidation of FMCG retailing in Croatia and several national retailers emerged through organic growth, mergers and acquisitions and formation of cooperative groups (Tomašević & Palić, 2007). Obviously, a large number of the small independent stores and some of the regional chains could not endure the competition and went out of business. This in turn led to the increase in market concentration. Croatian national retail chain Konzum in the observed period more than doubled number of its retail outlets – to present 650 stores in various formats ranging from small to hypermarkets and since the year 2005 it increased its sales figures from 8.51 billon Kn (1.14 bil.Euro) to 10.88 billion Kn (1.5 bil.Euro) in the year 2008 making it three times larger in comparison to the largest competitor (Fina, 2009).

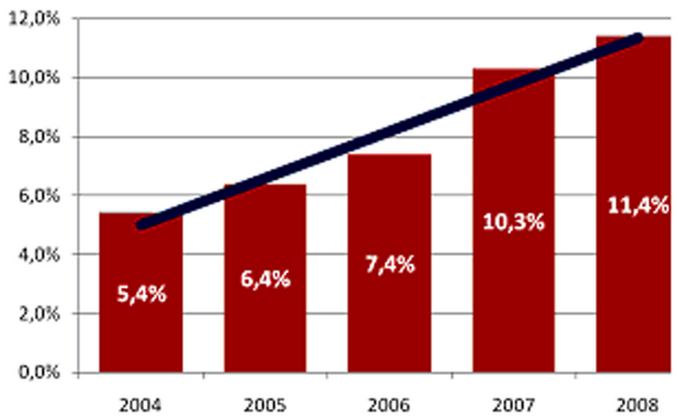
Increasingly competitive environment and market concentration led toward increased efficiency of the retail operations. At the beginning, majority of retailers fuelled fast growth in order to reach economies of scale which are of great importance especially in supply, distribution, and retail network branching part of operations. However, once the basic organizational requirements have been met application of the modern marketing practice and marketing innovation become tool that might prove to be of significant influence for a future distribution of the market share among top competitors. Marketing offer appealing to the customer consists of various techniques and tools that are used in order to attract customer to the store, to keep him in the store and encourage positive buying behaviour and appropriate level of satisfaction and thus loyalty. Marketing offer of the top retailers today is radically different in comparison to that of a decade or two ago. Under such circumstances shopping behaviour and patterns of the consumers have also changed. Some of the changing patterns include: frequency of shopping, value of single purchase, preferred method of payment, level of services required, types of assortment needed, relative location in comparison to place of residence, etc. Average Croatian consumer today is more likely to use car in order to go to the store, everyday small food purchases have been replaced with the larger purchases on weekly or monthly basis. Furthermore, time spent on those purchases is longer and volumes purchased larger. The structure of spending is also changing, following the European trends. Medium segment is yielding to the increased share of premium brands on the one side and discounted products on the other side. Furthermore there is a steady increase in significance of private labels as seen from the following graph. This is due to the increase in market concentration, increase in competition and economic crisis. All major retailers in Croatia offer own private label and also Lidl's entrance on the Croatian market contributed toward the mentioned trend as well.

Figure 1: Top 5 retailers in Croatia by financial measures



Source: GfK Croatia – Consumer Tracking – Market share in Croatian retail sector, 2008

Graph 3: Private label share in Croatian FMCG retail market



Source: GfK Croatia – Consumer Tracking, 2008

Empirical research of effects of retail format innovations

Changing nature of retail formats plays significant role within a retail innovations. Winning formats emerge from an opportunistic and incremental process, sometimes based more on intuition than rational analysis. Whilst some successful formats can, and do, emerge from structured business models, there is a need to recognise the creative tension between market and finance led approaches to format innovation. Incremental evolution makes it hard – and, from retailer's point of view, often undesirable – to set a format in stone. Some retail formats emerge, evolve and die much more quickly than, for example, developers or the shopping centre industry can respond to create, refurbish or reconstruct supporting infrastructure (Palić, 2008). Some retailers and consumer service companies argue that the constraint on competition and innovation in retail formats from conservatism in building, renting and management policies may to an extent be beneficial in that it excludes tenants whose formats are not tried,

tested and "recognised". But, this can also lead to uniformatization of shopping centres which is not always attractive to consumers. Some of the trends in developing innovative formats include; drive to larger scale of selling space, volatility in scale, rise in speciality formats, and trends toward value, not discount retailing (Reynolds et al, 2007). As a part of wider research whose goal was to investigate the effects of retail innovation on consumer behaviour we choose to present in this paper some interesting findings about how different (innovative) formats such as hypermarkets or hard discounters in contrast to classical convenience stores influence consumer behaviour on the sample of Croatian customers. Research has been conducted by method of observation without asking any questions to the customers but rather observing their purchasing behaviour. Observations took place on May 16th 2007 on 66 retail locations in Zagreb area. A pair of trained observers has been assigned to each retail location (store) – total of 132 observers. Store sample has been made by random sampling of retail locations from the ACNielsen database with the focus on Zagreb area and proportional quota representation of different store formats. The purpose of this research was to investigate shopping behaviour of consumers and target segments that purchase in different retail formats, type of shopping, duration of shopping and other variables connected to the level of innovativeness of a particular retail format. In the remainder of this paper only the most significant findings are presented. Observed sample counted 653 consumers on 66 retail locations in Zagreb. Female shoppers represented 56.29% and male 43.71% of the sample. Sample distribution according to format type can be observed in the table 1.

Sample of customers has been under observation on 25 different retail companies of which 12 are larger retail chains that operate in Croatian market and the rest were small independent shops.

Table 1: Sample distribution according to the size of retail establishment

Format-size		N	%	Cumulative
Valid	up to 40m2	102	15.6	15.6
	41-100m2	120	18.4	34.0
	101-300m2	140	21.5	55.5
	Supermarkets	140	21.5	77.0
	Large super & hyper	150	23.0	100.0
	Total	652	100.0	

Table 2: Retail companies where customer behaviour has been investigated

Company:	N	%
Konzum	230	35,3
Diona	50	7,7
Billa	40	6,1
Kerum	40	6,1
Getro	30	3,1
Mercator	30	4,6
InterSpar	20	3,1
Roto promet	20	3,1
Kaufland	20	3,1
Ipercoop	10	1,5
Super shop	10	1,5
Lidl	10	1,5
Small independent shops	142	21,8
Total	652	100,0

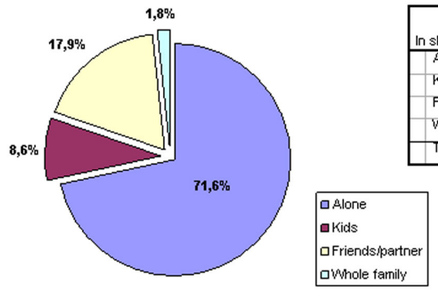
Some of the consumer's independent variables such as gender and accompanying persons, type of transport to the store, type of purchase and duration of shopping have been tracked and recorded. Most of subjects have been alone (71.6%) in the shopping which is not a surprise as observations took place during working day when large family purchases are not so frequent as during the weekends as shown in the following figure.

Even though large number of observed consumers walked to the observed stores (52,1%), if it is taken into account large number of small stores, day of the week and small purchases then there are still significant number of shoppers who come by car (23,3%) as described in the table bellow.

Share of large purchases is relatively low (only 5.5%) which can be explained by observation date i.e. during the working day when employed people are usually working as well as with a large sample of smaller convenience stores which are used dominantly for small purchases.

One of the key indicators connected with the higher retail sales revenues represents average time consumers spend in a particular store, or average shopping time. In our sample of 652 consumers average (arithmetic mean) time spent in shopping was $\bar{x}$ =12.40 minutes (s=12.806), and a median value was 8 minutes. As noted in the graph that follows the most frequencies was between 2 and 10 minutes which can be explained by the prevailing number of small purchases in observed sample.

Figure 2: Observed in shopping with



In shop with:	N	%
Alone	467	71.6
Kids	56	8.6
Friend/partner	117	17.9
Whole family	12	1.8
Total	652	100.0

Table 3: Means of transport in order to reach the store

Arrival to the store	N	%	Cumulative %
On foot	340	52.1	52.1
By car	152	23.3	75.4
Bicycle	27	4.1	79.5
Not observed	105	16.1	95.6
Public transport	27	4.1	100.0
Total	652	100.0	

Table 4: Type of purchase on observed sample

Purchase type	N	%	Cumulative %
Small purchase	251	38.5	38.5
Stocking some supplies	158	24.2	62.7
Specific quick purchase	206	31.6	94.3
Large weekly shopping	36	5.5	100.0
Total	652	100,0	

Graph 4: Frequencies of time spent shopping

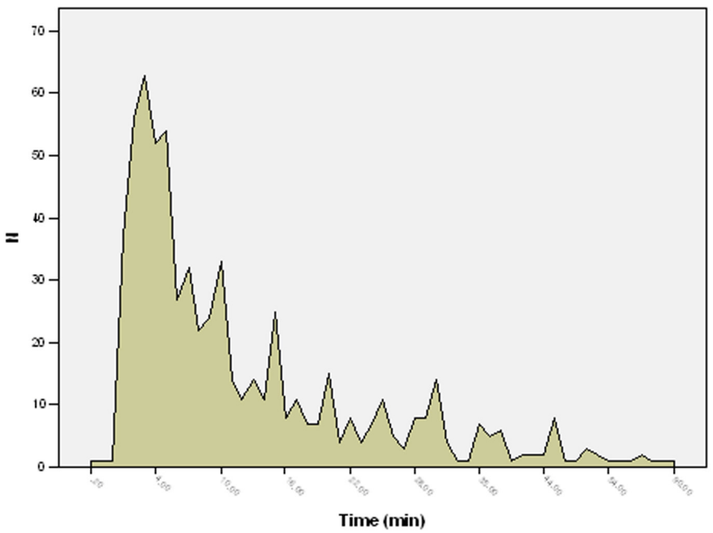


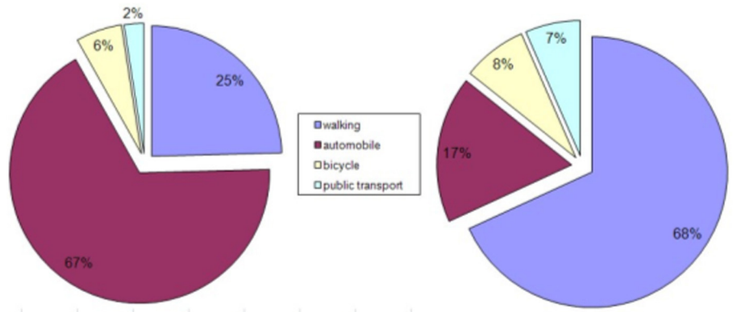
Table 5: Average shopping time in contrast to the size of retail store

size	N	Mean (min)	Std. deviation
up to 40m2	102	4.13	2.900
41-100m2	120	5.13	4.366
101-300m2	140	8.26	7.275
Supermarkets	140	14.11	11.432
Large super & hyper	150	26.13	15.045
Total	652	12.40	12.806

After further analysis of data it is possible to gain deeper insight into connection between different variables. Bivariate analysis showed that male customers spent on average 11.29 min. (s=12.02) in shopping while female customers spent on average 13.27 min. (s=13.34) which is on average 12% longer than duration of male shopping. Bivariate analysis pointed out that shopping time is significantly connected with the format, i.e. size of selling space as noted from the table that follows in which size of the store is compared to the time spent shopping. It is possible to conclude that average shopping time in large format is significantly longer. As an extreme example it is possible to compare average shopping time in hypermarkets which is around 650% longer than average shopping time in the smallest formats.

Also there is a significant statistical connection between size of the store and means of transportation to reach the store. To large stores consumers arrived dominantly by cars Pearson correlation confirms mentioned significance (r=0.171, p<0.01).

Graph 5: Means of transport to the store in comparison to the retail format



Cross tabulation of variables “shop size” and “shopping with” showed that large store formats are more often visited together with the whole family and friends while small shopping formats are frequent destination for “solo” shopping. Hi-kvadrat test ($\chi 2$ = 30.667, df=12, p=0.002, with sig p<0.05) confirms statistical significance of difference between size of shop and persons that accompany. Analysis of average time spent shopping showed that purchases that involved whole family lasted the longest (32.8 min, s = 28.808), a solo shopping had the shortest average duration (10.28 min, s = 10.140). It can be stated from the data that shopping with the whole family on average lasted 320% longer in comparison with shopping alone. But it is important also to take into account the type of shopping situation as it also affects time spent shopping as well as some other variables.

Female consumer on average spent more time (13.27 min) than male (11.29 min.), except when male consumers went shopping alone with children where average time was 21.82 minutes in comparison to the female time of 15.62 minutes.

It is interesting to compare this results with a research of Underhill (p 100, 2006) that took place in the USA where as an averages for national FMCG retail chain were obtained the following results:

- Female shopping with other female: 8 minutes, 15 seconds
- Female shopping with kids: 7 min., 19 sec.
- Female shopping alone: 5 min., 2 sec.
- Female shopping with male: 4 min., 41 sec.

Similar results have been obtained in our research. When cross tabulating only female shopper their company and time spent in store, results are following similar pattern:

- Female shopping friend: 17 min., 82 sec.
- Female shopping with kids: 15 min., 62 sec.
- Female shopping alone: 11 min., 9 sec.

Analysis of average time spent in shopping and size/format of retail store shoves direct dependence with correlation between size of store and time spent shopping of r = 0.599, p<0.01, and it can be characterized as statistically significant and with quite strong intensity.

Table 6: Average (mean) time spent in shopping according to the accompanying persons

Shop with:	Mean (min)	N	Standard deviation
Alone	10.28	467	10.140
Kids	16.84	56	15.875
Friend/partner	16.69	117	14.859
Whole family	32.58	12	28.808
Total	12.40	652	12.806

Table 7: Average time in minutes spent shopping according to the gender and company

Shopping with	Average time in min. (female)	N	Average time in min. (male)	N
Alone	11.09	256	9.30	211
Kids	15.62	45	21.82	11
Friend/partner	17.82	60	15.49	57
Whole family	42.83	6	22.33	6
Total	13.27	367	11.29	285

Table 8: Average time spent shopping in regard to the store size/format

Shop size/format	Average time (min)	N	Standard deviation
up to 40m2	4.13	102	2.900
41-100m2	5.13	120	4.366
101-300m2	8.26	140	7.275
Supermarkets	14.11	140	11.432
Large super & hyper	26.13	150	15.045
Total	12.40	652	12.806

Table 9: Correlation between store size and time spent shopping

Correlation		Shop size/format	Time (min)
Shop size/format	Pearson Correlation	1	,599(**)
	Sig. (2-tailed)		,000
	N	652	652
Time (min)	Pearson Correlation	,599(**)	1
	Sig. (2-tailed)	,000	
	N	652	652

** Correlation is significant at the 0.01 level (2-tailed).

Table 10: Average number of customers per hour depending on store size

Shop size	Average no. of consumers per hour	Std. dev.
up to 40m2	27.06	14.637
41-100m2	72.33	47.938
101-300m2	104.57	85.199
Supermarkets	137.64	66.944
Large super & hyper	215.20	238.883
Total	119.06	141.417

Table 11: Correlation between store size and average number of customers

Correlation		Shop size	No. of customers per hour
Shop size	Pearson Correlation	1	,438(**)
	Sig. (2-tailed)		,000
	N	652	652
No. of customers per hour	Pearson Correlation	,438(**)	1
	Sig. (2-tailed)	,000	
	N	652	652

Another one logical but also statistically significant connection can be observed from the relationship between store size and average number of customers per hour as displayed in the table 10. Average number of customers in small stores was 27.06 per hour, while large super and hypermarkets had average of 215.20. Correlation between mentioned variables is statistically significant ($r = 0.438$; $p<0.01$).

Also with already explained correlations it is possible to gain additional insights by conducting bivariate analysis on different variables form the research. Following table shows a stream of statistically significant connections between different variables. There are statistically significant positive connections between gender and time spent shopping (females spent more time), between age and time spent shopping (older spent more time), between type of purchase and time (large purchases took longer), as well as between

many others. Even though those results are no surprise and follow logical path, they are important as a representation of quantification of general knowledge as it numerically represents magnitude and intensities of such statistical significations.

Conclusion

Innovation represents one of the main factors for developing and maintaining competitive advantage and most of the theories explaining retail evolution are based on effects of innovative new retailers that enter the market. Radical innovations can fundamentally change market situation. Innovativeness in retail comes to the greatest extent when retail formats are concerned. Modern concepts of retail formats are radically different by its marketing concept in comparison to the smaller shops that were dominating markets in the past. By its size, location, assortment and services formats such as hypermarkets redefined buying behaviour of average consumer. Research presented in this paper showed statistically significant differences in shopper's attraction, duration of shopping, type of shopping and so on. Specific innovation such as category management, advanced merchandise and space management, efficient logistic and self-service technologies show their true applicability in such formats making them much more efficient and thus profitable than classical neighbourhood stores. Thus it is possible to conclude that in retail sector innovative store formats are directly connected with business and marketing performance of retail companies. Such conclusion has been backed by numerous researches including one presented in this paper that showed significant positive statistical correlations between size/format of the retail store and duration of shopping and size of shopping errand. In regard to such results Croatian retailers have to adapt their marketing strategies in order to stay competitive. Investment in more advanced (innovative) store formats might be a critical step toward increasing their market share and presence.

Table 12: Intercorrelations between selected research variables

Correlations between variables:		Gender	Time	Age	Shop with	Arrival transport	Type of purchase
Gender	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	652					
Time	Pearson Correlation	,096(*)	1				
	Sig. (2-tailed)	,014					
	N	652	652				
Age	Pearson Correlation	,014	,242(**)	1			
	Sig. (2-tailed)	,726	,000				
	N	652	652	652			
Shop with	Pearson Correlation	-,002	,250(**)	-,120(**)	1		
	Sig. (2-tailed)	,963	,000	,002			
	N	652	652	652	652		
Arrival transport	Pearson Correlation	-,063	,224(**)	,018	,032	1	
	Sig. (2-tailed)	,108	,000	,648	,419		
	N	651	651	651	651	651	
Type of purchase	Pearson Correlation	-,046	,095(*)	-,071	,133(**)	,069	1
	Sig. (2-tailed)	,242	,015	,072	,001	,079	
	N	651	651	651	651	650	651

* Correlation is significant at the 0.05 level (2-tailed)

** Correlation is significant at the 0.01 level (2-tailed)

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COMMUNICATION PLANNING: CURRENT SITUATION ANALYSIS AND FUTURE DEVELOPMENTS IN DIFFERENT MARKETS

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ABSTRACT

Integrated Marketing Communications / Communications planning / Channel Neutral planning is a concept discussed all over the world for the past 10-20 years (Schultz et al., 1993). It implies a process of integration between several communication tools with the aim to support the implementation of a corporate brand strategy, as the consequence of several market changes.

As Taylor (2005) argues 'Although communication planning lives through different names in reality it represents a strategic overview of all available communication channels that can be used to help a brand meet its objectives successfully and it should be done prior to implementation briefing' (Taylor, 2005, p. 5).

The main implication is that all the communication policy is 'customer-driven' and the focus of the advertising message is referred to the Corporate Brand, rather than to the single product brand. This means that a high degree of integration between traditional marketing, sales, promotion and distribution is required. If traditional marketing has been practiced for a long time, it can be really difficult to apply an integrated communication system.

Communication Planning has to be driven by three main elements which are the customer, the brand and the communication channel; they have to be employed in the process by adopting an integrated vision. Moreover, to understand the effectiveness of a Communication Planning process a case study has been presented.

An attempt of deepening the future development of this process is explained, by focusing this study on the concept of Integrated Marketing Communication. Finally a comparison between the Italian and the British market has been conducted, using the results of two different empirical researches.

The aim of this article is analysing what the Communication Planning origins and main perspectives are. In particular, the analysis will be focused in four main parts:

Explaining the main features of the Communication Planning process, in an attempt to find out the reasons of its development.

Analysing an actual application of Communication Planning, by providing a case study.

Analysing the progress of Communication Planning. Some important effects on marketing strategy will be considered, as consequences of the development of new needs and features among consumers.

Making a comparison between the Italian and the British market, focused on the current level of implementation in Communication Planning among the main market players.

Keywords

Communication Planning, Branding, Direct Communication, Channel Neutral Planning, Integrated Marketing Communication, Advertising, Customized Communication, Customer, United Kingdom, Italy.

COMMUNCIATION PLANNING: THE ORIGINS

From the 1980's many factors have occurred in the Communication Planning development (Schultz D., Schultz H., 2003):

- The progress of digital technology widely used to develop research analyses and operations, concerning data-collection and data-elaboration.
- The need of implementing a new strategy, focused on branding policy, as a consequence of increasing competition.
- The price-competition, as consequence of market border openings and of the new competitors' market entrance. They have been able to copy the existing products, and applying lower prices with the effects to raise their market share, to the detriment of existing companies (Baird R., 1998; Aaker D.A., 1995).
- The increase of retailer power raised their market share by using the tool of private label. The main effect has been, also in this case, a shift toward price-competition.

Considering these new factors, the aim of increasing strategy efficiency and efficacy became possible, by focusing all the communication efforts on a particular target of customers and delivering a particular message.

Communication Planning can be considered like a process 'triangle-based', where the 'triangle' is the interaction between:

1. Customer and the dialogue between the customer and the marketers (Duncan, 1994, 2002; Stewart, 1996; Schultz, 1998).
2. Brand and its reputation among the customers. This aspect is directly linked to message consistency. Schultz (1996) suggested that a brand message that is relatively more consistent in its essence and execution across different brand stimuli (i.e. brand name, package, advertising, etc.) is more likely to be processed effectively by a customer. The reason for this can be found in the necessity to give the customer few, but consistent, messages about its brand. This is especially true, considering a very fragmented mass communications environment, as the current one is.
3. Communication channel that should be the sum of different communication tools.

Communication Planning proponents suggest that the concept can be implemented effectively only if all elements of the marketing mix are coordinated and that a consistent brand message is integrated across the entire marketing mix, ranging from the brand's name and physical attributes to pricing, distribution and marketing communication efforts.

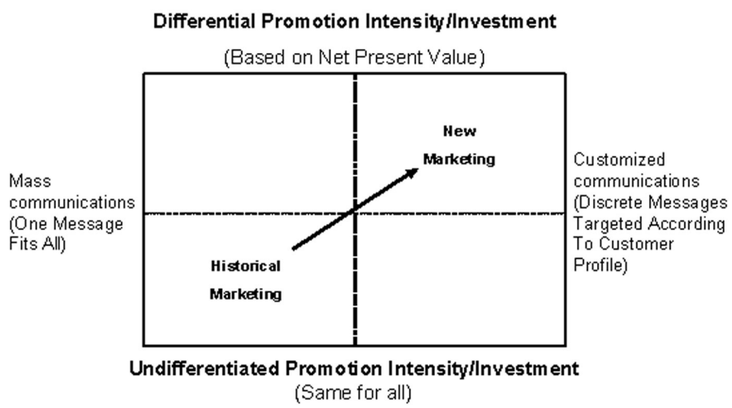
A quality customer segmentation process is necessary in order to implement integration between the three aspect of Communication Planning (customer, brand and communication channels).

Although customer segmentation has always been fundamental to marketing, now it is possible to do more sophisticated analysis because new technological tools are available, like the combination of demographic segmentation with much 'softer' data. We could group the current sources of customer information into three main groups, as shown in Table 1.

The aim is to provide to marketers enough data to let them know which main features their customer targets have.

After this, the second issue is about the way in which this data can be combined with other data sources. Hopefully new technology progress will provide a so called 'single source multimedia measurement', a technology or survey that would allow the creation and identification of real links within 'Customer-Brand-Media triangle'.

Figure 1: New Marketing



Source: The Advertising Business (Jones, 1999)

Table 1: Sources of customer information

PERSONAL DATA	Addresses: electoral register, customer records
	Purchase behaviour: direct users only – customer records
	Contact records: call centre, complaints, web/email and similar
	Preferences and interests: 'shopper' surveys, customer contacts
SURVEY DATA	Behaviour and attitudes: ad hoc surveys – '*Usage & Attitude*' and similar
	Purchasing, media use: customer panels
	Media exposure and habits: media surveys, panels
	Brand use and media habits: '*Target Group Index*' and similar
	Values surveys: '*Research Institute of Social Change*', '*The Roper Centre for Public Opinion Research*' and similar
QUALITATIVE DATA	Observation/Ethnographic
	(Focus) groups
	In-depth interviews
	Call centre, staff reports and similar

Source: Saunders J. (2004), p.25

DOES THE COMMUNICATION PLANNING HAVE EFFICACY AND EFFECTIVNESS? A CASE STUDY

In the attempt to understand the actual effectiveness of Communication Planning strategy, it is possible to focus on the results of the McGrath's study (2005). In particular, two main positions should be pointed out. The hypothesis of an effective value of the Communication Planning is supported just in the case of the introduction of a new brand; it could be helpful later in a brand's life as well, if the goal of the marketing communication is limited to reminding customers.

But if the marketers' aim is to be more persuasive and delivering customers as several information as possible about the brand, the Communication Planning strategy might not be adequate, because it may lead to more peripheral customer processing of brand messages, rather than the central processing needed (Petty and Cacioppo,1986).

There are many examples of good descriptive research and case studies in the field, able to show the effectiveness of Communication Planning, but there is a lack of any experimental research designed for testing the validity of the Communication Planning concept.

In the attempt to analyse how the Communication Planning can be applied and how it can be a successful marketing strategy, the case study of the Dove Campaign is expanded below.

CASE STUDY: DOVE CAMPAIGN

The case analysed is about the Unilever Dove campaign of 2003, planned with the aims of selling its new line of Dove brand products and of 'broadening the narrow and stereotypical view of beauty.' (Dove's U.S. marketing director, Philippe Harousseau).

Unilever is adding to the simple cleansing solutions also other kind of products, like deodorants, hair-care products, and skin firming and lifting creams. For example, in 2004 a new line of skin-care product has been launched, aimed at women who were dissatisfied with the appearance of their skin

For advertising its new products, Unilever and its Ad agency, Ogilvy & Mather of Chicago, decided to adopt a new communication strategy, based upon the idea of 'real beauty'. This implied that real women, rather then beautiful models, have been 'used' in the new Dove campaign.

To verify the success chance of its new campaign the company, in conjunction with the research-consulting firm, the Downing Street Group, commissioned a study based on a sample of 3,000 women, living in several countries, to find out if they liked their own aspect. The main result of this research shows that most of the women interviewed didn't like their physical appearance (The Dove Report: Challenging Beauty).

After these findings, Unilever planned the new Dove campaign started with a series of billboards in The United Kingdom and the popular pay-off 'New Dove Firming. As tested on real curves' is used for widespread the new campaign.

The initial phase of the campaign was characterised from a common surprise by the British press, but in few weeks U.K. sales of the featured firming cream doubled within a month of the ads' appearance.

Unilever provided the website of an interactive section where, beyond the chance to see the details and the images of the ongoing campaign, people had the chance to send their vote about the advertising message, their own feelings and lives, exchanging their opinion in discussion groups where visitors could share their thoughts with each other in real time.

Based of this success, Unilever planned to roll out other products about the same skin line Dove and all the advertising messages are 'Real Beauty'-based concepts.

The 'word of mouth' effect should be pointed out, as the women involved in the Dove campaign were invited like guests in TV programs such as The Today Show and to appear on the cover of People magazine.

Also the Dove Self-Esteem Fund has been creating for encouraging support for improving the self-images of women.

Unilever expanded its 'Campaign for Real Beauty' in all the countries within which the research has been conducted, finding that the issues of beauty and self-image among women were common.

The company needed to adapt some details of its campaign to meet the different country market's

needs; for example, in Brazil, the white colour of the underwear is changed in a mix of colours. In China, the models were photographed in less revealing outfits and were not touching or depicted quite as playfully as their U.S. counterparts, because partial nudity was considered scandalous.

COMMUNICATION PLANNING: A PERSPECTIVE POINT OF VIEW

After analysing the current features of the Communication Planning process, considering the remarks that came from the Dove campaign, it is now possible to understand which are the perspectives and future developments of the Communication Planning process in the future.

Several socio-cultural changes are characterizing the environment and, as a consequence, the market. Companies' strategy has stronger implications on its marketing planning than it has had in the past years. This has produced some effects on the branding strategy as well; consumers wish to know more about the company, and the three main brand concepts - personality, identity and image- have to be communicated and explained by the company, not referring them to its single products' brand, but focusing them on the main Corporate Brand. It cab be argued that 'there is a shift from the single tool of communication (advertising, sale promotion, personal selling and public relations) to movement toward Integrated Marketing Communication' (see Schultz and Kitchen, 2002).

The environment changes, which are leading to this new dimension of the marketing communication strategy, are characterised both from endogenous and from exogenous factors, referred to the customer's needs and expectations. Among the first category, it can be possible to include some aspects that Firas and Venkatesh (1995) have summarized in the following elements:

HYPERREALITY: some philosophers studied Hyperreality have argued that it is a natural consequence of the capitalistic system (Baudrillard, 1993). According with them, this phenomenon implies that the consumers use to confound the reality with the unreality, being aware or not. They want to live different experiences, rather than the ones they can live in the 'real world'. This is an aspect of marketing development as well, and it is one of the most important post-modern era features.

FRAGMENTATION: the several and fast changes in the market, lead the consumer toward a more dynamic behaviour. A very disjointed pattern of consumers' preferences result from this aspect. Fragmentation leads to a more disconnected communication.

REVERSED PRODUCTION AND CONSUMPTION: in the post-modern era an inversion in the implication of production planning and customer consideration can be pointed out; the strategy effectiveness and the company value should not (or, at least, not only) be measured by the production efficiency level, but (also) by the customer's fulfilment achieved. Hence, the company has to be market-oriented in applying its own communication strategy, paying great attention to the 'consumers' loyalty to images and symbols that they produce while they consume' (Proctor and Kitchen, 2002). In doing that, the marketers should have an ongoing awareness of what the customers want (and don't want), enhancing a continued inter-change of information between the company it self and the customer, who becomes the most important partner in the company strategy planning.

DECENTRED SUBJECTS: in this fast changes context, marketer should note that the traditional consumers' target exist no more. Although it is very important to split the market in several and focused niches, it can be pointed out that the niche composition changes very rapidly, and that the traditional criteria used to segment the market are not valid anymore, or they are valid just for a shorter period of time.

JUXTAPOSITION OF OPPOSITES: the difficulty in capturing the consumer attention, focusing it on some communication message, has led to the juxtaposition of opposites. It can be considered like an attempt to create a more attractive communication, for example by leaving the customers wonder and imaging what the communication message meaning is, after watching or listening to it.

Moreover, the endogenous changes are arising from different reasons:

The customer is receiving several stimuli, coming from the wide offer of new brands, referred both to non-existing product/services and to substitutes.

It can be highlight that the customer is living in an 'information-bombarded' environment, which

makes a selection of the real important data to consider in the purchasing process ever difficult.

Considering all these aspects, it can be clear that the increasing emphasis on a corporate brand strategy (rather then on the single product brand) is the key-answer to the both marketers' and customers' needs. Actually for the marketers the aim is to find out an easier way to deliver information to the ongoing, fragmented consumer targets; instead, in the case of the customers the goal is to be well addressed and to feel them sure in doing their purchasing choice.

According to Proctor and Kitchen (2002), it is possible to summarise the customers' main questions as follows:

- What does the company behind the brands stand for?
- What values does it personify?
- What does it do?
- What personalities are running the company?

Considering all these factors, it is possible to analyse Communication Planning according to a developing perspective, by the study of the above-mentioned key-aspects 'consumer', 'brand' and 'communication channel'.

CONSUMER: the company needs more and continuing information about customer preferences, needs and requests, trying to keep them always updated. Doing that seems to be possible only if the marketers are able to establish a systematic, bi-directional relationship.

BRAND: factors like hyperrealism, fragmentation, reversed production and consumption, decentred subjects and juxtaposition of opposites, are making the consumer aware of the new need to be informed about what there is behind the product brand.

COMMUNICATION CHANNELS: this aspect is a direct consequence of the first two. According to the necessity to give the customer a stronger and consistent message about the Corporate Brand, it is necessary to apply an integrated marketing concept, enhancing it by various marketing communications media and providing communication efforts integrated into one consistent message.

Gronroos (2000; 2004) explained the planned communication process can be shown like a circle, where it starts by a first contact with the customer, as in the case of a sales meeting or a personally addressed letter. The aim is to create an expectation, followed from the beginning of a parallel interaction process, where a number of episodes, consisting of individual acts, should improve the relationship between the company and its customers. To create 'relationship marketing' it is necessary a complete integration between these two processes (Figure 2).

According to the necessity in having a stronger relationship with the market, communication should be planned with this aim.

ntegrated Marketing Communication is defined by Schultz and Kitchen like 'a Strategic business process used to plan, develop, execute, and evaluate coordinated measurable, persuasive brand communication programs over time with consumers customer, prospects, and other target, relevant external and internal audiences'.

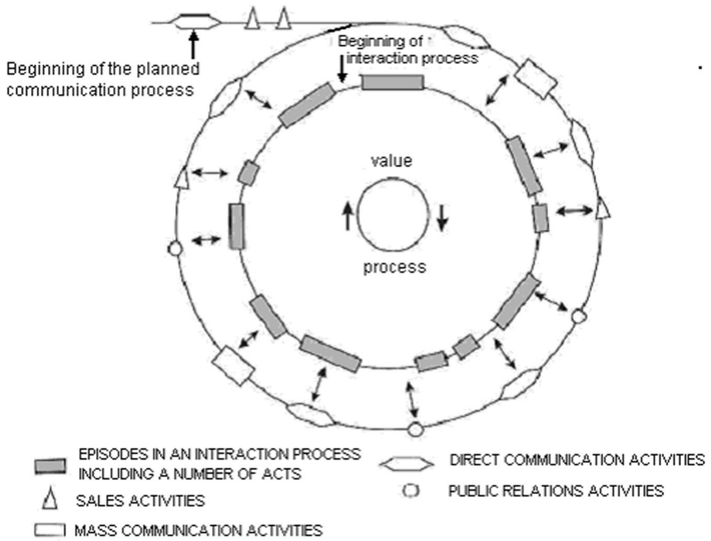
This should be the perspective for the future strategy development in the Communication Planning process.

A COMPARISON BETWEEN THE ITALIAN AND BRITISH COMMUNICATION MARKET

Integrated Marketing Communication implications and organisation can change if different Countries are considered, because the environment features could cause different implication about it. For instance, the following data show that the most popular media channel for each Country can be different.

The top media in Germany and the UK is Newspapers. While in the other countries, TV (in every case, with different percentages).

Figure 2: The interaction planned and value processes



Source: Adapted from Gronroos (2000, p. 107)

Table 2: Top 10 Channels for Country

ALIA		SPAGNA		UK		FRANCIA		GERMANIA	
/	55%	TV	41%	NEWSPAPER	33%	TV	31%	NEWSPAPER	43%
EWSPAPER	21%	NEWSPAPER	25%	TV	27%	NEWSPAPER	26%	TV	26%
AGAZINES	14%	OTHERS	13%	OTHERS	14%	MAGAZINES	20%	MAGAZINES	18%
ADIO	5%	MAGAZINES	10%	MAGAZINES	13%	OTHERS	11%	OTHERS	5%
TERNET	2%	RADIO	9%	INTERNET	9%	RADIO	8%	RADIO	4%
INEMA	1%	INTERNET	2%	RADIO	4%	INTERNET	4%	INTERNET	2%
THERS	2%	CINEMA	1%	CINEMA	1%	CINEMA	1%	CINEMA	1%
	100%		***100%***		***100%***		***100%***		***100%***

Source: Nielsen Media Research 2005 (for Italy) and WARC Report 2006 (for the other Countries).

Moreover, other elements, like socio-cultural factors, market environment, information technology level, could differ the Communication Planning perspectives and applications for each Country.

Starting from this remark, a comparison between the Italian and the British market has been done, by using two different researches.

In both the cases, an attempt to analyse the two Countries' background was done. In particular, the historical and economic changes are mentioned, to introduce the context within which Communication Planning is developed.

The survey focused on the Italian market, and was undertaken with the purpose to explore among the relevant market players (advertisers, retailers, DM agencies, BTL agencies, Sales promotion, sponsorship, creative, media agencies, Ad agencies, full service and PR agencies) their perception on the implementation of Communication Planning in the Italian market and the future of Communication Planning in Italy

A sample of twelve 'experts in area' was chosen. They were all experts in their specific area covering all elements of Communication Planning – creative directors, account directors, media directors, strategic media planner, regional media directors, brand manager, sales manager, executive director and independents.

The findings about the UK market came from the research made by P. Kitchen, D.E. Schultz, I. Kim and T. Li, (2003) and 'is based on perspectives generated from UK advertising and public agency management executives where the IPA (Institute of Advertising Practiontioners) and PRCA (Public Relations Consultants Association) generously provided access to their membership and supported the study by an accompanying letter from their CEOs'. Non-probability sampling technique was used to gather information.

The limitations of this comparison come from the lack of homogeneity between the two researches considered, both referred to the sample and to the methodology used. It can be highlighted that the purpose is providing a general comparison about the level of development of Communication Planning in the two markets, without the attempt of doing juxtaposition between the communication agencies structures and perspectives.

It can also be argued that in-depth interviews yield rich information about Italian 'experts in area' attitudes towards subject explored, but they do not yield quantitative data and measures.

In both the cases, the results reflect the opinion of selected participants only and it cannot be considered representative to the whole industry.

The purpose of this comparison is to understand which are the common aspects and the main differences between the two analysed markets. In particular, the analysis has been conducted, by trying to answer to the following questions:

- level of comprehension of communication planning among Italian market players; definition of communication planning process by respondents,
- current position and developments in communication planning on the Italian market between all the relevant players,
- Communication Planning effectiveness and efficiency.

To make a comparison between the two markets, it can be useful to start from the following figure, representing different levels of an increasing integration marketing communication.

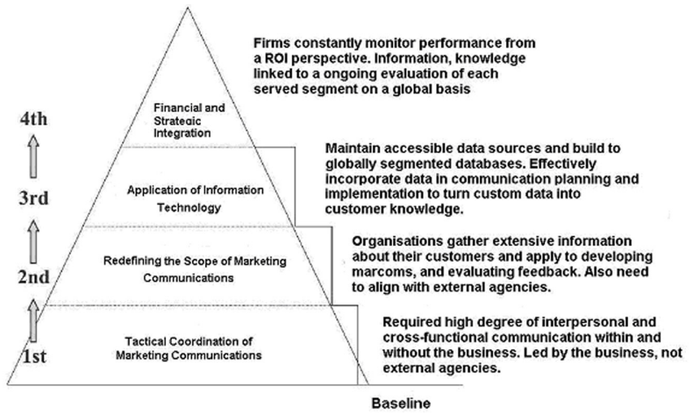
Considering the results of the following researches, it will be possible to understand in which of this stage the Communication Planning level is, for both Italian and British market.

ITALIAN REMARKS

In the Italian market the marketing function started to develop rapidly in the 1990's. During the past fifteen years, Italy has caught up with the 60-70 years of history of the Western World in terms of Marketing. From the integrated perspective of full service agencies, and the 'divorce' between creative and media departments and high specialization in those fields to latest emerging developments of Integrated BTL agencies, DM agencies, Sales promotion, PR agencies, creative boutiques, sponsorship specialist and media independents. During this process, there was a serious fight for power between these players. Up to five years ago, the creative force, was leading the market as a consequence of high control of the creative work during socialism and fast liberalisation afterwards. However, with the development of media efficiency research studies as well as category management research studies the specialist knowledge became more and more appreciated and it could be said is currently dominating the market. The presence of global clients and the vision of certain individuals are pushing the market towards a more integrated approach, deriving directly from the company strategy – the Communication Planning.

Although the Italian market is 5-10 years behind the UK, it has only ten retailers (maybe 5-7) who account for more than 80% of the market and there is definitely an increase in media choice especially on-line as its development in the Italian market happened late and therefore grew rapidly over the past few years .

Figure 3: Stages in INTEGRATED MARKETING COMMUNICATION development



Source: Schultz and Kitchen (2000a)

Markets, including the Italian one, are changing rapidly. Some years ago the product was the focus of any company's strategy but that concept is changing, putting the customer into the centre of company strategy. The Italian market is specific because the Italian customers are evolving very fast, faster than the market is adapting. This is why a real customer insight, excellent marketing strategies and integrated communications are becoming the drivers of competitive advantage. It is important to understand if relevant market players perceive the growing customer power and how do they plan to adapt it.

In terms of 'pure' definition, Communication Planning, most of the respondents pointed out that it means integrating all marketing and trade functions in an attempt to develop consistent communication strategy which is in line with the existing theory.

Most of the respondents highlighted the 'brand' and its essence as an important part of the Communication Planning process. Some of them mentioned that the importance of the brand and evaluation of brands, current and future position, became 'more popular' in Italy when the project Superbrands Italy was launched in 2006 . Majority of them think that the brand message consistency across all the communication channels is crucial in today's fragmented world.

Regarding the communication channels, in most of the interviews, the opinion that the brand message (communication message) should be developed in a way that works consistently and with the same 'goal' on all the different media employed.

The overall opinion is that Communication Planning, although, not 'named' like that, is being practiced by the market players in Italy extensively. Two main drivers were mentioned by most of the respondents: international clients who have developed their own Communication Planning process and are 'pushing' them in all markets where they are active, including Italy, and the development of media (new media, technological development of traditional media, etc.) in combination with the 'evolution' of the Italian customers.

On the other hand, although none of the respondents thought that Communication Planning is something that should be avoided, some of them pointed out specifics of the Italian market that should be taken into account.

In principal all of the respondents believe that Communication Planning is more effective than classic advertising. On the other hand, some of the respondents showed concerns about Communication Planning, if applicable and better used elsewhere.

UK REMARKS

Many changes in political regulations, during the period 1945-1980, have influenced the British

economic structure (Proctor and Kitchen, 2002). Up to thirty years ago, the government tried to control the market and companies' behaviour, but from 1978, when government removed exchanged controls, this led to some important transformations in the economic structure of the UK, Government did not control businesses and the Public companies became Private companies; this led also to an increase in competition among several companies. All these factors made the companies aware of new opportunities and threats in the market. To be able to compete in this scenario, it was necessary to find out and apply a new approach to the business that had to be differentiated. For this reason it was necessary to switch the company focus from the production activity, to the service offer. This caused the decline of the traditional manufacturing base in the country and the parallel increase of the marketing function, within the firm structure.

On the other hand, the consumer's needs and expectations were changing, because market demand was going to be influenced by many stimuli. The marketers needed to plan a consumer-focused strategy, adopting a 'communication-planning approach' to efficiently respond to the new consumers' needs. This has produced dramatic changes in the retailing field; thirty years ago, there were thousands of independent grocery shops and only a few major advertisers. The campaign planner's life was 'easy' – just combine TV and a few print titles and they reached the target audience. Now the opposite is true (Saunders, 2004). Just four grocery retailers account for 80% of the British market, and there has been a dramatic increase in media choice. In the last decade, media growth has accelerated.

With the aim of understanding in which of the stage UK agencies are placed, some aspects of their activity have been analysed.

The research shows that most of the respondent agencies' customers requested an integrated communication service (table 3). Hence, in those cases, the Advertising or Pr agency interviewed had to make a choice: serving the client by its own, doing all the work 'in-house', or requesting some kind of communication service to other specialized agency, to offer the customer an integrated service. As it can be noted seeing Table 4, although the prominent service is advertising for Ad agency and Public Relations for PR agency, other kinds of service have been developed inside each agency, like for example direct mail (that seems to be very important for both the categories), and internet.

Table 3: UK clients requesting some type of 'integrated campaign'

Clients request some type of "integrated campaign"	Advertising agency (per cent)	PR agency (per cent)
None	8.3	
Less than 50 per cent	61.6	65.4
Over 50 per cent	21.6	23.0
All	8.3	11.6

Source: Kim I., Kitchen P., Han D., Li T., Schultz D.E (2004, p. 1425)

Table 4: Services provided by UK agencies

Services provided to clients	Advertising agencies	PR agencies	Total
Advertising	49 (64.4)	9 (34.6)	58 (56.8)
Public relations	17 (22.3)	23 (88.5)	40 (33.1)
Direct mail	37 (48.6)	7 (26.9)	44 (36.3)
Sales promotions	30 (39.4)	2 (7.7)	32 (31.3)
Internet	42 (55.3)	16 (61.5)	58 (56.8)
Other	21 (27.6)	31 (1.19)	52 (37.5)
Total	76 (74.5)	26 (25.4)	102 (100)

Note: Figures in parentheses are percentages

Source: Kim I., Kitchen P., Han D., Li T., Schultz D.E (2004, p. 1425)

TABLE 5: Difficulty in coordinating the work of advertising and PR agencies

	Mean
Involvement of client's top management	
Advertising agencies	2.88
PR agencies	2.84
A drive to increase your existing budget	
Advertising agencies	3.45
PR agencies	3.88
Controlling other participating agencies	
Advertising agencies	4.48
PR agencies	4.67
Being controlled by the main agency	
Advertising agencies	4.07
PR agencies	4.80
Turf battles among the participating agencies	
Advertising agencies	4.85
PR agencies	4.80
Different organisational structures between participating agencies	
Advertising agencies	4.05
PR agencies	4.00
Different corporate cultures between participating agencies	
Advertising agencies	4.59
PR agencies	4.04

Note: 5 = greatest difficulty, 1 = least difficulty

Source: Kim I., Kitchen P., Han D., Li T., Schultz D.E (2004, p. 1428)

From these results, two remarks can be pointed out.

First of all, many customers believe need for Communication Planning and very few customers don't require integrated communication.

The second one is that in most cases agencies prefer to do 'in-house' work, rather then to find professional solution with other agencies.

This remark is also confirmed by the results of the question 'which are the main difficulties in coordinating the advertising and PR agencies', as shown in the following Table. This answer implies that the most of the projects are led by one agency, in the attempt to provide all the integrated service in-house.

For this reason, the Ad and Pr agencies' efforts are focused on diversifying their own services, even if this could lead them to loose in terms of efficiency. On the other hand, if agencies are still very specialized and oriented to the specific fields, they will be guarding their power position and therefore not be inclined to implement Communication Planning.

The research further focused on understanding the question 'what Communication Planning is' in the respondent's opinion, giving a score from 5 (that indicates 'strong agreement') to 1 (that indicated 'weak agreement') for each possible definition presented in the interview. The choice was among the following sentences source: (P. Kitchen, D.E. Schultz, I. Kim and T. Li, 2003):

1. coordination of communication disciplines,

2. a way to organise the business of firm,

3. a way to develop and direct brand strategy,

4. deliver unified messages,

5. coordination of advertising and PR programs,

6. strategic brand business process.

The most of the respondents agreed with statement 1, both in the case of Ad agency, and in the case of Pr agency, while the 'Strategic brand business process' is the second most 'voted' choice. This could means that, even if there is no a full awareness of the real definition and composition of an integrated Communication Planning, some agency executives were starting to approach to this activity as a process planned considering the brand strategy as well.

FINAL COMPARISON

The differences between the two analysed markets are as follows.

1) Level of comprehension of Communication Planning among Italian and British market players; definition of Communication Planning process by respondents.

About the Italian market players, only a few (mainly those working with international advertisers or for them) where able to give a concise and clear definition of the term itself. This is not surprising because there are no articles and/or Case Studies published in this area in Italy, which means that the Italian market, and its players, is not contributing to the Communication Planning theory development. In addition, Communication Planning theory is only a minor part of marketing courses at Universities (and not on all of them). If Italian market players want to stay competitive in today's environment they should put more effort into exploring theoretical aspects of Communication Planning relating them to Italian and global practice.

In the case of UK market, the results show that the respondents are aware of the definition of Communication Planning and know what are the main implications about this activity. They focused their answers on the link between the necessity of integration in the Communication Planning and the company's brand strategy. They also know the strengths and weakness of it.

2) Current position and developments in Communication Planning on the Italian market between all the relevant players.

Regarding the specific elements, the level of comprehension of the 'customers' can be assessed as high. Italian market players are aware that Italian customers have changed and evolved, becoming more demanding and more ignorant to their communication efforts.

The Italian marketing communications market is 'young' and it is still developing. In addition, Communication Planning is relatively a young concept and is still developing therefore it is not surprising that the market players are somewhat confused and not sure about it. Furthermore, some cultural and environmental influences have to be

taken into account. Italian people (as a nation) are generally distrustful to new things and always show serious doubt about new concepts.

The British customer seems to be better informed about the concept of Communication Planning than the Italian customer. A better level of maturity seems to characterise the British market; it can be pointed out that one of the Italian market respondents said "We have been forced to implement a global campaign despite the fact that we had done an extensive analysis together with our suppliers and proved that for it such campaign will not result positive, moreover could 'weaken' the brands current position.' (Marketing Manager, VIP NET)

3) Communication Planning effectiveness and efficiency.

In regard to the efficiency of Communication Planning most of the respondents, both in the Italian and in the British market, showed serious doubt stressing out the problem of a Communication Planning efficiency measurement. Only one quantifiable measure was mentioned by them and that was ROI. Even those who mentioned ROI as a measure of Communication Planning efficiency pointed out that there is no 'proved' model to measure it. Among many problems with the measurement the one stated more often was the period of measurement in relation to the fact that Communication Planning is supposed to influence the future value of the brand. Most of the respondents work with at least one or more models intended to measure and isolate the effect of all marketing and trade activities (Communication Planning) but in their opinion none of these models is completely valid.

In conclusion it can be argued that because the Italian marketing communication industry is 'relatively young', it can be placed at a first stage of the implementation of a Communication Planning programme (Figure 3). There is a significant lack of, and the need for, theoretical background in Communication Planning among Italian experts. The lack of theoretical knowledge blocks for now further development of Communication Planning in the Italian market.

The UK market seems to be between the first and the second stage of the Figure 3. Even if it shows a higher awareness of the features and implications of integrated marketing communications, 'the weakness of INTEGRATED MARKETING COMMUNICATION still lies in the apparent inability of agencies to measure behavioural outcomes. Measurement represents an additional cost to client. Given that clients should have built up detailed behavioural databases of consumer segments over time.' (P. Kitchen, D.E. Schultz, I. Kim and T. Li, 2003).

Moreover, a main common aspect characterised the two analysed markets; it was clear that depending on the specific area of work they are in (creative, media, advertiser, independent) they tend to emphasise one of the elements. This finding additionally supports the evident lack of, and necessity for, theoretical background among Italian and British experts.

CONCLUSIONS

The evident benefits of Communication Planning implementation are long-term orientation and the intention to create a strong link between brands, customers and their ongoing dialogue through communication channels. However, when implementing Communication Planning each situation should be analysed separately as there is sufficient evidence in both theoretical research and practice that insists on all Communication Planning elements which can results in decreased brand value.

Communication Planning is a highly disruptive process for everyone and its future development will depend on the ability of market players to adopt their existing business model in order to fit Communication Planning demands.

The Dove campaign is a typical example that shows a successful Communication Planning process, where the customer's needs are considered as the most important aspect upon which the strategy has been developed. The first action Unilever and its Ad agency foresaw has been to understand if the target (women) they choose to sell the new products really existed and which kind of needs it had. Once this finding was defined, management planned all the strategy based it upon the concept of real beauty.

The effectiveness of this campaign can be supported also by the objective measurements used; U.K. sales of the featured firming cream doubled within a month of the ads' appearance.

The aspect that should really be highlighted is the ability to integrate different communication tool, enhancing the same message.

Unilever has also extended the Dove campaign, based on the 'Real Beauty' concept to different countries, adapting the message and considering the different market features, according to the concept of the Communication Planning focused on a 'glocalised' strategy.

In this article several factors of change have been mentioned and the most important implication seems to be the necessity for the marketers to adapt their marketing communication strategy to the new needs, expressed by the customers.

The hyperrealist, fragmented market, often doesn't know what it wants, but in the mean time it knows very well what it doesn't want (Proctor and Kitchen, 2002). Hence, it can be argued that the actual priority for marketers is to provide few, but consistent, messages, focused on the Company Corporate Brand, rather then on the single product brands it has. Enforcing the Corporate Image and giving the customers few but solid landmarks seem to be the aims that can be led by an integrated communication strategy.

The Italian and the British market seem to be different when the customers' features and expectations are considered. Their different levels of maturity in the Communication Planning and Integrated Marketing activity must be considered in the final choice of Media application. Although these differences exist, the new concept of Communication Planning has been growing in both of them. It can be pointed out that the market players are aware of the 'imperative' to create a consistent link between the brand message, customer and their dialogue through communication channels, with the aim of creating and supporting a systematic integrated marketing communication approach.

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COMMUNICATION AS A TOOL FOR BUILDING INVESTOR RELATIONS BY BANKS IN POLAND

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Abstract

At present companies' potential for development depends greatly on the ability to raise capital. Therefore companies are facing the necessity of attracting and retaining investors by offering attractive prospects for the effective return of capital investment. The above situation leads to the conclusion that at present companies must focus on the shareholders' value and their lasting attachment to a company. Both theory and practice stress that the shareholders' value is mostly affected by intangible assets, such as customers' capital. Therefore attracting and retaining investors in the long term require regular communication between a company and its shareholders about investments in intangible assets and their results. Thus investors have better knowledge about the condition of companies they invest in, and they can assess them more accurately and reduce the cost of capital. In consequence, clear communication between a company and its investors reduces their uncertainty and builds mutual confidence, which turns into establishing long-term relations between a company and its investors.

The aim of this article is to indicate the role of communication in developing long-term relations with investors, to assess this process within companies in Poland, to identify reasons behind the incompatibility of information communicated to investors, the so-called communication gaps, as far as company's customers are concerned, as well as to identify reasons for these gaps.

Key words: marketing communication, relationship marketing, investor relations, customer relationships as assets, banks

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Methodology

In order to accomplish the objectives, research has been conducted. It was carried out in banks which operate in Poland and are quoted on the Warsaw Stock Exchange. Banks have been chosen as the subjects of the research because they form a special group of service companies. They are institutions of public trust, and they must pay careful attention to the clarity of communication with their environment including their investors. Due to clear communication banks are perceived by investors as more reliable, which is of particular importance for attaining a strong market position.

In the research two sources of information were used, i.e. secondary and primary sources. Secondary sources include information published on financial institutions websites, available results of marketing research, scientific studies and the subject literature. The aim of the analysis is to assess communication between companies and investors as well as to identify existing communication gaps. The study is also based on primary sources, i.e. results of the self-study conducted among banks which operate in Poland and are quoted on the Warsaw Stock Exchange. Primary research was conducted by means of a survey with the use of a questionnaire as a measuring tool. The interviewees who took part in the survey were either banks' presidents or people indicated by them as entitled and competent to respond to the survey. After a preliminary verification three banks, among those quoted on the Warsaw Stock Exchange , were not qualified for the survey. Bank Austria Creditanstalt (BACA) did not operate in Poland then, while GETIN Bank and DZ Polska refused to participate in the survey. The research was conducted between January and April 2007.

The conducted research formed a basis for the indication of information within marketing which relates to customer relations and is generated by banks, but which is not communicated to shareholders.

Investors as receivers of the company's communication process

According to the principles of the modern concept of marketing, there is a necessity for regular communication with both customers and other market entities including company's holders / investors (picture 1).

The necessity for communication with company's investors (holders) stems from several elements, the most important being system transformations of Poland's economy and an increase in the degree of affluence, which leads to an increase in private investment. People tend to invest their savings through institutional investors (investment funds, pension funds, banks). These institutions invest their capital in sectors and companies whose shares grow most, require companies they invest in to increase their value. They increase their capital commitments in companies' shares thus participating actively in managing the companies. Trying to increase the return on invested capital they invest in entities which have considerable market value growth potential and recall capital from those whose value decreases.

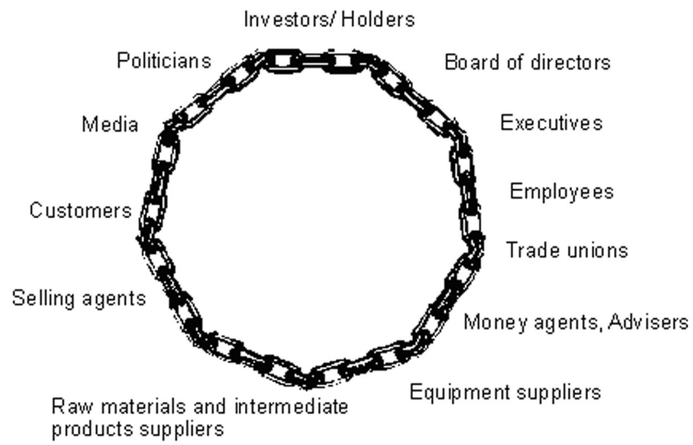
Concentration on developing and strengthening investor relations is also a consequence of foreign companies' engagement in the Polish market and a high proportion of foreign investors on the Warsaw Stock Exchange. It is investors, both domestic and foreign, who provide companies with necessary capital thus determining company's potential for development. Companies which intend to make new investment must attract and retain investors by offering prospects for generating money means at a higher than a minimum level expected by investors. The situation leads to the conclusion that at present companies must focus on creating value for shareholders and establishing lasting relations between shareholders and a company.

It is also necessary to focus attention on company's investors since there is asymmetry between what companies' boards of directors know and what knowledge about prospects for the company's development investors have (Pietrewicz, 2002). The development of the Internet and new technologies has led to a considerable increase in the amount of information available to investors. However, the information cannot be undoubtedly considered as checked, authorized and absolutely reliable. In order to get a full picture of a company, investors need to be provided with detailed information which the company is unwilling to reveal because of its competitors' activities.

Finally, the significance of establishing and strengthening investor relations is a consequence of the wave of bankruptcy of seemingly thriving companies in the United States at the end of 2000 and the beginning of 2001 (e.g. Enron, Word-Com). Spectacular bankruptcy was accompanied by the demonstration of ungrounded information about the companies' solid foundations, the continuation of their activity and further economic growth (Dziawgo, Gajewska – Jedwabny, 2006). The situation resulted in a decrease in investors' confidence in the stock exchange and their careful assessment of the available information about companies operating on the market.

Described market changes make investors require companies they invest in to get involved in communicating and presenting information, which can be the subject of a comprehensive analysis of the company's situation in the long term and make it possible to assess its operations in a reliable and independent way. These activities should make it possible to assess fundamental value and clearly demonstrate immeasurable aspects of company performance. Good communication between a company and investors should reduce investors' uncertainty and result in developing confidence in the company's board of directors. The aim of communication is to convince investors that the company is efficient, has a trustworthy board of directors and current difficulties do not exclude the company from being a good long-term investment. When investors are convinced, they will be more inclined to maintain long-term relations with the company.

Picture 1 Environment's entities which modern companies communicate with

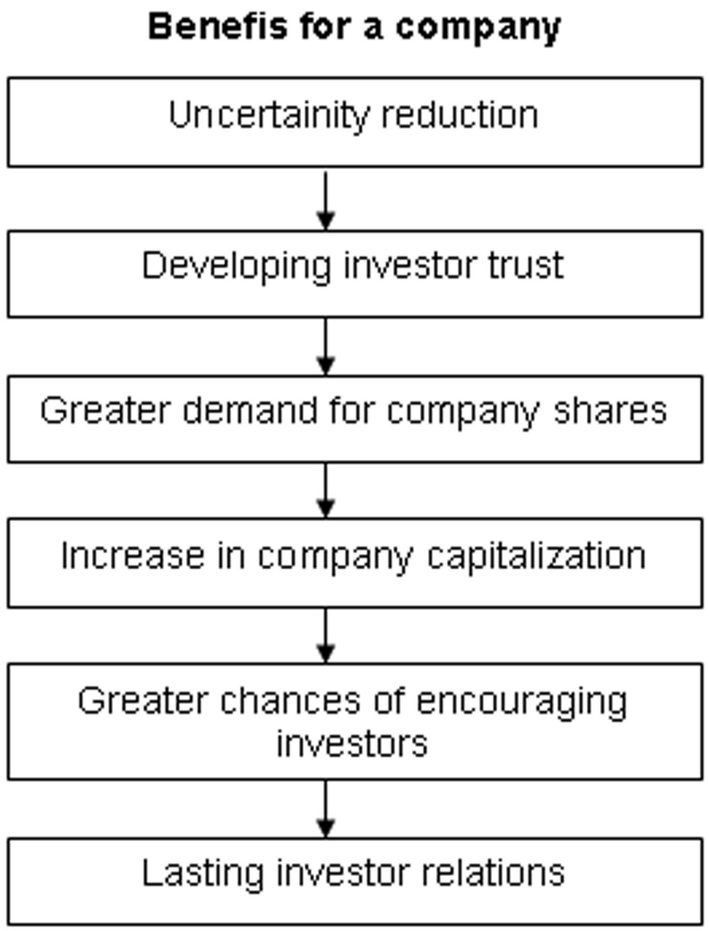


Source: I. Gordon, Relacje z klientem. Marketing partnerski, PWE, Warszawa 2001, p. 323.

Maintaining regular communication between a company and its investors as well as imparting reliable and full information about the company should translate into an increase in shareholder value since the value depends not only on an objective assessment of the company carried out on the basis of cash flow. Shareholder value is considerably influenced by a subjective assessment of future company performance and attendant risk by current and potential owners of capital (shareholders), expressed by changes in the market value. This subjective assessment stems from the development and management of communication with investors and results from the company's image lodged in the investor consciousness in the long term.

Effectively pursued information policy can cause an increase in the market capitalization of a company, i.e. a rise in value of the issued shares because it creates the company image, improves its reliability, makes potential investors informed about the company's existence and develops their positive attitude towards it. The benefits are connected with creating and retaining trust in a given organization among capital market participants, gaining an understanding of organization's business thus ensuring good relations between a company and its shareholders. All this makes a company perceived as better, more stable, with a lower risk of investing in its shares and thus more valuable. This should make shareholders more interested in a company and lead to developing relations based on reliable information which will meet capital market participants' expectations (Dziawgo, Gajewska-Jedwabny, 2006). Company's efforts to communicate with investors and establish lasting relations lead to a better share valuation for the investors themselves, which can translate into measurable financial effects stemming from the amount of obtained dividends and capital gains. On the one hand these activities can lead to an inflow of new capital to a given entity, but on the other hand they can retain current capital and win shareholders' loyalty. Investors who invest in Polish companies admit that their relations with the companies determine their investment decisions including the investment period, and poor relations can make them cut or withdraw their investments from company shares.

Picture 2 Benefits for a company resulting from communication with investors



Source: self-study

Polish companies' communication strategy with investors

Investors are competent and very active market participants who know the business and general development trends well. Being significant market traders they influence the way a company is managed and its performance is reported by imposing demanding requirements for means of communication, the nature and quality of information.

The most common means of communication among Polish companies and their investors is direct contact (1-to-1 and company meetings) and websites (chart 1). As much as 87 per cent of Polish companies regard 1-to1 meetings as the most important means of passing on essential information to their investors. Internet websites are as much popular (85 per cent). 72 per cent of respondents regard meetings with investors as the most frequently used communication tool.

Telephone contacts and press conferences are frequent investor communication tools used in Poland. The least popular are investor days (20 per cent) and electronic newsletters (18 per cent). It should be noted that communication channels preferred and most frequently used by Polish companies are not similar to preferences expressed by investors. Such a situation can adversely influence the effectiveness of information addressed to shareholders. A lack of compatibility of communication tools used by companies with investors' preferences is especially noticeable in case of electronic newsletters. While this method of imparting information is perceived by Polish companies as the least important and is rarely used, investors regard it as the most important means of communication, just after 1-to-1 meetings.

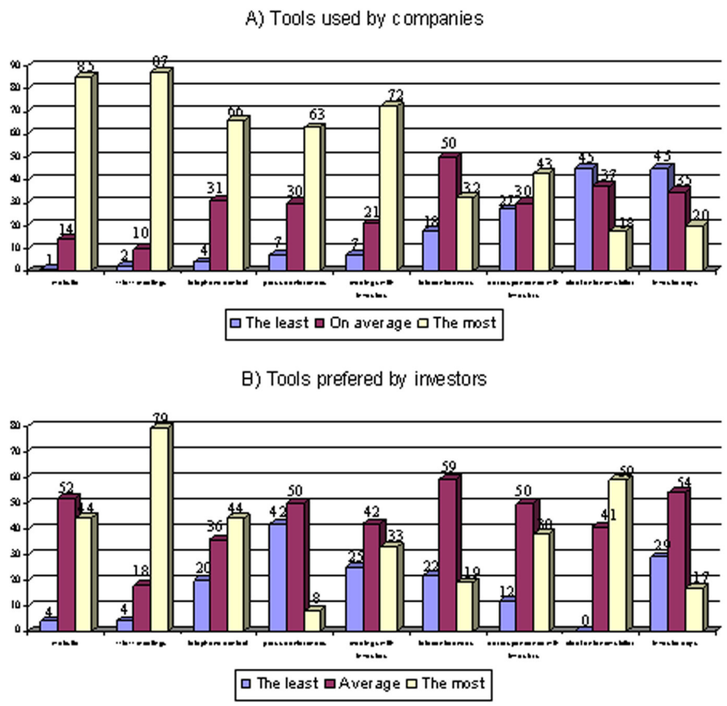
Unlike domestic companies, investors pay less attention to press conferences, meetings with investors and websites used for communication and searching for information about companies they invest in.

The effectiveness of communication between a company and investors depends not only on the choice of communication channels. It is greatly determined by the kind of information passed on to investors. Investors in Polish companies, especially foreign ones, assess the process of communication with companies they invest in and relations with these companies by focusing their attention to the accuracy of received information (Dziawgo, Gajewska-Jedwabny, 2006).

Traditional communication with investors is based on information about past events since most financial reporting standards concentrate on historical information, which is useful but insufficient to assess the company value fully. It does not fully reflect factors that considerably influence the company value in the future. Changes in global economy cause that the value is to a greater degree determined by intangible assets. The following factors deserve attention: organizational factors (e.g. corporate strategy, organizational culture), human factors (e.g. employees' professional qualifications) as well as those factors which depend on marketing activities, related to customer base, for instance. The structure of customer portfolio, customers' value, their purchase behaviour patterns and psycho-demographic features are not taken into consideration in the company's financial statement and disregarded in communication with shareholders. At present companies have to fulfill vast information requirements only in relation to financial data since they are obliged to publish financial statements on fixed dates. However, the date when the information is to be published can be delayed (in Poland by six months) and that makes the information incomplete (as it takes into consideration information only on company's assets and financial situation) and obsolete. All this fails to meet investors' expectations who assess companies' value on the basis of the received information. In such a case if companies want to retain their investors they should make an effort to provide their shareholders with reliable information which would enable them to assess the value of the companies correctly.

Research conducted among Polish companies indicates that investors expect both financial information and information about intangible aspects of company performance (chart 2).

Chart 1 Communication tools used in contacts with investors by Polish companies versus investors' preferences



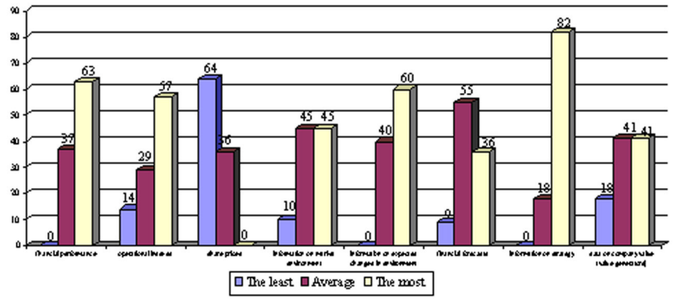
Source: Based on: D. Dziawgo, A. Gajewska-Jedwabny, Relacje inwestorskie – nowoczesna komunikacja spółek z rynkiem, CEO, kwiecień 2006, p. 22.

When investors assess the value of companies they invest in, they seek information on companies' operational strategies, expected trends/changes in an environment and information about the present company environment (e.g. customers, competitors). At the same time it should be emphasized that investors require such information although they assess its quality low. Investors are very critical towards the quality of received information about expected changes in the market environment, future financial forecasts and strategies (chart 3). Information concerning value generators and the current market environment was also assessed low.

Investors who invest in Poland are not alone in that assessment. Research conducted in Center for Business Innovation (CBI) indicates that over 80 per cent of investors receive very little information about intangible value growth factors (Marcinkowska, 2006).

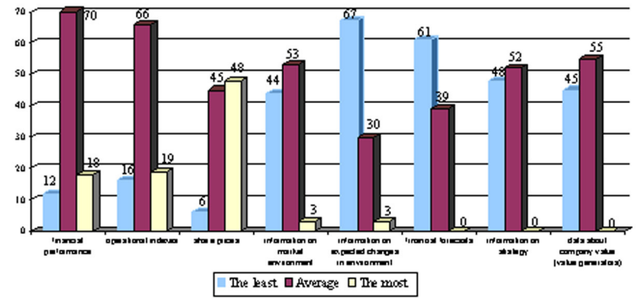
On the basis of the above one can claim that investors do not have sufficient information at their disposal, especially the information regarding intangible aspects of company performance, which is fundamental to a reliable assessment of the company value and investment decisions in an unpredictable environment. The information published by companies is usually seriously delayed and it does not take into consideration all factors which at present enable them to gain and sustain market advantage. Enormous difficulties in assessing the value of these entities are the consequences of this situation.

Chart 2 Kinds of information required by investors to assess company performance



Source: D. Dziawgo, A. Gajewska-Jedwabny, Relacje inwestorskie – nowoczesna komunikacja spółek z rynkiem, CEO, kwiecień 2006, p. 23.

Chart 3 The assessment of information received by investors from companies



Source: D. Dziawgo, A. Gajewska-Jedwabny, Relacje inwestorskie – nowoczesna komunikacja spółek z rynkiem, CEO, kwiecień 2006, p. 24.

Communication of information about customers as bank's resource

Information regarding the key element of a company environment, i.e. customers, is rarely communicated to investors. But it has to be remembered that lasting and profitable customer relations are perceived by present and potential investors as a valuable source of the company value. Customers guarantee a sales upturn, higher margins and an increase in profit. They all stem from customers' changed buying behaviour patterns but also from new customers attracted by regular customers' recommendation. Customer relations can be regarded as a strategic company resource determining its lasting competitive advantage and the long term value because according to the resource theory of company it is characterized by all features specific to strategic resources. They are unique, rare, valuable, difficult to imitate and impossible to substitute adequately (Barney, pp. 105-106).

The reason why the information is not accessible to investors is worth considering. Research conducted by the author among managers of banks which operate in Poland and are quoted on the Warsaw Stock Exchange leads to the conclusion that the reason does not lie in a lack of such information. Poland's and world banking sector is believed to have at its disposal the biggest

and best organized customer data bases. Results of the research conducted by the author confirm these opinions. All banks which participated in the survey confirmed that they collect and use detailed information about their customers since this information contains basic data about customers, i.e. the name and teleaddress data as well as data about the period of cooperation. In most analyzed financial institutions the information regarding the value and frequency of purchase is also generated. It also often includes data about customers' needs, their purchasing capacity and profitability. In half of the banks which participated in the research the information about customers' queries and comments as well as costs of customer service is available. The respondents indicated also the information about the number and kinds of products used by customers, customers' profitability, their credit capacity and granted credits.

The effective management of customer relations requires that conducted analyses be comprehensive and involve various aspects of customer relations. Commercial banks, which operate in Poland, declare that they carry out most analyses relating to customer relations management (table 1).

The distribution of answers indicates that the biggest group of companies which participated in the research conduct analyses regarding mainly the level of customers' activity. Particular attention should be paid to analyses of the customer share in the product portfolio and an analysis of the period of cooperation with individual customers. The former analysis is made in eleven banks, whereas in eight banks it is conducted on a regular basis and in three banks it is performed when is necessary. Ten entities do a survey on the period of cooperation, seven of these ten entities conduct it on a regular basis and three do a survey irregularly. Research results lead to the conclusion that analyses concerning customers' profitability are important. Among banks' analyses concerning customer relations management, the popularity of the survey on reasons behind the loss of customers deserves attention. Such a survey is conducted on a regular basis in six institutions and in four institutions it is done as the need arises.

Gaps in communication between banks and investors

As banks which operate in Poland have access to detailed information about intangible resource which are customers why, according to investors, the information communicated to them does not meet their needs fully. Why a substantial part of information regarded by investors as important in order to assess the investment attractiveness, is not made available or is of low quality? Deliberations presented here provoke search for reasons behind the low quality of communication between banks and investors regarding intangible value generators such as customer relations, in three areas (picture 3).

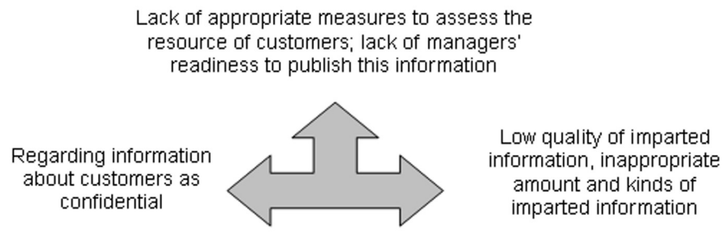
First of all, they stem from possibilities of these financial institutions as well as managers' readiness to reveal certain information. On the one hand, according to accounting reporting standards bank managers are not required to publish certain data. On the other hand, although banks have access to a lot of data about this value generator, they have not developed proper measures to assess the resource of customers as well as uniform methods for presenting this information to the environment. As far as banks' intangible resources are concerned it should be noticed that in Poland financial institutions websites provide information on banks' activities for the benefit of an environment, the natural environment, human resources or the operational strategy. Banks present also ways in which objectives related to developing lasting customer relations and declared in their operational strategies are achieved. They do that by presenting mainly ways of modification and differentiation of a bank offer. None of the banks presents the results of these activities e.g. customer value, resignation rate or customer retention. This kind of information seems to be an excellent source of information for investors about the stability of these institutions and can form the basis for a comprehensive assessment of banks' value.

Table 1 - The subject of banks' analyses of customer relations development

Item number	Kinds of analyses	Frequency (number of indications)	
		Regularly	Irregularly
1.	Frequency of purchase	3	3
2.	Single purchase quantity	1	5
3.	Customer share in product portfolio	8	3
4.	Customer profitability	9	1
5.	Date of the last purchase	1	6
6.	Number of recommendations	2	3
7.	Cooperation period with individual customers	7	3
8.	ABC analysis of customers	3	5
9.	Business connections analysis	5	3
10.	Customer value analysis	6	3
11.	Analysis of opportunities for customer relations development	4	4
12.	Quality of service analysis	6	3
13.	Claims and complaints analysis	7	2
14.	Bank image analysis	6	4
15.	Analysis of employees' attitudes towards customers	6	4
16.	Loss of customers analysis	6	4
17.	Analysis of response to marketing campaigns	4	5
18.	Analysis for the needs of RFM	1	3

Source: Based on self-study.

Picture 3 Reasons for incompatibility of information imparted by banks in Poland with investors' needs



Source: self study based on: Wycena i zarządzanie wartością firmy, ed. A. Szablewski, R. Tuzimek, Poltext, Warszawa 2004, p. 463, in: S. DiPiazza, R. Eccles, Building Public Trust, John Wiley & Sons, New York 2002.

A decision not to impart information to investors can arise from the fact that banks' boards of directors may regard it as confidential. Boards of directors are likely to be reluctant to impart information on the resource of customers in fear of the loss of competitive advantage. They think that the information on the number, kinds and value of their customers or customer loss indexes can be used by their competitors and undermine their market position. In fact, imparting full information does not undermine the advantage, but on the contrary strengthens it because investors can make a reliable and long-term assessment of a company and strengthen their position on the capital market. It should be emphasized that banks are not alone in this matter. As the research conducted in other businesses indicates the information on the generator of the company value, i.e. customers, is deliberately omitted (DiPiazza, Eccles, 2002).

Finally, the research results presented above (see chart 2 and 3) lead to the conclusion that the reason behind the incompatibility of information is its low quality, its inappropriateness and the wrong amount of information communicated to investors. Thus managers of banks in Poland make it impossible for investors to assess these companies properly.

Conclusion

Processes, witnessed both in Poland and all over the world, such as globalization, an increase in significance of capital markets and institutional investors, technological revolution and the freedom of capital flow, make companies concentrate on the increase in their own value. In this context the company's communication policy with present and potential shareholders acquires significance.

The process of communication with investors should include not only financial and material information. Because the company value is mainly determined by intangible factors, it is necessary to impart information regarding these factors on a regular basis. Attention should not only be paid to the information regarding employees or company's operational strategy but also to the information relating to current and potential customers. The level of their loyalty, the rate of detention, customers' life value, the number of complaints, the rate of resignation, the costs of attracting new customers and the level of their satisfaction form the basis for the assessment of their activity. Revealed information should explicitly indicate that the company board of directors treat customers and relations with them as the key generator of value at present and in the future.

The analysis of secondary sources as well as the direct research conducted by the author lead to the conclusion that banks which operate in Poland have access to a broad base of information about the intangible resource of customers, but they do not impart this information to their shareholders. The situation leads to the conclusion that there is a need for developing awareness among bank managers of the necessity of imparting appropriate information to their shareholders (not only financial information). On the other hand, the situation makes one realize that it is necessary to develop and bring into general use some formal procedures for gathering and revealing information, which is not included in the existing accounting procedures.

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CUSTOMER EVALUATION OF BANKS WEBSITE FUNCTIONALITY IN THE POLISH BANKING MARKET

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Abstract

Customer behaviour and decision making process are mainly determined by having information and access to such information. The internet tool that can enable contact and interaction with customers is a webpage with all its functions. The purpose of the study is to investigate how customers assess banks website functionality in the Polish banking market. The paper will first describe some existing Web evaluation concepts and approaches, followed by the introduction of a model of website functionality criteria obtained by literature review and verified by independent experts. And next, it presents customer evaluation of banks website functionality. The study focuses on indicating the importance of website functionality criteria by customers and examines how customers perceive banks websites and their functions and facilities.

The analysis examined that banks customers did not have precise expectations of websites functionalities. The level of aware customer judgements indicated low ability to differentiate the importance of particular dimensions of website functionality. It turned out that for customers the most important is transaction dimension and the possibility of access to full online transactional functionality. The findings showed that the significant importance was also noticed for such criteria as information of cost and value of product and website applications enabling registration of user's details and online requests for financial products.

Key words: website functionality, customer expectations, functionality criteria

Introduction

The improvement of customer knowledge has been discussed in the literature as an appropriate strategy to achieve the competitive advantage. In the era of 'new economy' changes in customer behaviour are ascribed to the internet. The attention is drawn to the internet and new media and their deployment to meet the expectations of online customers better. The internet tool that can enable contact and interaction with customers is a webpage with all its functions. A company can use its website to provide a variety of facilities to its customers, for example: to offer information about products and organization as an element of promotional policy, to manage contact with customers, to exchange information and carry out transactions.

The purpose of the study is to investigate how customers assess banks website functionality in the Polish banking market. The paper will first describe some existing Web evaluation concepts and approaches, followed by the introduction of a model of website functionality criteria obtained by literature review and verified by independent experts. And next, it presents customer evaluation of banks website functionality. The study focuses on indicating the importance of website functionality criteria by customers and examines how customers

perceive banks websites and their functions and facilities.

Literature review

Website evaluation concepts and frameworks are relatively new as they have been developed since the mid1990s (Davidson R, 2002). From reviewing the literature it becomes evident that most studies focus on 'evolutionary approaches' and present different stages of website development in different sectors and industries.

According to the literature one way of classifying websites is the method called 'stages of development models'. In this case, we can find different stages of the development of functionality characteristic to each stage. The way to classify a website is based on the rule that its functionality is compared to those on the list and the site is slotted into the stage of best fit, i.e. the stage with the most features from the website (Davidson R, 2002). A list of different studies of website development and its stages are given in table one.

From reviewing the selected literature it can be inferred the stages of development of websites models described highlight the need for researchers to understand the concept of website functionality and identify the main fields of this functionality. Although the approaches towards website development stages are slightly different from each other, all of them tend to include the dimensions of website functionality that cover aspects of Information, Interaction, Transaction and Relation. Table two describes the adopted model for website functionality with these four categories and their characteristics.

Research methodology

Website functionality criteria obtained by literature review were verified by a group of experts. The Delphi method was utilized to specify a list of criteria and gather suitable information in order to evaluate the importance of banks website functionality. The whole process was based on a structured way of collecting and distilling knowledge from a group of experts. The selection of the experts involved two steps:

- Identification of five banks operating on the Polish market that are market leaders in electronic banking, based on the banks ranking created by Polish Financial Portal (Macierzynski 2005).
- Sending requests to the institutions to choose one manager, who has experience in website areas and works for marketing or electronic department, to participate in the research.

Furthermore, the first set of suitable material was sent to the experts with the characteristics of key categories and a list of criteria with a questionnaire. The main objective of this phase was to collect initial suggestions and opinions on the website functionality criteria. The experts were allowed to change all the names and descriptions of a particular criterion, add, delete or rephrase the list using a questionnaire. Their feedback was analysed and used to redefine the functionality list for the second contact with experts. During the next step all the criteria were classified to the proper key category. Additionally, experts provided their opinions concerning website functionality impact on customer behaviour. Finally, five interviews with the experts were conducted to specify all the details on the list.

The next stage of the study was to indicate the importance of website functionality criteria by customers and examine how they perceive banks websites and their functions and facilities. Based on the created list of banks website functionality criteria the survey questionnaires were constructed. The study was conducted using computer assisted web interview method (CAWI) on one of the biggest Polish internet portal in September/ October 2008. There were two versions of the online questionnaire, which contained a common part and differentiating element. The Maximum Difference Scaling (Max Diff) method was used in the first version to investigate customer importance according to website functionality criteria. In the second version respondents were asked to appraise the list of functionality criteria on the seven-item scale in terms of their importance to the ideal website. The sample consisted of 4,314 accomplished questionnaires. The demographic and web usage profile of the respondents is found in the table below.

Table 1. Summary of Website development models and approaches

Author	Study	Characteristics
Cockburn & Wilson 1996	Business use of www	Classifies web sites according to: - 1.information provided and ordering functionality – 2. use of multimedia – 3.utilisation of e-mail.
Quelch & Klein 1996	Website evolutionary paths	Proposes two website evolutionary paths: 1.multi-national company and 2. internet start – up company functionality path. The pattern of each path is dependent on external factors such as: time-effort, technological innovation, changing user capabilities, competitor's actions, growth of supporting business and internal factors such as: the stage of company growth. Website evolution differs between industry sectors.
Ho 1997	Value-purpose evaluation matrix	Categorises websites into twelve categories on a three/four matrix divided by 'purpose' (promotion, provision, processing) and 'value' (timely, custom, logistic, sensational).
Knight 1999	Cross-sectional survey of US financial institution CEOs	Proposes five stages process that emphasizes the importance of information flow within the provision of financial services: 1. no online presence, 2. information provision with no interaction between customer and institution, 3. receiving information from customer, 4. sharing information with customer, 5. processing information by customer.
Burgess & Cooper 1999	Model of internet commerce adoption (MICA)	MICA presents 3 broad levels of functionality with a further division of two and three levels in stages one and two. Stage one – promotion: level one – basic information, level two – rich information, stage two – provision: level one – low level interactivity, level two – medium level interactivity, level three – high interactivity, stage three – processing.
Azzone 2000	A longitudinal cross industry study	Proposes three stage model: phase 0 –company is offline, phase 1 – company uses web to communicate, phase 2 – company uses web to transact.
Rowling 2001	Stages of e-commerce service development	Proposes four stage model for e-commerce service development: 1. contact – promoting corporate image, publishing corporate information, offering contact information, 2. interact – information exchange, targeted marketing effort, 3. transact – online transactions, catalogue, order fulfilment, 4. relate – two-way customer relationship, full integration of internet capability into the business, service interface integrated with delivery and other business operations.

Table 2. Adopted model of website functionality dimensions

Website functionality categories	Functions characteristics	Influence on customer behaviour
Information	Providing information about bank and its products and services, creating and sustaining bank's image, publishing information about the institution and its offer	criterion of evaluation and choosing the product influence on satisfaction and customer loyalty generating higher level of customer awareness assisting purchase decision support of bank's image
Interaction	Exchanging information between bank and customer and observing customer moves - behaviour on website	generating interest personalized way to customers support of bank's image assisting customer purchase decision facilitating customer activity on the website
Transaction	Transacting all financial operations such as order placement, downloading details about financial transactions, carrying out all types of payments	assisting final decision influence on customer satisfaction and loyalty
Relation	building and sustaining relationships with customer by interactive application of customer service, such as online consulting, online correspondence and feedback	building deep relations creating community

In each category researchers identified a list of detailed criteria measuring the exact key category: 1. Information – twenty one criteria, 2. Interaction – nine criteria, 3. Transaction – five criteria, 4. Relation – seven criteria (see table below).

Table 3. List of banks website functionality criteria

Information Criterion (type of information presented on webpage): 1. Cost and value of product. 2. Product evaluation. 3. Testimonials and endorsements. 4. Process of selling and serving customers. 5. Product usage and performance. 6. Assortment. 7. Competitive advantage. 8. Availability. 9. Marketing research. 10. Promotions. 11. Institution's history. 12. Contact and addresses data. 13. Organisational structure. 14. Personnel recruiting. 15. Financial reports. 16. Press releases. 17. Guarantees or warranties. 18. Safety features 19. Innovativeness 20. Links to further information 21. Consulting	Interaction Criterion (type of application presented on webpage): 1. Portal statistics. 2. Registration of user's details. 3. Online requests for financial products. 4. Public email address. 5. Marketing surveys and questionnaires. 6. Online demonstrations and simulations. 7. Competitions and games. 8. Access to online consultant. 9. Communication between customers.
Transaction Criterion (type of application presented on webpage): 1. Selling process applications. 2. Process of current customer service applications. 3. Financial transactions tools. 4. Financial aggregation application. 5. Full online functionality.	Relation Criterion (type of application presented on webpage): 1. Frequently Asked Questions (FAQ). 2. Access to free financial data information. 3. Loyalty programs. 4. Additional know-how and computer software. 5. Applications of helping in information seeking 6. Customisable online help. 7. Contact and reference.

Table 4. Respondent Profile

	First version of questionnaire	Second version of questionnaire
No. of respondents	2071	2243
Gender		
Male	1280	1401
Female	790	841
Average Age	29	31
Web usage frequency (percent)		
low	0%	0%
medium	2%	3%
high	98%	97%
Notes: low: one-two times a month, medium: one-fives times a week, high: one or more times a day		

Customer evaluation of banks website functionality in the Polish banking market - findings

Banks customers do not have clearly specified expectations concerning web pages, which are mainly judged according to their functionality, i.e. how they meet specific needs (e.g. carrying out a transaction, finding information, etc.).

The level of conscious customer opinions concerning the significance of specific website functions shows low ability to differentiate the importance of a particular dimension. It is exemplified by great significance of interaction dimension, which on account of its relative attractiveness was, on the level of declarations, ranked very high as far as importance is concerned in comparison with the other analysed categories.

The study results show customers' low capability of webpage functions differentiation. On the conscious level, their common characteristic is high level of attractiveness, which contributes to giving them similar assessments. Yet, if it becomes necessary to choose between the most and the least essential function of all - it appears that the transaction category is definitely the most significant one; far more important than all the other ones.

Two approaches were taken in order to define the importance of particular bank website functions:

- In the first version of the questionnaire the importance of functionality features of an ideal website was estimated; the study results for the first version of the questionnaire are presented under the term: CHOICES.
- In the second version of the questionnaire the need for the appearance of certain functionality elements was measured by means of 7-item scale; the study results for the second version of the questionnaire are presented under the term: DECLARATIONS.

The above analysis rendered results defining the importance of the studied elements by means of the following indicators:

- 'average importance / functionality' of a given element - in case of the elements evaluation by means of both Max Diff method and seven-item scale each of the studied elements for every respondent had numerical importance measure ascribed to it (in case of Max Diff method the measure is calculated by means of hierarchy-bayes analysis, in case of seven-item scale it is the number from one to seven ascribed to a given function by a respondent). Then, for each factor average importance / functionality for all the respondents is measured (the total of importance / functionality measures of all the respondents for a given factor divided by the number of respondents),

- 'standardized results', which is standardized average importance / functionality (calculated numerical values reduced to normal distribution with the mean of zero and standard variation one) average preferences/ importance of each factor (value above zero - importance above the average in comparison with the other studied factors, value below zero - importance below the average). This index is employed when we compare results obtained while using Max Diff method with the results obtained using scale evaluation.

Chart 1. Average category importance evaluation-DECLARATIONS

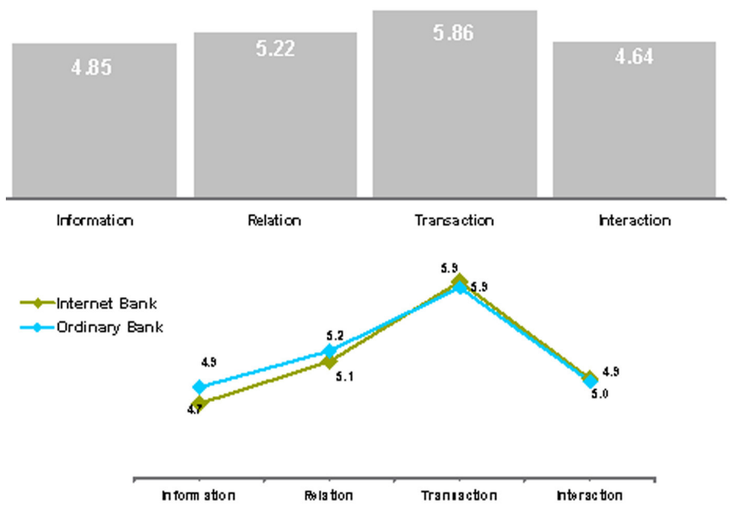
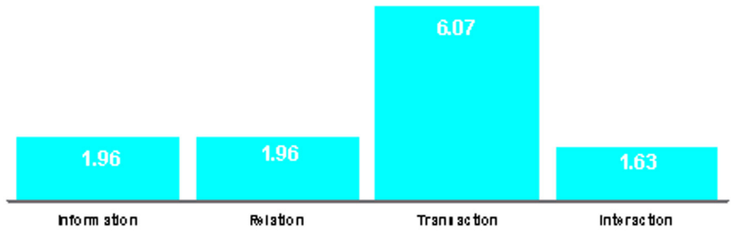


Chart 2. Average category importance evaluation-CHOICES



In case of both choices and declarations the most important banks website functions belong to a banking transaction category. All its elements received high importance measures and scored high in the ranking. Although this category is best assessed both by internet banks customers and by ordinary banks customers, the former group gives it many more points.

The most essential factors in this category are:

- the possibility of carrying out financial operations/transactions on users' accounts and currency accounts
- the possibility of viewing account status/ making changes in services
- the possibility of purchasing services without having to turn up at a bank.

The least important element of this category is the possibility of combining (aggregating) data from different accounts and services (although this factor still occupies the top in the second ten in the ranking).

The least essential category, no matter which measurement method is used, is interaction. The least valued elements of this category are discussion forums or chats, questionnaire surveys,

on-line interviews and number of website visitors registration

The attributes which were singled out as the most important in this category are the possibility of logging on to a particular service and the possibility of carrying out financial simulations. Both elements were placed in the first ten of the factors importance ranking. However, due to the fact that all the other factors were thought to be of low importance, the whole interaction category also received low importance in relation to the other dimensions.

The assessment of information category is comparable to the assessment of relation category. The importance of the two categories lies between the most important category - transaction and the least important one - interaction. In case of information category the most significant functions are:

- information about rates and charges
- information about the Internet transactions security for customers.

Both features were placed in the first ten of the ranking. The lowest positions were taken by the following functions of this category:

- company's history, mission, goals and the overview of its activities,
- bank's press releases record
- information about management and staff.

In relation category the most valued elements are:

- contacts and links to a bank's employee that enable receiving answers to specific questions
- loyalty programs and cards for regular customers
- access to free information about financial market and/ or bank's offer.

The least valued elements of relation dimension are:

- website's search engine
- frequently asked questions and answers list.

For the vast majority of the studied features no clear differences were observed in relation to the position in the ranking for Max Diff's results (choices) and results gathered through assessments on the scale (declarations), as well as in case of comparisons of 'standardized results' (only in a few cases it can be observed that a value for a given feature reaches a position below zero in one case and above zero in another one).

Conclusion

The article presents the results of banks website functionality assessment by purchasers on the Polish market. Banks' customers have varied opinions on the significance of webpage functionality criteria. They express differing expectations, which have little influence on the choice of a bank, though.

The possibility of carrying out financial transactions, which is attractive to customers of electronic banks, or of those banks which have really extensive transactional pages, has the biggest influence on bank's assessment.

The research analysis indicates that Internet banking customers are satisfied with using banks websites, as well as applications and services available at their bank's webpage. Over half of the respondents is satisfied or fully satisfied with websites functioning fast and without breakdowns. Site visitors in over 50% cases declare their positive assessment of information available at the Internet pages and ease of website navigation. The level of satisfaction is even bigger as far as usability and functionality of the internet services are concerned.

The significance of bank's internet services assessment is slightly different if a potential customer is looking for a bank in which he is going to use a certain service, or if he has already chosen his bank. Internet portal assessment by an internet user is particularly important in the first stage, which is connected with seeking information about a product, comparing different banks' offers. If at this stage there are problems with moving around the page, identification of searched information, an internet user will move quickly to another bank's site, in this way giving up on services of a bank whose page is not functional enough. The influence of website assessment is slightly weaker when a potential customer has already decided to use a product offered by a certain bank, e.g. he

read about a specific product in the press or on the internet financial website.

The results obtained from this research study have a huge meaning for economy practice. They give answers to the following questions: how efficient and effective banks' policy of constructing websites is, what impact it exerts on building sustainable relationships with a customer, and to what extent it encourages clients to make purchasing decisions. The research results may also become a valuable source of information for financial institutions' managers and they may initiate project implementation in those companies.

It should also be clearly stressed that the instrument of website functionality assessment created by researchers seems to be applied also in other sectors and branches of economy, which constitutes an essential element for website functionality evaluation.

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HOW WEB2.0 TOOLS USED FOR MARKETING IN CYPRUS

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Abstract

Since the creation of the Web in early 90s, two distinct groups of users had access to the Web: content creators were to create and update Web pages and users could surf the Web and access information posted by the content creators. In the last few years, Web 2.0 technologies have emerged that enable web users to interact with other users, create content, post it on web pages, automatically get updated on changes occurred in sites marked as interesting and so on. Web2.0 tools support user interaction, collaboration and socialization. This is accomplished through many services, including fora, blogs, wikis and community based sites. The new online environment is becoming increasingly popular and it is a fact that it changes not only the way we communicate and collaborate, but also the way we behave as consumers. Using Web2.0 tools in marketing is achieved a meaningful interaction and communication between product companies and customers. The wise use of this knowledge will help product makers to adapt themselves and their products to the needs and perceptions of consumers. In other words, the use of Web2.0 tools in marketing is a key to record consumers' preferences and decode their behaviour.

This paper attempts to describe the phenomenon of Web 2.0 services in Cyprus and more specifically the relation of Web 2.0 with marketing. Our objectives are to study Cypriot users' perceptions related with Web 2.0 services, and their consuming behaviour using Web2.0 tools. To fulfil these objectives we followed a specific research methodology. We used an online social network site to attract our sample and we placed there a link for our online survey. For that reason, we used non probability sampling and more specifically a purposive sampling method. The online site of the survey had the capability to provide us direct with the result analysis and we also used a statistical package for further analysis. The statistically analysed figures were the base that we utilised for the interpretation of the results, satisfying the objectives and deriving specific recommendations.

Keywords: Web2.0 tools, marketing, consumer behaviour

Introduction

In the last few years, people who use the Internet they probably have come across with the term Web 2.0 Teague, (2007). With this term scientists of communication and information technologies try to depict the change of World Wide Web as a personalised platform for user interaction, collaboration and communication. The ancestor of new Web, Web 1.0 was nothing else than content stored in a server. Users could search and check out information but they were not able to create any.

Web 2.0 came into life when Tim O'Reilly hosted a conference about it, in which Web and business pundits defined the main principals of Web 2.0:

- The Web as application delivery platform. So far users had to purchase software and run it to their computers. With Web 2.0 this is not necessary, since software is licensed and run over the Web Teague, (2007).
- The end of software versioning. Software is continuously updated and improved Teague, (2007).
- Data is a driving force. Development is based on information Teague, (2007).
- Visitor contributions through "Architecture of participation". In Web 2.0 users have the ability to create and distribute content in an online community Teague, (2007).

- Ubiquitous content and service syndication. So far, the user was just the audience of online content. With Web 2.0 Internet becomes a personalised distribution network Teague, (2007).

Some of the most known social media are: blogs, social networks, wikis and forums.

Blogs: this is a widely used service and maybe the most popular from other forms of social media. Blogs are like online journals that show the users' entries and the most recent is the one that we can see first Mayfield, (2008).

Social networks: According to Mayfield, (2008) are websites that people can use to develop their personal web pages and then use them to connect with friends to start content sharing and communication. Successful examples of social networks are Facebook and MySpace.

Wikis: are websites in which people can add or edit content. It is like a public document or data base in which everyone can contribute to the information that is provided. A well known example of Wiki is Wikipedia, the online encyclopaedia, which has over 1.5 million articles published in English alone Mayfield, (2008).

Forums: are areas that people use for online discussions, mostly for specific topics and interests. Forums predate the advent of the term 'social media' and are a powerful and popular element of online communities Mayfield, (2008).

Web 2.0 in business

Companies use marketing techniques in order to stimulate the customer's senses and create to him the need to consume products.

One of the main aspects of Web 2.0 is the user participation. Companies incorporating Web 2.0 applications could enable users to participate in marketing procedures. A direct interaction between users and corporate products is achieved and market research becomes not just quicker, but also cheaper Candace, (2008).

Social networks e.g. Facebok and MySpace, gained a huge acceptance from users. This characteristic provides to marketers and companies with endless possibilities Hemp (2006). With Facebook users create their social profile, interact with other users through text, photos and videos and also have the ability to review profile of others in the network. MySpace is based on the creation of a community and users share photos and interests with a network of mutual friends. Many companies started making their own social networking sites attracting users online and interacting with them Candace, (2008). The advanced technology and the continuously growth of social networks could completely change the consuming behaviour. In such networks, the more contacts someone has the more leads will produce and finally the more money will make Üstüner, T. and Godes, D. (2006).

Another emerging trend which is based on Web 2.0 architecture is the development of virtual shops in virtual worlds. In a virtual world e.g. Second Life and There, users have the ability to create their own characters (avatars) and interact with each other in a virtual environment. Residences of this "world" meet each other, socialize, participate in activities and create and trade properties and services Candace, (2008). In Second Life, a known American clothing apparel opened a virtual shop in May 2006, setting new standards on consuming behaviour. Actions like that give companies the opportunity to test their products and get directly feedback for product customization and improvement.

Blogs are also important for a company. Media monitoring is essential for a business because it reveals what is said about an organization and its competitors. Today, Blogs are a valuable part of media monitoring. Usually people who write in blogs are experts of the topic on which they blog and could provide useful information to the company about their product or their image, so the company knows its position in the market and what should do to improve that Holtz S. and Demopoulos T., (2006).

Research Methodology

The research methodology and the findings for this paper are part of the thesis "Users' perceptions on Web 2.0 services in Cyprus" which was developed for the fulfilment of Masters Degree at the University of Nicosia in Cyprus.

Our research took place in Cyprus. It was based on the observation of the Web 2.0 phenomenon, we tried to identify its characteristics and the impact it has on consuming behaviour. Our goal is not

to make any deep analysis of the phenomenon, but to describe it and for that reason is clear that we followed the positivist research philosophy and used the descriptive approach. Also, we developed the theory that Cypriots do not use extensively Web 2.0 tools for marketing purposes and we followed the method of deduction in order to confirm that our theory is general accepted. For that reason we conducted an online questionnaire and distributed to people who are members of a well known social networking site. The results we took back from the sample of the population were statistically analysed, which means that we followed a quantitative research approach. The sampling method we utilised was the non probability and particularly the purposive sampling. The specifications of our sample were to be people who live in Cyprus and are users of social Internet. That's why we used a social networking site in order to attract participants. The data collection achieved through the online questionnaire and the reason of our choice was that this method, is widely used in surveys, it is cost efficient and easy to administer.

Research Findings

The questionnaire we distributed has been online for a three week time period. For participation to our survey, we sent an invitation with the form of a link to one of the most well known social networking sites. We avoided to sent invitation to similar websites, because most of the users have accounts to many of them and that could cause duplication of the results. Interested participants could easily take part by clicking on the link http://www.mysurvs.com/survey/201708015/ which was located in a social network site.

Figure 1 presents the participants to the survey. Our population were1,380 people and from them only 112 replied to the survey which were our sample. We had a response rate of (8.12%) which was expected, if we think the short time period of the survey. The men of the sample were 41 or (63%) and the women 71 or (37%.)

Figure 2 presents the average age of the participants. The males have an average age of 25.2 years old and the females 24.7 years old.

According to Figure 3 all the participants in our survey were Cypriot citizens. Although some of them were born in different countries. More particularly, (72%) of sample were Cypriots, (3%) Greeks, another (7%) from U.K. and (18%) from other countries and mostly from Russia.

Figure 4 shows the education level of participants. According to the results we realise that the majority of participants who use social networking sites are coming from all higher educational levels. In more detail, (23%) of the participants have finished high school and are currently students, (21%) have a college degree, (31%) have a University degree, (20%) have a Master's degree and (5%) have other degrees; half of them are PhD holders.

In Figure 5 most of the participants who use social networking are single. More specific, (86%) are single, (13%) are married and a small percentage of (2%) are divorced or separated. An explanation to that could be that the average age of the participants is in their mid twenties.

In Figure 6 there is an analytical representation of the age and the marital status of Web2.0 users. The majority of the sample (86%) are single between 20 and 30 years old with some exceptions that are over 30. The same thing counts for married users but in that case the percentage is only (13%).

Figure 7 it is clearly shows that the majority of the participants have non managerial positions. Again, the relatively young age could be an explanation. Networking users in Cyprus, namely 38%, have non managerial positions. The next most popular classification is the category "Other", where (25%) of users are aggregated. This category is mostly represented by students and unemployed individuals.

The question shown in Figure 8, tracks the usage of online services which are part of social Internet. The relevant percentages may be found in Figure above.

In Figure 9 the half of our sample (49%) has been invited by a friend or colleague online to try a new product. This could be done through an email to our contacts, a link in a forum or blog, or a link for a product posted in our social network page. The majority of our sample (68%) agrees to provide information on favourite brands and other information related to consumers behaviour.

The Figure 10 shows, that although Cypriots use Web 2.0 applications like social networking sites, a small part of them buy products online, that is (34%).

According to Figure 11, (49%) of the participants visit product's website when they are looking for further information about a product, which is obvious. But there is also a high percentage of participants who use search engines, namely (38%), another (9%) visits a forum and only a (4%) ask a friend.

The question in Figure 12 shows, that (30%) of the participants would fill out the form with their preferences and would give their friend's e-mails in order to take advantage the full discount. (63%) wouldn't provide information about their consuming preferences and wouldn't give their friend's e-mails. Only (7%) wouldn't fill out any form but would disclose friends' e-mail addresses preferring to take advantage of the discount.

Finally Figure 13, in relation to another situational question, shows that (3%) of the sample would click the link and visit the site. Sometimes curiosity is enough to make us act without a second thought, especially if the link is something that attracts our interest. Although, the majority of the sample (42%), wouldn't click the link and would mail back to the site to remove them from the additional mailing lists. Participants also believe, that the fact described in Figure 13, could be a result of low security level and (32%) of them would try to change their Internet security settings, in order for their systems to filter future similar mails. Finally, another (23%) of the sample wouldn't do anything of the above, just leaving the e-mail in their inbox.

Interpretation of Findings

According to the data analysis, it is clear that one of the best online activities of Cypriots is to surf the web. Many sites today incorporate tracking tools, which help them to track the users who visit the site and draw their behaviour. Profiles of customers usually created through techniques like that. The utilisation of these profiles gives the ability to sites to build recommending systems in order to achieve cross-selling and up-selling. These tools in addition with Web 2.0 technology offer targeted marketing to many users at the same time, an important advantage of online socialization.

Cypriots also play online games (65%). This kind of games has a unique ability to create trends. Users are likely to imitate activities and behaviours of real life in the game. The main tool that online games utilise is the communication and interaction through the Internet. Some of these games like Second Life or There, using sophisticated software architecture, are able to imitate even the society and its activities, in a degree that sometimes we consider them as an extension of the real world. The role of the game is players to create a virtual personality called avatar and then they can customize that from the colour of the eyes to the style of clothes. The later could be a well known brand selling our favourite products. The fact that known products exist in games that gather millions of players, it is by itself a huge commercial campaign. The benefits are also financially, because these games offers the option to translate virtual profits in real money.

Consuming preferences is another essential aspect that we examined with the survey. (69%) of Cypriots entailed in social networking are willing to provide their preferences online. This becomes a valuable asset to corporations that were always desperately seeking for their customer's preferences. Access to that information gives companies the opportunity to improve existing products and create new ones that will fit to consumers' needs. Also, it reduces the research and development cost and increases the product life cycle.

The high percentage (49%), which shows that almost one in two Cypriots are willing to invite online a friend to try a product, is a good indicator for marketing campaigns and consumer product companies. Attracting consumers through communicational channels like e-mails and social networks provides marketers with yet another channel of exposure that is effective and economical, in accordance to literature review Üstüner, T. and Godes, D. (2006).

According to the survey, the percentage of people who like to buy virtually is (34%). The important thing that derived from the relevant question, when we asked participants to explain the reasons of this behaviour, is that the answers were in a way the same. That means, all the people who buy online have the same feelings and they do it for the same reasons. The main answers were given are:

- I don't really have to get off my chair to buy stuff sometimes is much more convenient and even cheaper
- Great selection of products competitive prices, hard to find items, latest trends found whilst not available in local markets

The question was also asking participants if they find online shopping a good idea. The fact that only (34%) of the sample replied to the question, could mean that only this percentage finds online shopping a good idea or maybe they didn't want to explain further, but this is only an assumption according to the nature of the question.

The majority of the answers stated that virtual shopping is convenient, you can go and buy whenever you want 24 hours a day and 7 days of the week without leaving the comfort of your home. Also, it is possible to find online, a variety of products which may be difficult to be found in physical stores. Furthermore, one of the most important reasons that stated was the price. Frequently, online stores have cheaper products than real markets, even taking into account shipping costs and taxes. That could be possible, because all transactions are taking place online and there is no need of a physical store existence, with any expenses this could be incorporate. Furthermore, these types of businesses could reduce their costs by having fine-tuned their supply chain.

Buying online is not only fun and cost efficient for customers. It is also a good chance for marketing people to interact with consumers and record their preferences. The contribution of Web 2.0 for the acquisition of this valuable information is essential. Web2.0 tools are also incorporated to many product websites and search engines, which are the choice of Cypriots when they are looking for information about a product.

Particularly, product's website is the most popular choice with a percentage of (49%). These sites are dedicated to the product they sell and any related information may be found there. We can find technical specifications, screenshots, comments of people who already bought the product and in most of these sites we may find a forum, where people can find any information, comments, links to other related products and other material created by users. That's why companies should pay great attention when they are building their websites. The more information they provide the more users they will attract and when a user is satisfied, there is no reason to search in other places. Incorporating Web2.0 applications like blogs and forums will cause users to spend more time in the site and also that will provide valuable information for product future updates and improvements.

The second most popular choice of Cypriots was the search engines (38%). The reason of being so famous is that provided keywords, gives you back in seconds links with possible results that match with the keywords. Also, many of the search engines, incorporating tools like automated word placement, translation and a customized first page. Being time efficient and getting smarter, the popularity of search engines will continue to grow. Realising this trend, companies, try to rank themselves as high as they can, in a search engine's algorithm, in order for them to be in the first pages of the results attracting more users.

Conclusions and Recommendations

In this paper, our aim was to describe the relation of Web 2.0 and the consuming behaviour of Cypriots' Web 2.0 users. We also examined their perception about Web 2.0 services and how that shapes their consuming behaviour.

The research methodology we followed was the positivist research philosophy and the descriptive approach. We developed a theory that Cypriots do not use extensively Web 2.0 tools for marketing purposes and we used the theory of deduction in order to confirm it or reject it. For the data collection, we conducted an online questionnaire and we distributed it to a known social networking site. The results we gathered were statistically presented accompanied by graphical representations. The interpretation that followed gave us a clear framework for the behaviour of Cypriots as consumers by using Web 2.0 services.

The analysis of the results showed that a small percentage of our sample use Web 2.0 tools for marketing purposes and that confirm the theory we developed in Research Methodology. A recommendation for companies could be to incorporate Web 2.0 tools in their marketing procedures in order to achieve targeted marketing. That will offer the chance to companies for a closer interaction and communication with consumers, identifying their needs. Then, customised products that cover the real needs of the consumer will be possible to be produced, as a result higher profits, increased product life cycle and less research expenses.

Figure 1: Participants to the Survey

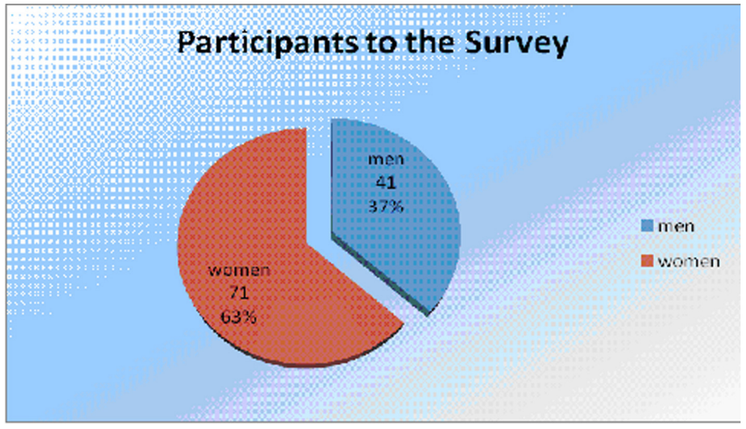

Figure 2: Age of Participants

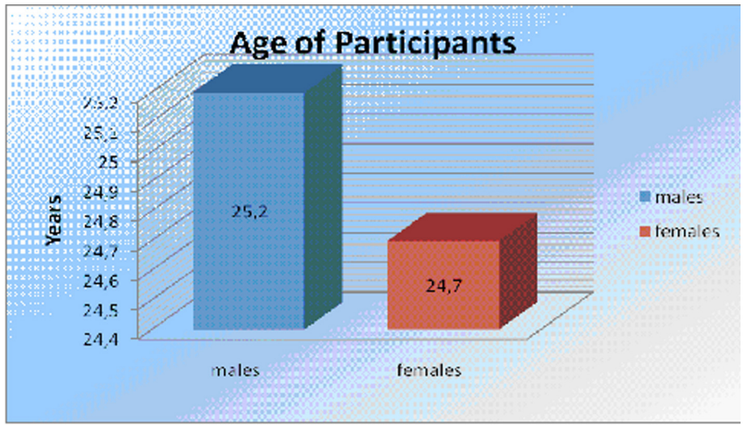

Figure 3: Birthplace of Participants

2. Birthplace

Cyprus	81	72 %
Greece	3	3 %
U.K.	8	7 %
Other	20	18 %
	112	

Figure 4: Level of Education

3. Your highest completed level of education

High School	26	23 %
College degree	23	21 %
Graduate degree	35	31 %
Master degree	22	20 %
Other	6	5 %
	112	

Figure 5: Marital Status

4. Your Marital Status

Married	14	13 %
Single	96	86 %
Widowed	0	0 %
Divorced or Separated	2	2 %
	112	

Figure 6: Age and Marital status of Web 2.0 users

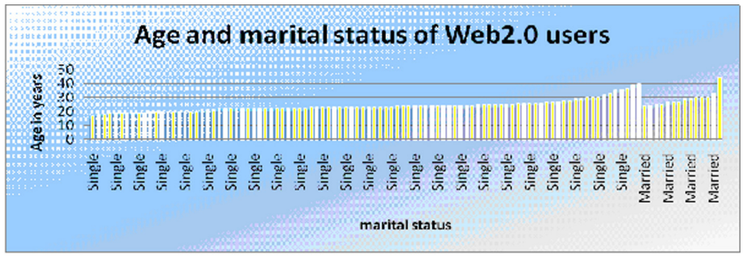

Figure 7: Job Status

5. Job Status

Top management	10	9 %
Middle management	13	12 %
First level management	18	16 %
Non managerial	43	38 %
Other	28	25 %
	112	

Figure 8: Online aspects part1

9. Choose the answer that applies to you.

Do you use the Internet to check your e-mail?

Yes	111	99 %
No	1	1 %

Do you use the Internet to surf the web?

Yes	112	100 %
No	0	0 %

Do you use the Internet for instant messaging?

Yes	97	87 %
No	15	13 %

Do you use the Internet for Internet Telephony?

Yes	69	62 %
No	43	38 %

Do you use the internet to buy products or services?

Yes	90	80 %
No	22	20 %

Do you use the Internet to play online games?

Yes	73	65 %
No	39	35 %

Are you registered to social web sites like Facebook and MySpace?

Yes	108	96 %
No	4	4 %

Do you state your real personal information in social networks?

Yes	87	78 %
No	25	22 %

Do you find forums useful?

Yes	96	86 %
No	16	14 %

Do you agree that blogs are a good way of communication?

Yes	87	78 %
No	25	22 %

Figure 9: Online aspects part2

10. Choose the answer that applies to you.

Have you ever been invited online by a friend/colleague to try a new product?

Yes	55	49 %
No	57	51 %

Would you provide your favourite brand with information about your consuming preferences?

Yes	76	68 %
No	36	32 %

Figure 10: Replies to questions about the reasons of buying virtually

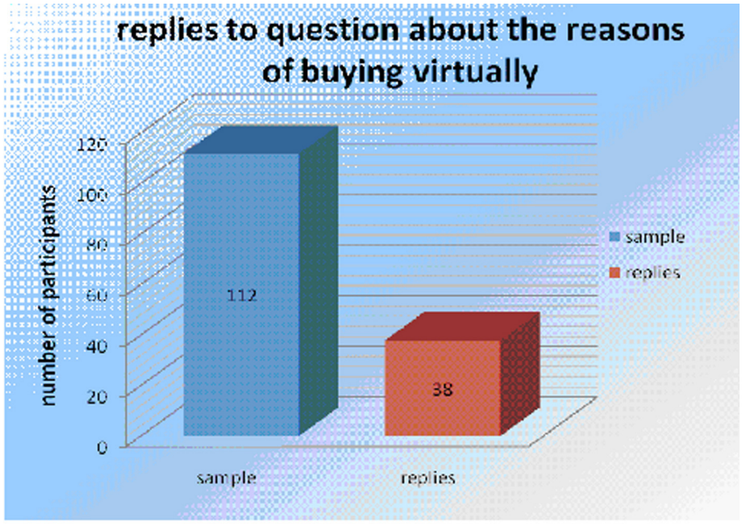

Figure 11: Online behaviour (part1)

16. If you are looking for further information about a product what would you do?

Visit the product's website	55	49 %
Ask a friend	5	4 %
Visit an online forum	10	9 %
Look it up in a search engine	42	38 %
	112	

Figure 12: Online behaviour (part 2)

18. You buy a product through an online shop and before the payment they ask you to fill out a form with your consumer profile. As a reward for filling the form they offer you 5% discount. If you provide them with the e-mails of your friends the discount is 10%. What would you do?

Fill out the form and give the e-mail addresses to take advantage the full discount	34	30 %
You don't fill out any form or give any e-mail addresses and prefer to pay the product to its first price	70	63 %
You don't give any information about your preferences but give your friends' e-mail addresses to take advantage the discount	8	7 %
	112	

Figure 13: Online behaviour (part 3)

19. Suppose you receive an e-mail with a link for a web site and they're telling you that they found you because they tracked your ip address when accidentally visited the site. What would you do?

Click the link and visit the site	3	3 %
You don't click the link and reply to them asking to remove your address from their mailing lists	47	42 %
You change your internet security settings to prevent similar situations	36	32 %
None of the above	26	23 %
	112	

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THE IMPORTANCE OF PREDICTION OF ADVERTISING EFFECTIVENESS IN WINTER SPORT RESORTS

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Abstract:

Due to the increasing mobility of society, outdoor advertisement- and posters espe-cially, play a significant role in the contest of attracting attention. Approx. 611 million EUR have been invested in poster advertisement in Austria in 2006 (source: FAW 2008), and this number is ever increasing. Despite their interest attracting attribute, posters are the advertising media, which have been studied least with regard to im-pact quality. Their coverage can be calculated by measuring the frequency, e.g. how many people pass a certain poster per day.

For both, TV and print media, the calculated frequency is superior to posters regard-ing their data quality.

Advertisement in winter sport areas has been a marginal issue in advertising impact studies up to now, as there are hardly any instruments which allow to conduct pre-tests. Pre-tests are a crucial tool for marketing optimisation. Finally, only the ex-ante evaluation is qualified to avoid costly wrong investments. In order to encounter me-thodical deficit spending, it has to be examined, whether advertisements in winter sport areas can be pretested on a laboratory scale and if it is sensible to adopt the collected pre-tests within results ski resorts.

Keywords: advertising awareness, advertising effectiveness, prediction of ad-vertising recall, pre-tests

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The complex correlations in advertisement made Wannamaker quote the following famous words: “I know that half of my advertising spending/ is wasted, I just don’t know which half.” We know that advertising impact is effective, but we don’t know how.

Trying to arrange numerous findings of advertising effects research, especially one question to be of general interest: How to pattern an advertising message and which application rate to use in order to reach measurable changes in behaviour and knowledge towards the benefit and/or choice of advertising media presented within specific target groups, assuming a number of predispositions (such as age, sex, so-cial economic status, involvement etc.)? The best methodical option is to systemati-cally vary media choices and subsequent interviews.

Within the framework of market and advertising research, the interview method is doubtlessly the most significant one. As it is true for the methods mentioned before, there are different method alternatives for interviewing as well (Lamnek 2007 p.37 ff). Beside the classical forms of interviewing in written and oral form, telephone and web interviewing (so-called computer assisted telephone interviewing, shortly: CATI) have been recently established, not least for reasons of economy (for telephone interview-ing see Hüfken 2000 or Gabler/Hader 2002, for web interviewing see Batinic et al. 1999).

The monitoring method is applied if the persons to be interviewed cannot or don’t want to analyze their behaviour. In journalism research focussed on communication science, the monitoring method has proved itself in places where description and analysis of intricate correlations and work processes are concerned. This method is more often applied in market and advertising sciences than in social economical sci-ences.

The experiment is another method to be mentioned. It is a specific form of method application, which

is meant to test, investigate and demonstrate an assumptive corre-lation between independent (causally determined correlation) and dependent (af-fected condition) variables in a monitored environment, widely avoiding interfering variables.

The central question is:

How can the advertising effectiveness of posters in winter sports areas be tested in the laboratory? A method of the poster-pre-testing should be developed. Besides, the use should be investigated by means of eye-tracking by posters in the real outside space and in the laboratory. It is an aim of the study, beside the evaluation of posters in the skiing area to find out whether pre-test results upraised in the laboratory can be transferred meaningfully on the effect to be expected from posters in the skiing area.

As an indicator for the valuation of the results the correspondence of the result row of the different evaluation methods on the dependent variable should be pulled up. If the rank row of the tested motives of the laboratory can be transferred to the outside space (skiing area), the relative position of the poster to be tested in the laboratory is a reliable assessor for its later outdoor effect.

Method:

Simulation of a ski-slope in the skiing area. The determining moment for the predica-tive success of a pre-tests is to be seen in the fact that the questioning disposes in the laboratory situation of the same degrees of freedom, as in the natural reception situation. For example, the interviewees should with have to shell out the possibillity tests of print announcements always. If someone tests television, the interviewees should also always be able to zap. To simulate the advertising in the outside space, a laboratory situation very close to reality should be chosen: A slope in the skiing area.

Laboratory study:

Core of the laboratory study is the slope in the skiing area on the computer. These should be at least 40 test people to receive a representative result (outcome). More-over the experimental subjects on the computer screen should drive down a slope (duration about 3 minutes). On some buildings and lift stations posters are illustrated by brands still to be determined. The test people receive no further instructions which could point out that the study is about advertising effects. During the virtual downhill run of the viewer, the look movement will be analyzed with the help of a remote eye tracker. The ski slope shown in the laboratory study corresponds to a great extent to the real situation of the skiing area. After the simulated ski downhill run, is the testers are questioned about the advertising recall and advertising assessment within a per-sonal, pre structured interview, by means of a questionnaire.

Eye tracking allows to pre-test your clients’ designs by measuring what the target audiences see and so improve the impact before the launch. The clients are thus better able to understand user behaviour and can optimize their visual communica-tion to reach their marketing goals.

Outdoor-study:

The outdoor-study takes place with just many test people in the skiing area. It is im-portant for this ski study that a relaxed ski-slope in the skiing area is chosen. Then on the slope the same posters are positioned on the same pace as in the laboratory study. At the end of the slope the advertising recollection and the advertising as-sessment is also raised with the help of assessment scales and a personal, pre-structured interview.

The contribution of knowledge of the study is the combination of different methods. Furthermore, pre-test in the laboratory enables the comparison to see in advance the effectiveness of their posters and therefore supports them to optimize their adver-tisement investments.

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THE ANALYSIS OF CROATIAN NEWSPAPER INDUSTRY

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Abstract

The paper analyses newspaper industry in the Croatian market, its specificities, limitations and future trends. Specificities of newspaper industry can be viewed as specificities of newspaper demand, specificities of newspaper supply and specificity of governmental policy towards media. Furthermore, newspaper industry in the Croatian market has been analysed on the basis of Porter`s five forces analysis. Among many benefits they provide, daily newspapers have a major disadvantage – their inability to capture new happenings that occur during the day. Regarding, newspapers lose their edge to television, radio and internet. Based on the industry analysis, development of online newspapers is being outlined. In addition, its impact on reader behaviour is being examined.

Key words: newspaper industry, Porter`s analysis, online newspapers, reader behaviour

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Introduction

According to the latest available report of World Association of Newspapers (WAN), newspaper industry is on a rise. In 2007, daily newspaper sale revenues rose globally by 2.57%, whilst domestic market had encountered an 8% increase. Furthermore, 532 million of newspapers are sold every day in the world, which of 800,000 in Croatia (Končevski, 2007; Slobodna Dalmacija, 2008a).

When analysing the newspaper industry, one must take into consideration changes which contributed to emerging trends. Newspaper editors, confronted with high cost of distribution and inability to include happenings that occur during the day, face several doubts: should they go online and if doing so, should they allow free or prepaid access?

As the number of internet users in Croatia increases, conventional newspapers recognised advantage of new media and provided readers with online formats. Škare (2005) was among the first who elaborated online newspaper market in Croatia and indicated future trends. Given his groundwork this paper analyses implication of online newspaper phenomena on reader behaviour.

Specificities of newspaper industry

Specificities of newspaper industry can be viewed as specificities of newspaper demand, specificities of newspaper supply and specificities of governmental policy towards media (Begović, 2002).

Specificities of newspaper demand

When speaking of newspaper demand and media in general, it is necessary to differentiate demand of end users, i.e. readers, and demand of advertisers. Each of the demand categories generates revenues for businesses in newspaper industry. Demand of end users is basic type of demand, while demand of advertiser is derived type of demand. End users are willing to pay defined amount of money in order to acquire newspaper product – various news and information. Likewise, advertisers are willing to pay a defined amount of money to be

that news. Demand of end users is influenced by several factors among which newspaper price and purchasing power play major role.

Purchasing power of population in Croatia is far below European average. Croats dispose with 4.565 EUR of net income per capita, while European average amounts to 11.998 EUR. According to GfK GeoMarketing research that included 40 European countries, in 2007 Croatia fell from 27. to 29. position (GfK, 2007a).

Demand for newspapers rises during weekends and holidays, while during summer vacations depends heavily on newspaper content. Demand for newspapers of entertaining nature rises usually during summer seasons. Moreover, well chosen front cover that reflects current political and social scene can also increase sale of given issue. And last but not least, one must not forget the influence of weather since poor weather can decrease the sale significantly.

The most commonly used measure of a publication's readership is average issue readership. Anyone who has read the publication within the interval between one issue and the next is counted as an average issue reader i.e. has read yesterday for a daily newspaper, read in the last 7 days for a weekly newspaper, etc. Average issue readership for daily newspapers has increased in Croatia from 46% in January 2006 to 64% in January 2007. In other words, readership has increased by 628,000 new readers (MediaPuls, 2007).

As already mentioned demand of advertisers represents derived type of demand. It is called derived because it depends on the basic type of demand, i.e. demand of end users. In other words, the greater the demand of readers for certain papers, the greater will be the demand of advertisers to advertise their product in the same papers. The most significant factor influencing derived type of demand is rate of reading, i.e., volume of sold copies. Derived newspaper demand is also influenced by newspaper reputation and image - in other words, the impact they tend to have on a certain group of readers. Aforesaid determines structure of advertisements that appear in newspapers as well.

Table I. provides an insight into distribution of total advertising by media in 2006 for Croatia and world, respectively. In Croatia, TV advertising makes a larger portion of total advertising, whereas globally differences are not so apparent. Furthermore, internet advertising is still in its introduction stage in Croatia while on a global scale internet presents third largest media for advertising.

Table I. Total advertising by media in 2006

Media	Croatia (%)	World (%)
TV	66.6	37.7
Newspapers*	16.4	29.4
Magazines	11.4	12.9
Outdoor	5.3	5.9
Internet	0.3	5.7
Radio	-	8.3

Source: Gavranović, 2007; Končevski, 2007

Deloitte analytics project that in 2009 advertising revenues for printed media in Croatia could fall by 20% while circulation could fall by 10%. On the other hand, online advertising is projected to rise substantially, by 30 to 50% in the following years. (Delaš, 2009).

Gavin O`Reilly, president of the WAN, argues that newspapers are advertising media with the highest attention and optimal surrounding for successful promotional communication. In order to achieve greater commercial effect, editors around the world are constantly seeking for creative new approaches and are much more open to design changes.

Demand for advertising space in newspapers is also influenced by factors that are not directly related to media. These factors include: market competition, level of economic development, level of country`s integration in international economic flows, etc. And of course, just like the demand of end users, demand of advertisers tends to be seasonal by nature as well. It is usual for advertising demand to reach its peaks near the end of calendar year (because of Christmas and New Year holidays) and to reach its lows during the summer vacation season (MediaPuls, 2007).

Specificities of newspaper supply

Key factor that influences supply of any product is its cost of production. When speaking of newspaper supply, it is crucial to identify fixed and variable costs. Which costs will be defined as fixed, and which as variable, depend on how we measure volume of production. If volume of production is being measured by number of copies in circulation, costs of workforce represent fixed costs. If volume

of production is being measured by number of pages, then workforce costs represent variable costs which rise proportionally with number of pages. On the other hand, printing costs are always defined as variable. Distribution costs as well. One should keep in mind that even though material investments in newspaper industry can be large, immaterial ones could be even larger. Immaterial investments include investments in brand building, reputation and market position strengthening.

Specificities of governmental economic policy towards media

Enterprises in newspaper industry are heavily affected by governmental economic policy. Government is the one that determines and assigns subventions, declares value added tax (VAT) rate and monitors market situation as to avoid monopoly creation. Government should not, at any circumstances, favour any particular media. Its interest in newspaper industry and media in general, is to achieve its political objectives mostly by forming public opinion.

In June 2007 Croatian government suggested lower charge of VAT for newspapers and magazines. According to the VAT Act (Narodne novine, 2007) the VAT for the newspapers and magazines decreased from 22 to 10%, but 22% rate remained for those consisting mainly of ads. If it was not for VAT decrease, the newspapers price would have to go up. Decrease of VAT was expected to have positive effect on turnover and, hence, lower remainder. However, new 10% rate is still high compared to European Union average. In Austria VAT equals 10%, but in Germany is 7%, in Netherlands 6%, in France 2.1%. Moreover, many economically stronger countries than Croatia have zero-percent VAT rate (Vukić, 2007).

Porter`s five forces analysis of newspaper industry in Croatia

To understand industry competition, and profitability, one must analyse the industry's underlying structure in terms of five forces. The five forces that shape industry competition are (Porter, 1998): (1) rivalry among existing competitors, (2) threat of substitute products or services, (3) threat of new entrants, (4) bargaining power of buyers, (5) bargaining power of suppliers.

Rivalry among existing competitors

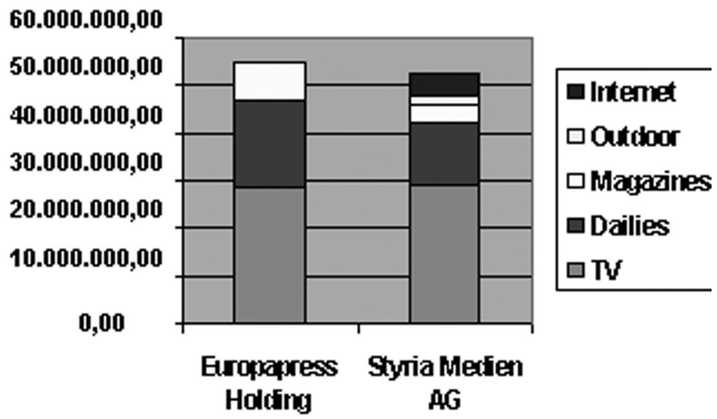
When analyzing competition in newspaper industry, it is crucial to notice that newspaper products are subtly, but yet, differentiated products. Accordingly, there is not perfect, but monopolistic competition in the newspaper market (Begović, 2002). Hereby is important to point out that newspapers, or any other media, cannot be mutually perfectly substituted because every media possesses peculiar expression and peculiar way of communication to its readers. That is why in the newspaper market high consumer loyalty exists; readers tend to buy the same newspaper brand for a number of years. By doing so, one is buying not only information itself, but peculiar form of information, i.e. peculiar style of addressing to a reader.

Monopolistic competition is a market form that has characteristics of both competition and monopoly. Similar to competition, it has many firms, and free exit and entry. Similar to monopoly, the products are differentiated and each company faces a downward sloping demand curve. Monopolistically competitive markets have the following characteristics (Hart, 1985): (1) there are many firms producing differentiated products; (2) each firm is negligible in the sense that it can ignore its impact on, and hence reactions from, other firms; (3) each firm faces a downward sloping demand curve and hence the equilibrium price exceeds marginal costs; (4) free entry results in zero-profit of operating firms

In Croatia, two media affiliations occupy 90% of daily newspaper market; Styria Medien AG and Europapress Holding (EPH). Styria with 3 daily newspapers occupies 46% of the market and EPH with five daily newspapers occupy 44%. There are 17 daily newspapers in Croatia out of 805 newspapers altogether. In 2007 daily newspaper market was worth 965 million HRK. Total daily circulation equals over 800,000 copies; 540,000 are being sold and 270,000 are distributed free of charge (Slobodna Dalmacija, 2008b).

Because monopolistic competition involves a great deal of non-price competition, it fosters advertising and creation of brand names. Based on the reputation of a brand readers decide which newspapers to read. According to MediaPuls research results, EPH spends more on advertising than Styria. Picture I. illustrates value of newspaper advertising in other media.

Picture I. Newspaper advertising in other media



Source: MediaPuls, 2007

Threat of substitute products and services

Media are not homogeneous but heterogeneous products (Begović, 2002). First of all, division to printed and electronic media indicates great differences in the way the information is presented to end users. Further division of printed media on daily, weekly, fortnightly and monthly newspapers/ magazines indicates heterogeneity among media that use the same technology. Finally, every newspaper covers certain range of topics and possesses specific way of addressing a reader. Thereof, we conclude that no media product can be perfectly substituted with another.

Despite the benefits they provide, news, that is media products that are based on that news, have their shortfalls. The daily newspapers lose their value for customers in very short time; often by the end of the day. The second weakness of daily newspapers is their inability to capture new happenings that occur during the day. In other words, in newspapers one always reads about yesterday`s news. Regarding, newspapers lose their edge to television, radio and internet and, at the same time, ask for precisely organised distribution. Untimely distribution prevents latest news to be included and diminishes their value for customers.

Internet as a media considerably differs from paper and puts new challenges in front of editors. Experts explain that readers tend to read screen texts faster and expect shorter articles with distinctly separated paragraphs and most important information (Škare, 2005). As to attract readers, conventional newspaper editors need to adjust their approach to online format. Online formats are expected to provide additional value for readers. Most often, additional value comes in form of article archive, key word and content search, possibility to write comments on articles, prize contests, photo galleries, etc.

To prevent unsatisfied readers to settle their needs elsewhere, many conventional newspapers in Croatia have established their online formats in order to supplement conventional ones. In this way, daily newspapers have turned perceived weakness into new market opportunity, strengthen their brand in the readers' eyes and attracted younger population. However, many editors fear that publishing free content online will jeopardise sale of printed format, therefore they often publish only extracts of current articles online while full insight is given in the printed version.

Threat of new entrants

Profitable markets that yield high returns and those with low barriers to enter will draw new firms. This results in many new entrants, which will effectively decrease profitability. Unless the entry of new firms can be blocked by incumbents, the profit rate will fall towards a competitive level (perfect competition). New entrants lead to greater offering diversification. Moreover, announcement of possible new entrants alone can lead to more competitive behaviour of existing firms. Conversely, high barriers to entry lead to creation of imperfect competitive market structures, possibly even monopolies, with all accompanying shortfalls of such marketing structures.

Newspaper industry is characterised by high fixed costs. For some time now, global newspaper industry is facing increasing printing costs, decreasing circulation, decreasing advertising revenues and higher paper costs (Končevski, 2006). The situation in Croatia follows global trends.

Even though material investments in newspaper organisation are large, immaterial investments in building reputation and market position can be even larger. Since newspapers are subtly differentiated products, large investments in advertising are necessary. In addition, it is common in newspaper industry to operate with financial loss until threshold market position is reached. Therefore, it is crucial that every enterprise which is planning to enter newspaper market has strong financial partner, or parent company, that is able to finance operations during stage of introduction.

Human capital, that is, qualified, skilled and well trained workforce is the greatest value a newspaper enterprise may possess. It is the human capital that enables newspaper enterprises to operate profitably.

Bargaining power of buyers

In most cases, daily newspapers are not sold to end users directly. Distributers and newspaper retailers represent buyers when it comes to newspaper enterprises. In Croatia, newspapers are most often sold at news-stands and retail stores. Subscriptions constitute a minor part of total sales revenues for newspaper enterprises. Subscription market in Croatia is in its beginnings - it covers not more than 80% of geographic area of Croatia and is three to four times smaller than sale through news-stands (Tabulov-Truta, 2009). There are many reasons for this and among most important are following: geographical shape of Croatia results in large distance while number of population is low; distribution is poorly organised, circulation is too low to make distribution profitable and, given the times, people are unwilling to take yet another financial commitment.

There are only four distributors in the Croatian newspaper market today (Laki korak, Press Express, Tisak and Distripress) while there were more than twenty of them about a year ago. The one with the largest market share, Tisak, owns the major number of news-stands as well, which additionally strengthens its bargaining power. In 2008, Tisak has brought new distribution and retail terms. Croatian journalists` association has expressed high dissatisfaction with new terms arguing that they will undo effects of VAT decreasing (Suvremena trgovina, 2008). Table II. provides an overview of Tisak distribution and retail fees.

Table II. Tisak distribution and retail fees

Publication type	Variable fee (percentage of net sales price per sold copy)	Fixed fee (net amount per sold copy in HRK)	Distribution fee for free newspapers (net amount per distributed copy)
Dailies	11%	0.78	1.40
Weeklies	18%	1.10	3.30
Fortnightlies	22%	1.15	7.70
Monthlies	25%	1.15	7.90
Periodicals	40%	1.20	9.90

Source: Tisak, 2008

Bargaining power of suppliers

Suppliers express their bargaining power by raising prices or diminishing quality of their products and services. In this way they raise their profitability on the expense of industry participants. When speaking of newspaper industry, printing houses and newspaper enterprise employees are considered to be suppliers with the highest bargaining power. There are two main printing houses in Croatia, both located in Zagreb. Among other, printing house 'Zagreb' provides printing services to Styria daily newspapers whereas printing house 'Vjesnik' provides services to EPH daily newspapers. Printing house 'Zagreb' is fully owned subsidiary of Styra Medien AG and printing house 'Vjesnik' is still owned by the state.

Faced with increase in costs of paper, printing, energy and transport, several daily newspapers were forced in 2008 to raise their prices. However, their price remained unchanged since 2001 which cannot be told for other products in Croatia.

Online newspapers in Croatia

When talking about online newspapers, we have to take into consideration two conditions; the number of internet users and internet penetration, i.e. absolute and relative indicator of internet usage among population. Number of internet users is constantly growing and has increased from almost one sixth of world population in 2003 (Chaffey, 2003) to more than one quarter in 2008 (Internet World Stats, 2008). In Croatia, from 2000 to 2008 number of internet users rose by almost 900% and reached 1.98 million, which makes penetration of 44.2% (Internet World Stats, 2008).

Online newspapers, also known as web newspapers, are newspapers that exists on the internet, either independently or as an online version of a printed format. Online newspapers bring constant updates of daily information and offer direct links on the pool of linked articles where reader can find more information.

In accordance with internet emergence, number of conventional newspapers used its strength and opportunities to reach greater number of readers. From 2003 to 2007 number of online newspapers grew by 50.77% and continues to grow.

GfK Croatia conducted research in May 2007 (GfK, 2007b) in which the purposes for using internet were explored. Research shows that in Croatia internet is mainly used for e-mail communication (67%), web-search (65%) and news reading (53%).

Following global trends, Croatian newspaper editors have launched online formats. Currently, there are 72 online newspapers. Škare (2005) has, based on the market observation, given division on portals, online equivalents to printed newspaper formats and the combination of the two. A web portal or public portal refers to a web site that offers a broad array of resources and services, such as e-mail, forums, search engines, and online shopping malls (Webopedia Computer Dictionary, 2009). Some online newspapers have the policy of prepaid access while most of them publish their news free of charge.

Future development of the newspapers

There are many polemics regarding future development and impacts of current trends on newspaper industry. Researchers suggest possible scenarios for businesses in newspaper industry and opportunities that arise from separated development of conventional and online formats. A Harris Interactive and Innovation Media Consulting Group survey in seven countries concluded that internet will become the primary source of news and information within five years, while newspapers will lose dominant position (World association of newspapers, 2008). The latest Newsroom Barometer research from 2008, conducted by World Editors Forum and Reuters, affirmed that 44% of editors believe that in the near future news will mostly be read online, and 56% of them think that news will be free of charge (Klauški, 2008). Pirker argues that newspapers should use so called '3M strategy' – multimedia, multi-channelling and multiplatform, i.e. that media should deliver information through different channels and different platforms (Croatian journalists' association, 2008).

Research

Purpose of the research was to analyse online newspaper reader behaviour among student population, identify main goals that lead readers to read online papers and determine whether online newspapers can be considered as compliments or substitutes to conventional newspapers. Moreover,

the research analyses to what degree internet experience effects reader behaviour.

The following hypotheses were formed:

H1: Tree quarters of student population with internet experience over five years read online newspapers.

H2: Among most important goals that motivate students to read online newspapers are: not leaving the house, not paying the price of newspapers and access to constantly updated news.

H3: Reading online newspapers will not substitute reading conventional newspapers; rather they will continue to coexist.

The research includes secondary and primary research. Within the framework of secondary research, the relevant foreign and domestic literature on the subject of newspaper industry was reviewed (published scientific articles, internet sources). Primary research was conducted among student population of senior year at the Faculty of Economics & Business in Zagreb during March 2009. This was decided because the target public for our study are internet users, who have certain predispositions to read newspapers online, i.e. prerequisite knowledge. One of the mandatory subjects at first year of study is Informatics which covers basic internet knowledge. Prerequisite condition fulfilment is assured by the fact that students cannot enrol in their senior year unless they pass all first year subjects, including Informatics. Altogether, 153 questionnaires were filled, of which 147 properly. Six were discarded because they were not fully filled or they were filled incorrectly. Table III. provides an overview of characteristics of representative sample.

Table III. Characteristics of representative sample

Characteristic	Percent
Sex (male)	31.3
Age (0-24 years)	97.3
Basic internet knowledge	100.0
Internet experience (over five years)	84.4

Results

The results obtained reveal that significant majority of student population with internet experience over five years reads online newspapers, namely 82.3% of them. Hence, we find evidence to support hypothesis H1. Moreover, 64.7% of online newspaper readers read them on a daily basis.

It is important to mention that great majority of student population has obtained reading habits over the years. 90.5% of all questionnaired students read conventional newspapers and 74.1% read both online and conventional papers. In other words, only 1.4% of questionnaired students do not read newspapers, nor online nor conventional.

In order to find out the main motives for reading online newspapers, we used five-point Likert scale which ranged from '1= strongly disagree' to '5= strongly agree', and included following statements (Table IV.);

Table IV. Potential motives for reading online newspapers

No.	Statements
1.	I do not need to leave the house.
2.	I do not need to pay the price of newspapers.
3.	It is easier to find information on a specific subject.
4.	I have access to constantly updated news.
5.	I read online newspapers to spend some free time.
6.	I read online newspapers because I prefer multimedia, dynamics and interactive approach (comments, suggestions, discussions...).

We have been able to identify main goals that lead readers to read online newspapers. Among most important proved to be: 'I have access to constantly updated news', 'It is easier to find information on a specific subject' and 'I do not have to pay the price of newspapers'. Accordingly, hypothesis H2 is only partially supported. It is interesting to point out that reason 'I do not need to leave the house' students ranked as the least important among motives to read online papers.

Furthermore, not one questionnaired as the reason not to read online newspapers indicated incredibility of online published content. This is a positive gnosis as it implies that quality (veracity) of information published online is not considered to be inferior to those printed on paper.

The research shows that students read online papers most often in the afternoon (37.2%) and in the evening (39.7%). Those who do not read online papers as reasons quote not having the habit and a fact that morning coffee and newspapers present an everyday ritual for them. On the basis of aforesaid and gnosis that students read online newspapers to acquire constantly updated news, we can conclude that online newspapers will not in the near future, if ever, substitute conventional newspapers. Hence, hypothesis H3 is supported.

One of the goals of the research was to determine whether online formats currently exist as complements or substitutes to conventional paper formats. 85.1% of those who read online newspapers stated that online news have never encouraged them to buy conventional newspapers. Based on obtained results we conclude that online formats currently exist neither as complements nor substitutes, but rather as supplements to conventional newspapers. Students still tend to read conventional papers in the morning and find constantly updated news online during the day. 72.2% of those who read conventional papers actually buy their own, which is rather high percentage if we take into consideration low purchasing power of student population.

Effect of internet experience on reader behaviour

The research was conducted to determine to what degree internet experience effects online newspaper reader behaviour as well. We divided students who read online newspapers into two categories; those with internet experience less than five years and those with internet experience above five years and measured the effect of length of internet usage on reader behaviour. The results obtained are quite divergent. It was not confirmed that greater internet experience leads to higher degree of reading online newspapers; 86.4% of those with internet experience less than five years read online newspapers, as compared to 82.3% of those with internet experience above five years.

On the other hand, longer internet experience has positive effect on frequency of reading and reading duration. 44.1% of those with longer internet experience read online newspaper every day, as opposed to 36.8% of those with shorter experience. Moreover, those with longer internet experience tend to read them longer. Not one student with internet experience under five years reads online newspapers longer than half an hour, as opposed to 14.7% of students with internet experience above five years.

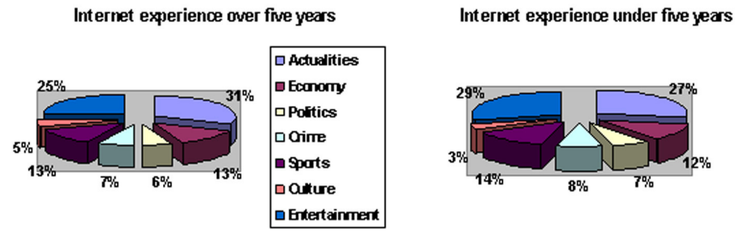
Longer internet experience only slightly affects reader behaviour when it comes to subjects that are mostly read (Picture II.).

Difference in distribution by subject type is much more evident when comparing results for male and female. Female read more on the subject of actualities, crime, culture and entertainment, while male read more on the subject of economy, politics and sports. Actualities are the main subject type for both of them. In general, somewhat larger percentage of female (84.2%) than male (78.3%) read online newspapers.

Results related to goals that motivate readers to read online newspapers show that those with longer internet experience graded 'I read online newspapers to spend some free time', 'I have access to constantly updated news' and 'I do not need to leave the house' higher than those with internet experience under five years.

59.5% of students who read online newspaper notice advertisements in online newspapers, 30.6% fills out questionnaires posted in online newspapers and only 5.8% writes comments on online articles. Length of internet experience has minor influence on writing comments and no influence at all on filling out questionnaires. Internet experience has some influence when speaking of noticing online ads.

Picture II. Rate of reading by subject type correlated with length of internet experience



Based on the obtained results we conclude that effect of internet experience on online newspapers reader behaviour is minor and cannot be uniformly defined. Further researches on this topic are required.

Conclusion

Faced with high distribution costs and inability to capture information that emerged during the day, newspaper editors recognized and seized the opportunity of distributing information via the internet. Based on Porter's five forces analysis this paper has identified the most important reasons that justify online concept implementation in newspaper industry. In order to assess online concept acceptance we conducted research and managed to identify online newspaper reader behaviour among student population. The research findings reveal that significant majority of the questionnaired students read online newspapers and at the same time still buy and read conventional ones. In the light of the above, we conclude that online newspapers will not substitute conventional ones, but they will rather continue to coexist. Finally, it would be interesting for the future researches to analyse reader behaviour of different age segments and their motives for reading online newspapers.

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ADVANTAGES OF BRANDING IN TRAVEL AND TOURISM, THE CASE OF CRUISE INDUSTRY

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Abstract

Branding has become very important in travel and tourism industry. The paper investigates the benefits of branding in cruise industry which is considered to be the most successful and fastest growing sector of the tourism industry during the past 30 years. The marketing of the cruise companies had a key role in the development of cruising and the strong growth in demand. The cruise market has recorded strong growth since 1995. In the period 1995-2007 the number of cruise passengers increased from 5,72 to 16,50 millions. Cruise ships are now perceived as a vacation destination. The cruise industry, which is presently characterized by gigantism, and the strong development of business centralization, has assumed an oligopolistic competitive character. Today, on a global scale, four large corporations account for 84,3% of the total gross tonnage and 83% of the total number of lower berths. Cruise companies have adopted branding to differentiate their products in an increasingly competitive marketplace in order to get a bigger share on both the existing and new generating markets. They followed a trend similar to lodging in adding new brands as a growth strategy. The move toward brand segmentation is another indication of a response to changing passenger needs. Branding is becoming more important as many cruise companies expand the width of their product mixes. The strategy of creating multiple brands enables better market segmentation and offers companies the chance to attract larger shares of specific target markets. The research indicates that an internationally renowned corporate image and multibrand approach help cruise corporations to extend operations worldwide. Today, cruising has become a mass phenomenon, spreading throughout the world.

Key words: cruise industry, brand segmentation, corporate image, multibrand approach, global expansion

Introduction

The marketing of the cruise companies had a key role in the development of cruising as a specific form of the tourist supply. The high annual average growth rate of 8.1 % is the result of the successful implementation of marketing strategies. The cruise industry has been dominated by product innovations in order to attract different segments of passengers. The cruise products offered by various cruise lines are incredibly diversified in many ways, such as in the design of their ships, big choice of itineraries and new destinations, on-board/on-shore activities, themes, cruise lengths, price etc. Cruise companies have adopted branding as one of the key aspects of differentiation, which is particularly useful for tourism organizations because a brand

adds tangible cues to a service which is largely intangible in nature (Swarbrooke, Horner, 2007). In competitive market place cruise companies are much more aware of need for achieving price leadership or adding value to their products in order to achieve market share and profitability.

Cruise industry as a global phenomenon

In the tourism sector, a number of economic changes have impacted upon the structure and organization of tourism business. The need for efficiency in the international tourism market has accelerated the emergence of multinational corporations. For a tourism enterprise operating in a multinational market there are many advantages to increasing size (Cooper et al, 1996): economies of scale, ability to resource high-profile promotional

campaigns, brand name benefits through standardization and quality control, ability to spread the risk among various markets, implementation of advanced marketing techniques on an international basis, utilization of technology (especially CRS), optimization of capacity/inventory usage and reduction of seasonality problems, access to the international labor market, advantages over other members of the distribution channel, improved political influence, managers who have more time to „manage“, market prominence and stronger branding.

The modern business of cruise companies is also globally oriented. Global expansion relies not just on the need to achieve international growth, but also on the maximization of financial return. Cruise companies are expanding to foreign markets in order to reduce business risks, to attract as many passengers as possible and to achieve an economy of scale. They shift ships from one region to another, and particularly in those regions planned on being new markets. In this manner they can: avoid bad political circumstances or other disadvantages in a certain region, enrich and widen their program, offer new itineraries to their loyal clients, simultaneously conquer new generating markets and contribute to the popularization of cruising on new markets and to the development of ports. The ship has become a vacation destination that travels from destination to destination, and is therefore a unique example of the deterritorialization of the tourist destination itself. Without regard to the flag or the company's country of domicile, ships can sail in regions where the cruising season prevails. New regions, where demands are being directed, are starting to compete strongly with leading regions that realize half of the world cruise business.

The development of "fly-cruise" packages allowed geographically distant markets to become reachable, as the ports of embarkation came closer to the large and distant city centres. The development of regional embarkation ports affects the growth in demand by local residents for cruises, and globalization processes make these ports more accessible by customers worldwide.

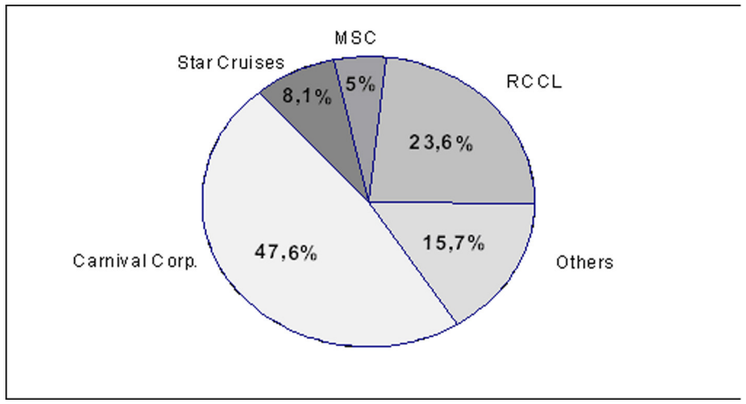
The process of business consolidation has been present through the history in the cruise industry. The purpose was to enter international markets, first within the region of activity, and then to distant regions, in the search for new attractive destinations, and new generating markets. One of the ways for large cruise companies to grow and to enter a foreign market was by joint investment and direct foreign investment. Many cruise companies expanded their business by acquiring

other operators with experience in a different market segment. The last decade has seen a powerful growth in the number of mergers and acquisitions in the cruise industry. The dynamics of the sector, mergers, acquisitions, entry and exit from large corporations have resulted in increasingly greater concentrations of capacities in fewer large companies. Today, four leading operators account for 83% of lower berths and 84.3% of the total gross tonnage (Shipping Statistics and Market Review, 2008). Transnational corporations represent a great force, as their access to finances, technology and information gives them the strategic power that results in a competitive advantage.

The cruise fleet is on the rise, there are increasingly more large ships that can carry more than 3,000 passengers. The appearance of gigantism in the cruise industry was primarily conditioned by economic reasons and the dynamic and continuous growth in demand. The number of lower berths in the period 1990-2008 increased more than three times (from 114,000 to 364,000 berths), and the average capacity of cruise ships almost doubled, from 671 to 1,282 berths (Shipping Statistics and Market Review, 2008).

The main reason for building increasingly larger ships is the economy of scale, as this kind of ship can accommodate more passengers at lower transportation costs (fixed and variable) per passenger (transport unit), and can offer cheaper travel packages, as well as achieving greater revenues and profits. In the cruise industry, the economy of scale is best expressed and seen as a growing economy of scale which can be shown by the fact revenues grow above what is proportional according to the money invested in a new, larger capacity ship (Ban, 1999).

Figure 1: Market share of the four leading cruise companies 2008 (% gross tonnage)



Source: Calculated from the Shipping Statistics and Market Review (2008), Volume 52, No. 8, Institute of Shipping Economics and Logistics (ISL), Bremen, pp 12.

However, larger ships increase business risks, as the greater amount of invested capital assumes a high occupancy level of available capacities. Companies resolve the risk of filling capacities with aggressive marketing and the transfer of ships to regions where there is a high season. As compared to hotel industry that changes rates according to season, ship operators change cruise regions and itineraries (Toh, Rivers, Ling, 2005). Considering that ships can be transferred from one region to another, companies can resolve the problem of seasonality, which is characteristic for most cruise regions. In this way, they retain the same prices year round. The major cruise companies have also used powerful brands to develop their business, appealing to international passengers.

Branding

Branding has become a powerful force in the hospitality industry. Kotler define branding as "a name, term, sign, symbol, design, or a combination of these elements that is intended to identify the goods or services of a seller and differentiate them from those of competitors" (Kotler, Bowen, Makens, 1999). Cruise companies have adopted branding to differentiate their products in order to get a bigger share on both the existing and new generating markets. Given the inseparable nature of tourism production and delivery, and the intangibility of the product at the point of purchase, developing and communicating a brand identity is a vital consideration in strategic and operational terms (Middleton, Clarke, 2002). Cruise companies have been among the most creative in the industry in developing a broad spectrum of cruise products aimed at different market segments. With a strong brand identity they give the right type of message to their target consumers offering them the benefits that they are seeking.

The advantages of branding include the following (Morrison, 2002):

- Helps the company segment markets
- Gives the company the potential to attract loyal and profitable customers
- Improves the company's image if their brands are successful
- Helps track reservations, sales, problems and complaints

Leading cruise corporations have an internationally renowned corporate image which they exploit to extend operations overseas. By branding they differentiate their products in an increasingly competitive marketplace. According to Morrison the concept of brand segmentation has become a hot topic in the hospitality and travel industry, especially among hotel chains, restaurant

companies, airlines and cruise lines (Morrison, 2002). Branded names guarantee standard.

The strategy of creating multiple brands – the management of a group of brands within the same product category – enables better market segmentation, as each brand has various benefits and qualities that give rise to various shopping motives with various groups of clients (Kotler et al, 2007). The move toward brand segmentation is another indication of a response to changing passenger needs. A brand in the modern marketing sense offers the consumer relevant added value, a superior proposition that is distinctive from competitors and imparts meaning above and beyond the functional aspects (Middleton, Clarke, 2002).

Cruise companies, which are part of large corporations, develop their own strong brand. It is brands that the customer identifies with rather than the actual company (Cartwright, R., Baird, 1999). A corporation develops a global strategy, within which it develops strong brands for various market segments.

Each company within a large corporation usually develops a single brand, as the corporation's objective is to have strong brands aimed at a specific market segment. Most companies dispose of a number of ships. Each ship is a unique product, yet part of the principal brand that is differentiated from others through specific partial products (there are no two identical ships). Partial products, which are specific to this brand and which are recognizable on the market, are the same on all ships, whereas others are different and unique to each ship (the name of a ship, the name of a deck, the interior decor, people, contents, etc.).

BENEFITS OF SUCCESFUL BRANDING

The global strategy of Carnival Corporation, one of the largest vacation companies in the world, is international expansion using multiple brands for different market segments. In 2007 Carnival recorded net income of $2.4 billion, or $2.95 per share, what makes it the world's most profitable vacation company. The revenues grew by 10 percent to $13 billion, hitting an all-time high (Carnival Corporation & plc., Annual Report, 2007). Carnival is focused on those brands that have great growth potential and their strength lies in the number of brands under its control (Lloyd's Cruise International, Issue 88, 2007). Its portfolio of 11 leading cruise brands includes: Carnival Cruise Lines, Princess Cruises, Holland America Line and The Yachts of Seabourn in North America; P&O Cruises, Cunard Line and Ocean Village in the United Kingdom; AIDA Cruises in Germany; Costa Cruises in Europe, South America and Asia; Ibero Cruises in Spain; P&O Cruises in Australia.

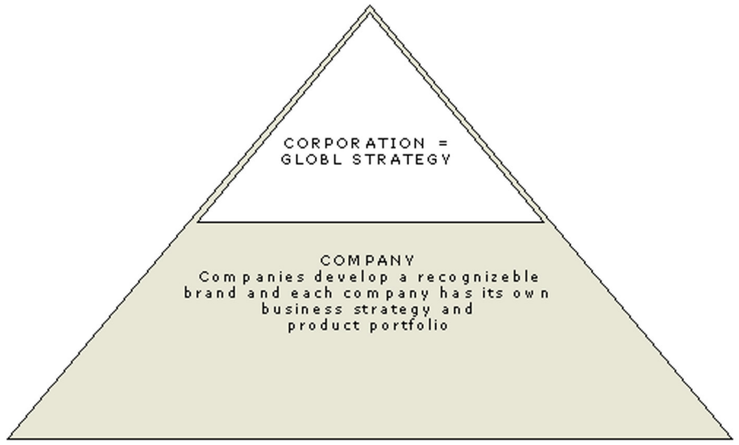
The multibrand approach enables Carnival to offer a wide range of holiday and vacation products to a customer base that is broadly varied in terms of cultures, languages and leisuretime preferences. The business model driving Carnival Corporation is recognition and respect for each brand that needs its own unique history and unique future in order to be successful. Each company has its own true culture, which the customer expects to find. Separate organizations are in the best interest of the overall profitability of the group and in the viability of each brand (Cruise Industry News, 2003/2004). Companies, as strategic business units, define its own marketing strategies in order to compete successfully on the current and prospective markets and develop competitive advantage. P&O Cruises, for example, traditionally aimed at British market, decided to angle each of their ships at slightly different parts of the market. The Arcadia, is aimed at a slightly younger, affluent passenger base, made up of people who don't mind paying premium ticket prices and who are apt to spend more onboard and travelling without children, Artemis is aimed at older, more experienced cruisers also without children onboard and Oceana is contemporary and family-focused (Cruise Industry News, 2005).

Table 1: Major groups and their brand sectors

CARNIVAL CORPORATION
Carnival Cruise Line (Contemporary) North American market
Princess Cruises (Premium) North American market
Holland America Line (Premium) North American market
Seabourn Cruise Line (Luxury) North American market
P&O Cruises (Premium) British market
Cunard Line (Premium) European market, mostly British
Ocean Village (Budget) British market
AIDA Cruises (Contemporary) German market
Costa Cruises (Contemporary) European market
Ibero Cruceros (Budget) Spanish market
P&O Cruises Australia (Budget/ Contemporary) Australia/New Zealand
ROYAL CARIBBEAN CRUISES
Celebrity Cruises (Premium) North American and European market
Royal Caribbean International (Contemporary) North American market
Azamara Cruises (luxury) - North American market
Pullmantour (Budget) - Spanish market
CDF – Croisiere de France - (Contemporary) French market
Island Cruises (Budget) – joint venture with First Choice Holidays – British market
TUI Cruises (Budget) - joint venture with TUI AG – German market
STAR CRUISES GROUP
NCL America (Contemporary) North American market
Norwegian Cruise Line (Contemporary) North American market
Star Cruises (Contemporary/Budget) Asian market

Source: Author according to Peisley (2006), T., The Future of Cruising – Boom or Bust? A worldwide Analysis to 2015, Seatrade Communications Ltd., Essex, pp 35-36.; http://phx.corporateir.net/phoenix. zhtml?c=200767&p=irol-products, 07.06.2008, http://media.corporateir.net/media_files/irol/10/103045 /2007_AnnualRep_LR.pdf, 10.09.2008

Figure 2: Levels of strategic planning



Source: Author

Another part of branding is making the product, in this case the ship, easily identifiable through the colors painted on their funnels, the exterior design, the color of the hull, the logo etc. For example, HAL and Cunard ships are recognizable by the hull's dark blue color, as compared to other ships whose hulls are usually painted white. The Aida Cruises and Norwegian Cruise Line companies have gone a step further by painting recognizable and easily visible symbols on the hull. Large eyes and a mouth are painted on the hulls of Aida Cruise ships, and the Norwegian company has floral wreaths, sun and stars, and variously colored ribbons. Ships are recognizable by their funnels as well. For example, Carnival cruise ships have a distinctive red-winged funnels and Costa ships have yellow funnels with a large «C», etc. These distinctive features form part of the brand image. Every time a cruise ship anchors off a holiday resort it is a floating advertisement for the company (Cruise Industry News, 2005).

The development of a brand name is a key element in developing the identity of the brand (Kotler, Bowen, Makens, 1999). Just as a brand's name should be easy to pronounce, recognize and remember, so must a ship's name be able to transfer a certain message to passengers, regarding product benefits and quality (entertainment, tradition, quality, etc.), and yet at the same time show to which brand it belongs to. The name of a ship contains the name of the principal brand with some companies, which is the best solution, for example, Carnival Legend, Carnival Glory, Carnival Liberty, etc. or Princess Cruises, Coral Princess, Grand Princess, Diamond Princess, and Sea Princess.

Cruise companies use branding to develop loyal customer as the aim of their marketing is not only to develop strategies for attracting new customers, but also to maintain the existing ones and to build strong customer relationships by delivering the long-term value, which can be seen from a large number of the returning passengers, 79% cruisers indicate that they are interested in taking a future cruise (CLIA Cruise Market Profile, 2006).

Cruise companies also use powerful brand to develop their product on an international basis since a strong brand give messages of quality. According to CLIA (Cruise Line International Association) 94.8% of cruisers express satisfaction with their cruise and 44% percentage of cruisers are extremely satisfied (CLIA Cruise Market Profile, 2008). Even when a cruise company acquires another company, they will often keep the name and ambience of the acquired company in order to retain the company base (Cartwright, R., Baird, 1999). In this manner, large corporations develop specific international brands that serve particular market segments. As early as 1974, the British company P&O, when acquiring the

North American operator Princess Cruises, kept the original name that was well known in the US. By keeping the Princess name they were able to expand into the North American cruise market. Other companies made similar moves as it was considered common practice for large companies and corporations entering new markets when acquiring well positioned companies on specific market segments.

Powerful branded names help cruise companies to attract different segments of passengers and increase sales. Growing the business internationally is critical to the company's future. In comparison with international tourism, the world cruise industry is showing pronounced dynamic growth. In the period 1995-2007 the number of cruise passengers increased by 188%, from 5,72 to 16,50 millions.

Cruising has become a mass phenomenon and increasingly more passengers worldwide are choosing this form of vacation The world has become a global destination, for today, all regions are included on cruise itineraries.

Table 2: International Demand for Cruises 1995-2007

	1995	2000	2002	2003	2004	2005	2006	2007
N. America	4,35	6,88	7,64	8,19	9,11	9,96	10,52	-
Europe*	1,00	2,06	2,40	2,71	2,83	3,30	3,41	4,00
RoW**	0.,37	0,78	0,97	1,05	1,13	1,21	1,60	-
Total	5,72	9,72	11,01	11,95	13,07	14,47	15,52	16,40

*Including Russia and Eastern Europe countries outside the EU-25 and EEA

** Rest of the world

Source: Contribution of cruise tourism to the economies of Europe (2007), prepared by G.P. Wild (International) Limited and Business Research & Econimic Advisors, February, pp 5; European Cruises, Travel & Tourism Analyst No.14 (2007), Mintel International Group Ltd, London, pp 3; 2020 vision: on target for 30m passengers, says new research, www.cruisecommunity.com/ Headlines.asp, 05.02.2008; European Cruise Council, Statistics and Markets 2007, www.irnresearch.com/index.php?/main/content/download/201/721/file/ ECC2007%20Stats%20and%20marts%202007.pdf, 12.06.2008.

CONCLUSION

The cruise market today has the features of a global market. The growing economies of scale, global economic restructuring and the new deterritorialization of tourist destinations, capital and labour force have enabled cruise companies to make cruising affordable for the average consumer. The growth in tourist trends, which are taking on global features, leads to changes in customer behaviour and demand. Over the past 10 years, the industry has responded to extensive market and consumer research that has guided the addition of new destinations, new ship design concepts to reflect the changing vacation patterns of today's market. The cruise companies have been dominated by product innovations and branded names to attract different segments of passengers and increase sales. They use powerful brands to differentiate their product, to develop their business on international markets, to attract loyal and profitable customers and to build an internationally renowned corporate image. The use of multibrand approach has numerous advantages: enables better market segmentation, offers companies the chance to attract larger shares of specific target markets, helps to develop loyal customer and to extend their operations on the global market. Sailing the sea for pleasure has become a mass phenomenon and a greater number of passengers are selecting this kind of vacation.

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IMPACT OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) AND THE CHANGING OF TOURISM DISTRIBUTION (TD), IN THE GLOBAL CONDITIONS.

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Abstract

The travel and tourism sector has emerged as one of the most important sectors for developing, as well as developed countries. Tourism incorporates many of the features of the information society such as globalization, mobility and information richness. People from all nations, social rank, professions are potential tourists.

Tourism links a worldwide supplier community with consumers, equally distributed worldwide. Its physical and virtual networks enable worldwide travelling, bringing together very distant cultures and habits. The industry is diverse and the size of tourism principals varies from micro to global enterprises. While some are fragmented, other parts, like the airlines, are concentrated into an oligopoly of global alliances.

Information systems (IS) in tourism have been among the pioneers of leading edge technology applications: Computer Reservation Systems (CRS) or Global Distribution Systems (GDS) have been among the first international inter-organizational systems. Yield management systems are among the most advanced data mining applications.

Tourism marketing systems typically represent the forefront of multimedia and virtual-reality applications. The World Wide Web (WWW) is profoundly changing the production, distribution and consumption of touristic products. Information and Communication Technology (ICT) is probably the strongest driving force for changes within the tourism industry. Both industries are not only growing above average, they will also be among the most important industries in this century. Being closely interrelated and intertwined.

The first part of the paper presents a structural view, identifying the different types of players, the nature of the tourism business and tourism product.

The second part gives a general introduction to the relationship between ICT and tourism and provides some empirical evidence of importance of tourism in the e-commerce sector.

The third part gives a detailed account of the current transformation in the travel and tourism market.

Keywords: Tourism, Distribution systems, E-commerce

The travel & tourism industry and its structure

Tourism has a significant economic impact, on a global as well as on a local level, which is underlined by statistical evidence from several official international organizations. We do not, however, discuss the quality of these numbers and the precision of the methods used. Travel and tourism constitute a higher portion of the value of exports than any other sector excluding petroleum, petroleum products and motor vehicles, parts and accessories.

Travel and tourism is a hybrid industry. More than other services, tourism services are increasingly dominated by information, however the core product is in almost every case a physical service. These services are produced and consumed in a physical world and embedded in a rich, locally coloured context.

The challenge for the industry is to provide a seamless integration of information and physical service, with flexible configurations of the physical and the informational parts. The informational support of a journey – composed of a potentially complex set of interrelated elements – can vary considerably. ICT facilitates mass customization of tourism products - complex and flexible bundles of tourism offerings can be configured and knowledge management tools enable individualized marketing to customers.

The functional and structural view of the tourism and travel market differentiates between the supply and demand side and the respective intermediaries. Links mark the relationships as well as the flow of information. It only depicts the most relevant links. The relevant types of players in the field are as following: on the supply side we denote with primary suppliers enterprises like hotels, restaurants, etc, which are mostly SME-s. About 95.5% of the enterprises are very small (1 to 9 employees). Half of the employees in this segment work in very small businesses (1 to 9 employees); a further 15% are one-man enterprises. Only about 10% of the employees work in large enterprises of more than 250 employees. (Werthner et al 2004).

Primary suppliers also contain other enterprises such as cultural or sport event organizers, which demonstrate the integrative role of tourism. This group normally acts in the local context of a destination, either regionally or nationally defined. With respect to a functional differentiation these locally acting companies are on the same level as the international big players like airlines or railway companies.

Tour operators can be seen as product aggregators, i.e. they produce a new product by combining basic products or components. Travel agents can be viewed as information brokers, providing the consumer with relevant information and booking facilities.

Computerized Reservation Systems/Global Distribution Systems (CRS/GDS) cover airline offerings as well as other tourism relevant products such as packaged holidays, and other means of transport. They provide the main links to tour operator systems and to travel agents.

Dotted lines between other transport operators indicate that, for example, railway companies are not as well organized as airlines and normally not linked to CRS/GDS, whereas on the other hand car-rental companies are well represented. Whereas the intermediaries on the right side can be seen as the professional and commercial link between supplier and consumer – the link also denotes financial flows – the left side is relevant for destination management, planning, administration, marketing and branding of a destination. In most cases, these entities have to act on behalf of all suppliers within a destination and are not involved in the booking process. The links to governmental bodies are dotted lines in order to indicate that these Destination Marketing and Management Organizations (DMO) are also often governmental organizations.

Tourism as information product

Due to structural reasons, tourism is an information business (Schertler 1995). It is constituted by a difference: leisure activities presuppose the existence of their opposite, namely the existence of regulated and organized work. For tourists, the visited places are free of work; services are supplied that liberate the consumer from their daily burdens. Tourism destinations are places, where tourism attractions are assumed to be unique, different from the everyday environment.

The differences of time and space imply that tourists have to travel to the place of consumption, they are normally not able to test the product in advance, and they have to agree upon the contract before consuming the product. Like services in general, tourism services are consumed at the very time they are produced.

The tourism product is based on social interaction between the supplier and the consumer, where the quality of the product is mainly defined by this interaction. A priori, the specific qualities of the product are not clear. At the moment of decision making and the related contractual agreement, only an abstract model of the product, e.g. its description, is available. Thus, decision making and consumption are separated in time and space. These distances can only be overcome by the information about the product, which can travel,

which is available in advance and which can be gathered by the consumer. Thus, the tourism product is a confidence good - a comprehensive assessment of its qualities a priori is impossible. This characteristic requires information on both, the consumers' and suppliers' sides, entailing high information search costs and causing informational market imperfections (Williamson 1985). These, in turn, lead to the establishment of specific product distribution and – comparably long – information and value-adding chains.

Information intensity of production processes

While the output of business processes is communicated to the market in terms of product information flowing to the potential customer, the underlying operations and decision-making processes themselves are also based on market information. This information is mostly represented in statistical aggregates in the form of summaries, trends, or forecasts about market behaviour and competitors' performance. Both, downstream and upstream information flows create a tourist information network tying together all market participants and, apparently, reflecting the economic relationships between them.

Thus, information flows between the different participants of the tourism market. The figure represents a value chain with respect to information; each player in the chain adds a specific information i.e. value, which eases the decision for the consumer. An improved flow of information along the links as well as an improved information generation reduces the risks, on both sides of the network, for the consumer and the suppliers. In addition, the product aggregation and consolidation process is information intensive. Products have to have well defined interfaces so that they fit together, with respect to the consumer needs, prices and distribution channels.

The bundling process is complicated by the fact that the tourism product is a variable and versatile product. Basic products can be embedded in different aggregated products i.e. a hotel may be combined with different travel arrangements or additional arrangements such as sport or cultural events. It can be sold to different consumer groups, if the product attributes and the consumers' interests can be mapped onto each other. This process is also based on information and, which is equally important different representations may result into different products e.g. the same hotel may be sold as one well suited for elderly persons or as golf hotel, given that it is adjacent to a golf course. Both, the variability and the aggregated character qualify tourism products as complex and explanation intensive i.e. consumers typically need information, explanations and advice.

Trends in consumer behaviour

At the same time consumer behaviour is changing, in tourism as in other industries. As part of a general trend, tourists:

- Seek more individual offers, self- enrichment; better immediate information about the product and the destination, better service
- Want more specific offers both with regard to content as well as to the entire arrangements
- Are becoming more mobile and critical, more brand aware but less loyal.
- Are more price sensitive, comparing more and more offers
- Tend to take more but shorter vacations, and decide later leading to decreased time span between booking and consumption
- Are more knowledgeable about international travel
- Make decisions later, reducing the lead time
- Have access to the Internet to obtain instant, in – depth information and booking
- Have access to low cost international air travel

As a consequence, the market becomes more segmented, with each potential consumer belonging to different segments at the same time. However, ICT plays an important role in coping with these challenges in tourism. By facilitating the nearly unrestricted dissemination of tourist information - worldwide networks, multimedia, etc - market participants and especially consumers get better access to product information, giving rise both to, global visibility of destinations and a global merging of market segments. This increase in distribution competition accelerates business processes and spurs the dynamics of innovation,

calling for improved utilization of ICT at the management level.

Tourism and ICT

The focus of e-business engagement in tourism is on customer-facing activities, i.e. primarily e-marketing and e-sales. Online booking and reservation services have been widely accepted among consumers and business travellers. Yet, in all other e-business areas the tourism sector is below the weighted average for 10 sectors - such that food and beverages, textile industry, publishing and printing, pharmaceutical industry, machinery and equipment, automotive industry, aerospace, construction IT services and tourism.

The diffusion of basic ICT infrastructure lags behind other sectors. Most IT-laggards can be found among micro and small enterprises, which are much more important than in other sectors, given that SME-s clearly dominate the tourism sector. The availability of e-skills on the labour market for tourism is still a problem. Small and micro enterprises searching for personnel with e-skills face significant difficulties in hiring qualified staff.

The automation of internal business processes is less crucial for a service sector such as tourism in comparison to the manufacturing sectors. The application of ICT solutions such as Enterprise Resource Planning systems (ERP) is significantly lower than in other economic sectors. This indicates that most of these expensive and complex applications are tailored to large enterprises and the majority of SME-s in tourism, still consider a manual handling of such tasks sufficient.

Online purchasing is a relatively well-used application in the tourism sector.

Tourism companies buy online more often and purchase more of their supplies online than firms from other economic sectors. Yet, they are less likely to use specific ICT solutions for their e-procurement activities within their companies. Instead, they are more likely to use services offered via sales solutions of suppliers or offered on e-marketplaces or trading networks. In general, e-marketplaces seem to be much more important than in other economic sectors. They are heavily used for e-procurement as well as for e-sales.

Overall, ICT remains important in the competitive advantage argument. There is enormous customer-driven demand for e-business products and services, and the trend is that demand will continue to rise. Therefore investment in e-business applications needs to be encouraged and supported.

E-business has fundamentally changed the daily operations of Destination Management Organisations (DMO-s). Due to their internal structure, destinations may be considered as some kind of virtual enterprises, which are predestined for the use of collaborative e-business applications. ICT may support the internal coordination and e-marketing and online sales of services provided within the destination. DMO-s may operate destination portals on the internet enabling them to provide direct contacts between tourists and service providers, thereby superseding traditional intermediaries such as travel agencies. In fact, DMO-s may evolve into e-intermediaries themselves.

As the European tourism market has emerged into a buyers' market, a more customer-centric approach by tourism companies would be highly beneficial. The application of CRS is emerging as a promising measure. Currently, mainly large companies such as airlines and hotel chains are using sophisticated CRS systems, while most SME-s in the tourism sector work without CRS. Thus, destination cards may prove to be an enabling solution for CRS systems, however the conceptual design and strategic arrangement will determine the success of such card solutions.

Mobile e-services may serve tourists conveniently while travelling and at the destination during their stay. While most established e-commerce applications deal with customer needs in the pre-trip phase, there is a lack of applications serving the tourist on-the-spot. Some e-commerce applications are already available, but the quality of their contents, the technological implementation and the usability of such services varies considerably. The market for mobile services is still immature and sustainable business models need to be developed. Yet, especially location-based systems may provide suppliers of such services with a unique selling proposition, and destinations promoting such innovative services may gain a competitive advantage.

Policy implications of ICT

There are still a number of tourism enterprises completely refusing to engage in e-business. Often, these IT-laggards lack the basic ICT infrastructure. Initiatives to raise the awareness of the potential benefits of ICT and e-business may help to overcome such barriers. Policies supporting the roll-out of broadband infrastructure may also prove highly beneficial. The same is true for education policies which should try to include e-skills in vocational curricula and foster respective training activities for tourism staff, as well.

Another field for policy action is the support of standardised internet-based systems. In contrast to existing Computer Reservation Systems (CRS) and Global Distribution Systems (GDS) tailored for large enterprises, new systems may open up opportunities for applications in an open network like the internet, which may be more adequate for SME-s. Yet, many e-marketplaces set up barriers due to different standards used. Thus, projects targeting the standardisation and enhancing the interoperability of all sorts of web services for the tourism sector should be supported.

Furthermore, policies should encourage initiatives for networking and cooperation in e-business. It is fundamental for SME-s to form networks with other players in the market to satisfy the needs of customers, which have become more demanding and empowered by the internet. Policy measures should stimulate the participation of SME-s in business networks targeted at cooperation in daily business, training activities and the transfer of know-how.

ICT has played an important role in previous phases of the development of modern tourism. Computerized Reservation Systems (CRS), developed and operated by airlines in order to cope with the increasing volume of passengers and the related logistic and operational problems, were among the first worldwide applications of information technology, leading to systems with several ten-thousand participating companies. At that time, comparable applications

could only be found in the financial sector. The diversity of the tourism sector places high demands on IS support and the performance of IS systems. These demands reflect:

- Global markets and the salience of destinations
- High volume of transactions and customized products
- Structured, standardized data as well as multimedia representations
- Importance of intra- and inter-organizational systems
- All different types of customers - consumers, SME, large companies-fragmented and concentrated markets

Today, tourism is among the most important application domains in the World Wide Web. Estimates state that approx. 33% of Internet transactions are tourism-based, based on a Delphi study with 50 participants from the three Albanian speaking countries, estimates that within the next 10 years 30% of the tourism business will be Internet based. Growth estimates show a steady growth over the next years. So hotel and rental car bookings will grow accordingly.

The reasons for the prominent position of travel revenues on the Internet are:

- The sheer volume of overall revenues
- The salience of rich and topical information for customers
- Tourism suppliers address a global audience and almost every Internet user is a potential customer
- Intense competition on the Web among incumbents and new players has led to the emergence of numerous leading Web sites, which offer a wealth of multimedia information and efficient transaction support

On balance, we see a combination of structural properties of the tourism industry and its product, intense competition and a swift adaptation of attractive customer segments to electronic transactions. The basic infrastructure will contain: the physical layer based on the Internet protocol; and common services such as user authorization, information coding – cryptography - and billing procedures.

Specific services and applications will cover a wide range of support functions for customers:

- Generic e-commerce procedures like electronic payment and clearing

- Specific procedures like product search and negotiation
- Mediation and facilitation services, providing transparent access to Information sources and applications like reservation or aggregation servers, and to personalized tools for planning means

The new market place

Tourism players from all segments of the market pursue online market strategies, and try to enter this already crowded and competitive market: especially airlines, CRS/ GDS and hotel chains. The technology not only enables direct access to the consumer –Internet- but also improves the internal information flow and cooperation processes -Extranet. Internet applications become their electronic interface to the world, where services are defined from a supplier and a consumer perspective. The new structure shows intermediation and disintermediation processes at the same time, giving birth to new, exclusively Internet service providers.

Trend towards stronger networking

The tourism industry is largely dominated by small and medium-sized enterprises (SME-s). To survive in an increasingly competitive and global environment, tourism enterprises have to achieve economies of scale and scope in order to reduce transaction costs, increase productivity and gain market power. There has been a general trend towards network relations among various service providers, in order to offer new products and services that increase the profitability and further develop the attractiveness and competitiveness of the destination and/or enterprise, by better responding to changing tourism demand. As more and more guest interaction is handled over the internet, enterprises are dependent on each other to cooperate in networks for realising the maximum benefits of e-business.

Disintermediation and re-intermediation in the travel and tourism industry

Faced with increasing competition and price pressure, all major airlines have set up Web sites through which they also pursue direct sales strategies. While some of them have been cautious not to alienate their established distribution partners, e.g. Lufthansa, which is running monthly ticket auctions as a marketing event and promotion for the Web-site which also features direct booking, others, e.g. Delta Airlines, are aggressively pushing the direct sales channel, up to the point that Delta has attempted to impose a penalty fee for all non-online bookings.

Traditionally, travel agencies and tour operators have been playing a key role in the tourism sector; however, the wide adoption of ICT in the tourism industry is transforming the role played by these enterprises. It seems that their physical importance is being diminished by direct-to-customer business models based on the internet. To work against this development, more and more travel agencies extend their services by online booking portals and act again as an intermediary between the final producer and the tourist. Some players have changed their business model completely by focusing exclusively on the internet, e.g. Travel24.com which saves costs by distributing information and sales on the internet, without the need to run sales offices. Furthermore, there is a noticeable trend towards a change in the booking behaviour of tourists due to different expectations of experienced tourists and the request for individualisation. Today, experienced tourists are increasingly planning and creating their own vacation packages on a modular basis through direct bookings on platforms or directly on the companies' websites.

New intermediaries: online booking servers

More important and potentially more dangerous for travel agents is the emergence of so called online booking servers. They act as a kind of virtual travel agent or even travel supermarket providing booking facilities for air, hotel, car rentals, or holiday packages, as well as many additional information retrieval services. With respect to the tourism value chain they can be regarded as new intermediaries, setting up an additional distribution link from the CRS/GDS to the consumer, bypassing travel agents. The cooperation agreements with CRS/ GDS follow from the fact that the latter are the only electronic systems available which supply both a worldwide product set as well as the necessary reliable functionality.

Traditional tourism players like Sabre with Travelocity or THISCO with Travel Web run some of these booking servers while others have been set-up by new entrants like Microsoft with Expedia. The sheer size and attractiveness of the travel and tourism market combined with lowered entry barriers has attracted new entrants from outside the traditional tourism market, especially from companies from the media and ICT field such as Bertelsmann or Microsoft.

These companies appreciate the huge interest from the consumer's side in tourism applications in the Internet and want to exploit the possibility of linking users to other Internet services offered. They provide multimedia content and Internet mediating transactions to earn money. Since tourism is an information business, it fits well with their know-how and business processes. These companies perceive tourism as one of the most important application fields for emerging electronic markets. While, for many years, the tourism market has been characterized by a high level of regulation and little external competition, this situation has changed fundamentally and we have seen new entrants rise to major players during the past four years.

The list of the top travel sites, i.e. Expedia ITN, Preview Travel and Travelocity, demonstrates the dominant US position. These servers have enormous annual growth rates, for example As a major way to increase Web traffic nearly all these servers follow a strategy of distribution deals with portal sites. The strategic goal of these companies is to be among those that will occupy a strategic position in this future market. This strategy, however, requires ongoing major investment. This competition and comparability implies a permanent innovation in the field of technology, tourism products and business processes. Moreover, since tourism is one of the main application fields of the www, it is often a test field for new technological developments. This will further increase the competition. In consequence, further financial linkages with economical powerful companies, either from the tourism field or from outside, can be expected.

New infomediaries – agents of the customers

In addition to direct sales (disintermediation) and virtual travel agents or supermarkets, innovative business models have emerged on the Web that combines the notions of flexible pricing and customer advocacy (Hagel and Singer 1999). Travel Bids e.g., runs reverse auctions, in which customers specify their travel plans and travel agents bid to fulfil them. Priceline portrays itself as a demand collection system. Customers can specify their preferences including the price. Priceline then advertises these binding offers to airlines who can decide whether they want to fulfil this additional demand at the customer's price.

Systems like Priceline are focusing on specific product characteristics of tourism products in general and schedule flights in particular: The products are perishable and the marginal cost for an additional traveller is very low. The infomediaries have strategically positioned their applications in order to generate benefits for customers and suppliers which are not feasible in a direct sales model.

They:

- Reduce coordination and communication cost for buyers and sellers
- Generate volume for the suppliers
- Pool homogeneous demand in order to give individual customers access to suppliers' volume discounts
- Improve the likelihood for order fulfilment for the customers
- Separate or even isolate the coordination mechanism from other sales and distribution channels and by this way limit spill-over effects of price discounts
- Operate with varying levels of transparency

The role of destinations the electronic tourism market

Destinations still have major problems in closing the loop, beginning with the planning process and ending with the booking for private consumers. This is on one side due to the specific political and organizational constraints, but is also due to a widely missing agreement upon a business as well as a cooperation model for an entire destination (Froschl and Werthner 1997).

Most of the destination sites are purely information servers, booking is mostly not supported. Interestingly, those destination systems supporting booking could avoid conflicts with private companies by applying various cooperation strategies. However, these systems are confronted with a further problem: they do not cover the entire product range, most importantly the flight segment. In order to create real competitive tools for marketing and selling, destinations will have to tackle these issues. Destinations could take advantage of this development, assuming that they are able to deliver. Further concentration can be foreseen, due to this complex marketing situation as well as the speed of technological change. Players will cooperate and compete at the same time.

Destination Management and Marketing functions including:

- Branding and image
- Marketing campaigns to drive business, particularly to SME-s
- Unbiased information services
- Operation / facilitation of bookings
- Destination coordination & management for visitor's quality of experience involvement in the daily operation
- Visitor information and reservations
- Strategy, research and development
- Training and education
- Business advice
- Product 'start- ups'
- Events development and management
- Attractions development and management

There are three drivers of change in DMO marketing:

1. The central role of technology for everyone:

- Consumers
- Intermediaries
- Businesses

2. Demanding consumers

3. Commercial players:

- Operating in your space, where once only you operated
- They need income so they are customer focused
- They have effective distribution
- And they don't stand still – always refining and improving

Also, there are nine keys to future success in destination e-business

- Reach as many potential customers as possible
- Maximise the lifetime value of customers, by maintaining the relationship
- Create a compelling website experience
- Maintain high quality content
- Deliver sales, directly or indirectly
- Offer customises packaging
- Engage tourism business, to deliver the inventory
- Demonstrate return on investment- performance evaluation and benchmarking
- Ensure effective electronic distribution of information to travellers and visitors, including location based services

Conclusions

While deregulation, technical innovation and globalization structure in the telecommunications industry has led to a process of multiple new entrants, followed by concentration and differentiation, we hypothesize a similar development in the travel and tourism industry. Foreseen can be a further specialization, focusing on different services, but also an integration of the various players and products by a common technological infrastructure. This development is similar to that which has already occurred in the industry with the appearance of the CRS/GDS. They provided a common platform to reach the

market, i.e. at that time only the travel agents. There are, however, two crucial differences to that historical situation:

1. Whereas the CRS/GDS had and partly still have the power to put through common standards, these are missing in the new market place.

2. The Internet provides a comparatively cheap technology for all players to participate in the electronic market place and to access directly private households, leading to the described complex market situation without standards. This makes the harmonization issue an important task. New intermediaries might fill this void and provide these services.

Future competition in the –electronic- tourism market place will be characterized by the efforts of the players to exploit technology to facilitate organizational responsiveness and learning as well as customer relationship management by:

- Using the infrastructure for enforced marketing efforts, generating user interest by specific services
- Being able to move in the quickly changing industry network, finding the balance between cooperation and competition
- Developing a strategy for knowledge management and permanent learning
- Permanently adopting to and using technological developments
- Maintaining customer relationships, based on sophisticated user and interface tools
- Monitoring ongoing trends and relying on advanced AI tools for product development and innovation

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TOURISM AND NATURAL RESOURCE MANAGEMENT IN ALBANIA. THE CASE OF NATIONAL PARK OF LLOGORA

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Abstract

In recent years, is growing awareness among tourism researchers of the relations between tourism and natural resource management . Seemingly new forms of tourism, such as nature-based tourism, ecotourism, and sustainable tourism, now are advocated as an environmentally safe basis for economic development in many rural locations worldwide. There is a large interest in these new forms of tourism because of decreasing timber harvests and increasing recreation on national forest lands, and the resulting impacts of these changes on local economies.

These new forms of tourism are promoted as an environmentally safe way for rural communities to generate income from natural resources. They are advocated particularly in developing countries because many developing countries possess a comparative advantage over developed countries in their ability to provide relatively pristine natural settings. Affluence, education, and environmentalism all contribute to increasing visitation to wild lands and generate income for local communities through the expenditures of tourists such as lodging, transportation, food, guides, and souvenirs. Demand for these new forms of tourism, it is argued, arises from increased concern or interest in unique and fragile ecosystems and a growing desire to travel to new and exotic places, and an increasing number of people who have the financial means to do so.

This paper discusses the concepts of nature-based tourism, ecotourism, and sustainable tourism; provides a general overview of research and issues; and suggests potential areas for future research. The intent is to provide a general overview of existing literature to serve as a primer for researchers and policymakers initiating more thorough investigations of tourism and natural resource management.

Keywords: Nature-based tourism, ecotourism, sustainable development, outdoor recreation.

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Introduction

Tourism development commonly has been advocated as an alternative to traditional natural resource-based economic development, such as timber production, agriculture, and mining. Recently, many advocates of tourism have promoted seemingly new tourism concepts, such as nature-based tourism, ecotourism, and sustainable tourism among others. These new forms of tourism are promoted as an environmentally safe way for rural communities to generate income from natural resources. They are advocated particularly in developing countries because many developing countries possess a comparative advantage over developed countries in their ability to provide relatively pristine natural settings (Cater 1993). Affluence, education, and environmentalism all contribute to increasing visitation to wild lands and generate income for local communities through the expenditures of tourists such as lodging, transportation, food, guides, and souvenirs (Laarman and Sedjo 1992). Demand for these new forms of tourism, it is argued, arises from increased concern or interest in unique and fragile ecosystems and a growing desire to travel to new and exotic places, and an increasing number of people who have the financial means to do so.

Research interest in these new forms of tourism has surfaced in the Albania partly because of decreasing timber harvests and increasing recreation on national forest lands and the resulting impacts of these changes on local economies. Supply and demand projections for outdoor recreation suggest that quantities demanded will exceed supply for many activities including wildlife observation, primitive camping, backpacking, and nature study. New forms of tourism also are closely related to outdoor recreation, which has been a management objective of national forests since their inception. Published literature about tourism is extensive and international. Although this overview draws on much of the existing recent literature, it is not an exhaustive review of that literature. Rather, it includes a significant body of literature sufficient to serve as a primer for researchers and policymakers initiating more thorough investigations of the relations between tourism and natural resource management. Increasingly, terms such as nature-based tourism, ecotourism, and sustainable tourism among others, have been used by tourism researchers to characterize specific types of tourism and to qualify specific ranges of tourism-related issues. Several studies devote significant attention to defining these different tourism concepts and their implications in relation to tourism (a few examples include Backman). This paper is less concerned with debating the nuances of the different concepts than it is with suggesting what different tourism concepts imply about relations between tourism and natural resource management. At times, the terms nature-based tourism, ecotourism, and sustainable tourism seem to be used almost interchangeably. Other less commonly used terms include green tourism and alternative tourism. Among many researchers, however, each term implies a specific concept motivated by concern about the environmental, social, and cultural impacts of tourism.

Absent additional qualifiers, nature-based tourism seemingly could include what many would view as fairly mainstream tourism development ranging from large hotel and restaurant franchises intended to serve the needs of nature tourists for such activities as whale watching from cruise ships and visiting popular sites such as Yellowstone National Park. Most of the literature however, qualifies nature-based tourism as being specifically concerned with the conservation or preservation of the “nature” on which the tourism is based. For many researchers , it is this qualification that distinguishes ecotourism from nature-based tourism.

Typical services offered at ecotourism destinations might include local arts and crafts, guided hikes and wildlife viewing, publications, natural history lectures, photography, and local food. Revenues are generated from fees for these services, as well as natural area user fees and local expenditures for hotels, restaurants and bars, and transportation services (Seidl 1994). The Ecotourism Society defines ecotourism as “travel to natural areas to understand the cultural and natural history of the environment, taking care not to alter the integrity of the ecosystem, while producing opportunities that make the conservation of the natural resources beneficial to local citizens” (Wood 1993). Orams (1995) argues that ecotourism must provide more than mere enjoyment; it must foster changes in the attitudes and behaviour of tourists about the protection of natural resources. The qualification that ecotourism not harm the natural environment raises the issue of sustainability and the additional concept of sustainable tourism.

Ecotourism precludes more intensive exploitation of natural resources in rural areas or developing countries by providing economic returns that exist as positive incentives to local residents who are enlisted in natural resource protection .In this view, non tourism industries generally are portrayed as exploitative and degrading to natural resources, whereas tourism generally, and ecotourism specifically, are advocated as ways to capture natural resource use and non-use values. According to this view, non tourism industries must be controlled and ecotourism promoted.

Some researchers view the tourism industry itself as exploitative and degrading to natural resources as well as indigenous people and cultures. According to this view, the development of tourism is what must be controlled to sustain natural resources and cultural attributes on which tourism depends. This view of sustainable tourism, as Hughes(1995) notes, arises from dissatisfaction with present principles and practices of the tourism industry as a whole .

Researchers also have discussed ecotourism in the context of the tourism life cycle (Butler 1980). The general idea is that a relatively undeveloped location initially may attract a few adventurous tourists seeking pristine nature and

In-digenous cultures. As tour operators and related service businesses recognize the market potential of a location, the local tourism industry expands, and the location becomes more developed. The expanded local tourism industry may continue at the location, but the initial tourists, originally attracted by the undeveloped features of the location, move on to other locations that remain undeveloped and pristine.

Wall (1994) suggests that ecotourism is characteristic of the early stages of the tourism life cycle. Ecotourism relies on a place to look and feel pristine, but once a place is "spoiled," the ecotourism industry must search for the next undiscovered and pristine landscape or culture. In effect, ecotourism acts against the goals of ecotourism (Haenn1994).

Research and Issues: Economic Impacts, Economic Values, and Market Segmentation

Measuring the economic impacts of tourism and outdoor recreation has received considerable attention in academic literature. Economic impacts generally are examined within a cost benefit framework (Dixon and Sherman 1990) with the benefits measured by using expenditure surveys combined with input-output analysis. Travel cost or contingent valuation methods also are commonly used to place dollar values on natural areas or marginal changes in their characteristics (Bostedt and Mattsson 1995).

Measuring economic impacts or values derived from tourism necessitates differentiating between the economic benefits derived from the various forms of tourism. One of the problems in determining the economic impact of ecotourism, for example, is knowing what is meant by the term (Tisdell 1996). Differentiating between economic benefits derived from ecotourism and those derived from general tourism can depend on how each is defined.

When ecotourism is defined less restrictively, as simply tourism derived from nature preserves, parks, or refuges, researchers tend to assume that all economic impacts derived from those natural areas are ecotourism-derived impacts .

Economic impacts are measured by using expenditure surveys of tourists visiting those areas. Tourism expenditures assumed to be generated by a particular natural area may be reported for a well-defined geographic area or combined with input-output analysis to describe secondary impacts (Kanters and Botkin 1992).

An alternative to surveying tourists is surveying local businesses and residents. When ecotourism is defined more restrictively and confined to particular types of tourism activity or particular types of tourists, researchers attempt to segment tourists into the categories of eco tourist and general tourist. One approach identifies eco tourists as those individuals pursuing recreational activities that are assumed to characterize ecotourism.

Economic impacts might then be based on the economic value of specific outdoor recreation activities. For example, studies have estimated the economic value of wildlife viewing , bird watching , and white water recreation ,among other activities . Another approach confines ecotourism to tourists possessing certain attitudes or motives. Attitude or motive-based segmentation combines surveys of tourists with factor and cluster analysis to segment tourists according to their trip motives or socioeconomic characteristics .This method has been used to segment eco tourists from general tourists (Wight 1997) and eco tour operators from non eco tour operators (Bottrill and Pearce 1995).

Segmentation can be used to disaggregate expenditure ,travel cost, or contingent valuation survey results into ecotourism and general tourism economic impacts. Segmentation also can be used to evaluate how preferences for site management differ among eco tourists and general tourists .Selecting an appropriate method for segmenting different types of tourism and tourists depends on the location and situation of interest. Focusing on specific natural areas may be appropriate in some cases, whereas focusing on different types of tourists may be appropriate in others. Some tourists may visit one location to escape commercial development, whereas others may expect typical tourist services offered by national franchises. Different tourists may differ in their spending and rates of visitation. Individual trips might take on characteristics of ecotourism at some times and characteristics of general tourism at others (Lindberg 1991).

Recognition of different types of tourism and tourists, the economic impacts different tourists generate, and the use and non use values they hold with respect to their tourism experience

can have important implications for how tourism economics research is conducted.

Perhaps the greatest proportion of published ecotourism literature presents case studies examining political, social, economic, and environmental issues related to tourism development in specific locations .

National political and economic priorities can dominate regional or local priorities, thereby leading to national policies that are incompatible with sustainable tourism development (Tosun 1998). In other locations, predevelopment and preproduction roles might be reversed. Disagreement may exist between national protection interests and the economic development aspirations of local communities. Sustainable tourism advocates may not always agree with local residents. What sustainable tourism advocates may see as potential conflicts between tourism development and natural resource protection, local residents may see as desirable economic development. Failure to involve communities in tourism development decisions along with an inability of policymakers to form an integrated regional vision can be obstacles to sustainable development (Ioannidis 1995). Progress toward sustainability most likely occurs in communities that recognize the potential costs and benefits of tourism and are willing to take a proactive approach in its planning and management (Godfrey1998).

Planning and Development

Collaboration is a common theme advocated for successful ecotourism development. Cooperation and coordination between public and private sectors are important. Several case studies describe integrated roles of natural resources management agencies, tourism service industries, government agencies ,and local communities as important factors leading to successful ecotourism development. Many studies advocate the need for community involvement and outline community-based tourism development strategies .Community involvement can be impeded by disagreement over the level or type of tourism development desired (Wyllie 1998). It can be difficult to discern whether tourism development is an appropriate alternative to other types of economic development in different locations (Joppe 1996). A potential problem of basing a local economy on tourism is that tourism injects money into the economy without producing more goods for people to consume. This can result in local price inflation, which is worsened by the presence of tourists who increase demand (Seidl 1994). For many communities, tourism will have a limited growth potential. Economic activity based on tourism and recreation can suffer significant seasonal variability (Keith and others 1996). Ecotourism is subject to fluctuations owing to ups and downs in the trendiness of given destinations and modes of travel (Seidl 1994). Local residents also may face significant opportunity costs associated with restrictions on local resource use, whereas the benefits of protection may not be readily apparent. Tourism should be viewed as part of an overall economic and environmental plan that includes other industries.

Researchers argue that overdeveloped or unsustainable tourism results from the open access nature of natural resources on which tourism is based (Lindberg 1991, Steele 1995). Overdevelopment can result in damage to natural resources and reduced enjoyment by tourists because of congestion and site degradation. Steele (1995) argues that problems derived from open access can be remedied if control over the resource is assigned to governments, local communities, or private entities who can restrict access.

Assigning control to one entity, however, can lead to other problems. For example ,governments may feel compelled to maintain open access as a service to the public(Lindberg 1991). Development of seemingly sustainable tourism also can lead to unsustainable tourism development if tourism businesses are unable to resist the temptation to increase visitors (Weaver 1995). Economic incentives often run counter to preservation and favour development (Backman and others 1994). Tourism development also potentially can spark desired or undesired growth in non tourism sectors.

The usefulness of such prescriptions for ecotourism likely are dependent on specific circumstances of specific locations.

Establishing Criteria for Success

National forests and other public lands undoubtedly have played a role in attracting tourism in many communities located near them, by providing significant outdoor recreation opportunities in

relatively undeveloped settings. Much of this tourism fits within new nature-based tourism, ecotourism, and sustainable tourism concepts. Many of the issues and concerns that motivate interest in new forms of tourism are consistent with the traditional conservation-oriented multiple-use objectives that have characterized national forest management. Although recreation and tourism research address many similar concepts and issues, little integration exists between the two. Increasing recognition of the role of national forests as tourism destinations may imply a need to expand traditional outdoor recreation planning to include inquiry into the economic, social, and ecological impacts of tourism .An important factor in tourism development is whether natural or cultural resources exist on which to base a tourism industry. New tourism concepts, such as ecotourism ,may require natural areas or cultures that are relatively unique or pristine. Economic feasibility depends on a site having a marketable product (Seidl 1994). Not all locations are sufficiently unique to draw tourists. If a location is a less popular or highly specialized destination, there can be risks involved in developing a reliance on tourism (Anderson 1991). Poor accessibility owing to remoteness or inadequate transportation systems can constrain tourism growth. Some communities may be unable to provide or develop necessary complementary tourist services. Different scales and types of tourism development may be appropriate in different locations. Some communities located near national forests or other public lands likely possess comparative advantages in offering relatively undeveloped natural areas potentially of interest to tourists seeking outdoor recreation opportunities. Whether their comparative advantages in tourism exceed those in other natural resource-based industries is not always clear.

Evaluating the existing and potential role national forests can play in attracting local and regional tourism likely would aid national forest managers in natural resource planning .In addition to the natural resource endowments provided by national forests, how those endowments are managed will significantly impact the numbers and types of tourists that will be attracted. Traditional multiple-use objectives of national forests may be incompatible with certain types of tourism. For example, it is plausible that certain types of tourists may be unwilling to accept any signs of intensive forest management for commercial timber production. Locations that can enhance or maintain their relative environmental quality will improve their comparative advantage over other destinations (Farrell and Runyan 1991). Also, certain recreational activities may be incompatible with others, thereby resulting in conflicts between different tourists seeking different forms of recreation. Hikers may be at odds with off-road vehicle users, hunters may be at odds with birdwatchers, and motorized boaters may be at odds with non motorized boaters. Accommodating every type of tourist may be infeasible in every location. Tourism planning may require aligning forest management with the preferences of tourists in specific locations.

Evaluating National Forests as Tourism Resources Forest Management Impacts on Tourism. The case of National Park of LLogora

Recent literature on tourism tends to differentiate between mass tourism, which is viewed as environmentally and culturally destructive, and alternative forms of tourism developed on a smaller scale so as to minimize adverse impacts to local environments and cultures. These alternative forms of tourism, it is argued, provide local residents greater employment opportunities, maintain a greater share of economic benefits within the local area, and result in less negative impacts (Hampton 1998). In contrast, mass tourism is associated with large-scale, high-density accommodations, contrived attractions, seasonal markets, and limited benefits to the local economy with minimal concern for carrying capacity and a lack of local involvement (Weaver 1995). One advantage of tourism development on a larger scale, however, is the ability for local government agencies to control accommodation standards and recoup tax revenues through licensing, which is more difficult with more fragmented and small-scale tourism development (Carey and others 1997). Different types and scales of tourism development imply economic, social, and ecological tradeoffs.

Virtually any kind of tourism activity will result in some impact to natural resources somewhere (Cater 1993, Hunter 1997). Despite strong ethical and environmental motives, ecotourists still are seeking primarily pleasure and entertainment. A successful tourism industry in one area may not fit in another. In considering if tourism development is appropriate in a given location, the comparative advantages of different types and scales of

tourism development need to be evaluated. Social, economic, and ecological constraints need to be identified. Successful tourism development will depend less on how tourism is labelled than on the natural endowments in given locations and the existing infrastructure, local expertise, and community support necessary to complement those endowments. Studies could address what types and scales of tourism development are appropriate in certain locations from economic, social, and ecological perspectives.

In recent years, there has been increasing interest in charging user fees for access to public lands. Revenue can be made both by entrance fees charged to tourists and by use permits charged to businesses offering tourist services such as guided tours on public lands. Fees can help public agencies recoup the costs of natural resource management and reduce congestion at certain sites by creating economic disincentives to visit. Entrance fees to parks and natural areas frequently are set below amounts visitors are willing to pay and below amounts required to finance park budgets (Laarman and Gregersen 1996). Low fees often persist because of a lack of information regarding site demand, and potential impacts of charging higher fees often are unknown (Lindberg and Johnson 1994). Pricing potentially can lead to greater efficiency, fairness ,and environmentally sustainable nature-based tourism (Laarman and Gregersen1996). For national forests, this may imply setting user fees that are sufficient to capture positive unprized benefits derived from forest resources.

Evaluating Economic, Social, and Ecological Tradeoffs National Forest Fees and Local Economic Impacts

For local communities, however, a significant socioeconomic factor in tourism development is the proportion of tourism income that can be captured by the local economy .Such income is generated through employment in tourism-related services such as food and lodging, gasoline, local tour guiding, and sale of souvenir and outdoor recreation equipment. Charging access fees to public lands potentially reduces visitation and can result in adverse economic impacts to local communities where access to public lands is a primary attraction. User surveys incorporating contingent valuation, travel cost, or other methods could be used to provide information about the impact of fees on rates of visitation. Such studies could be combined with economic impact assessments within local communities to describe different fee levels in terms of potential local economic impacts. The fiscal benefits of access fees on public lands could be evaluated within a broader context to include the tourism industry in which public lands are a part .National forests likely will have an increasingly significant impact on tourism in communities located near them. The role the Environmental Agency intends to play in tourism development in local communities is not clearly defined. Should the agency be more actively involved in local tourism development planning? Are there types of tourism the agency should encourage or discourage?

How would the role of the agency differ depending on local economic, social, and ecological conditions, and in relation to economic diversification, community resiliency ,and economic dependence on public lands? These likely will be some of the questions confronting researchers and policymakers in the future.

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CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IN SMALL- TO MEDIUM-SIZED TOURISM ENTERPRISES (SMTES) OF THE EASTERN CAPE PROVINCE, SOUTH AFRICA

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Abstract

The democratic election of South Africa in 1994 brought about political liberation for the majority of South Africans on a path of renewal and transformation with the tourism industry widely regarded as a strong economic driver. Although the tourism industry has some large organizations, the sector is numerically dominated by SMTEs (Tassiopoulos, 2008). The Eastern Cape Province is no exception where SMTEs play a crucial role in developing the economy and creating new opportunities.

The 2007 Skills Audit and Tourism Human Resources Strategy for South Africa revealed that service excellence was one of the most crucial ingredients in developing sustainable tourism growth. The audit further highlighted the need to urgently develop a customer service programme and transform South Africa into a globally competitive service economy and destination choice. The Travel and Tourism Competitiveness Report 2008, ranked South Africa 60 out of 130 countries overall, and revealed that the country ranked 118 out of 130 countries in terms of Human Resource development and was a cause for concern in providing service excellence.

Competition among SMTEs, according to Tassiopoulos (2008), has never been greater than it is today. It is emphasised that SMTEs must find a competitive edge by focusing on quality. Customers are vital to all SMTEs and therefore meeting customer needs and providing service excellence are important keys to business survival and prosperity. CRM can help businesses enhance their customer relationships by attracting customers that are more profitable and establishing stronger and more durable customer relationships. Ozgener and Iraz (2006), highlight that CRM transform organizations into customer-centric enterprises that maximize the value of every customer and therefore underpin CRM as currently one of the hottest topics in the fields of business strategy, marketing management and information technology. The literature on CRM clearly points to how CRM activities will make SMTEs more sustainable by sales staff developing a closer customer relationship, thereby increasing customer loyalty because of more efficient service.

While there are many factors that cause SMTEs to fail, this study is aimed essentially towards improving the survival role of SMTEs in the Eastern Cape Province, by focussing on the appropriate CRM for SMTEs. This paper reviews the existing CRM literature and identifies and analyses the characteristics of the SMTE service excellence business models. This paper aims to examine the relationship between SMTE service excellence and CRM in the Eastern Cape, as well as to identify the characteristics of CRM for sustainability among SMTEs. The importance of the issues for a developing tourism economy in the Eastern Cape is vital. Further, it reviews the opportunities and challenges SMTEs are facing when managing CRM. The outcome of the above-mentioned research would eventually lead to the creation and validation of a CRM model for SMTEs.

Key words: SMTEs, CRM, service excellence, competition, South Africa.

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Introduction

The 1994 democratic election of South Africa brought about political liberation for the majority South Africans on a path of renewal and transformation. The South African tourism sector has shown a worldwide annual growth of 5%-6% (BCM: Annual Report, 2007/2008) and is widely regarded as a strong economic driver in South Africa.

SMTEs play a crucial role in developing the tourism industry, and creating new work opportunities. National policy frameworks have been introduced to support SMTEs because they are recognized for their potential to improve the economy. Tassiopoulos (2008) defines tourism entrepreneurship as activities that create and operate legal tourism businesses (that operate on a profitable basis and seek to satisfy the need of tourists). Numerous governments and policy-makers according Tassiopoulos (2008) now rely on tourism for economic regeneration and strategic local development. SMTEs key role is recognized by governments and international organisations such as the WTO and European Commission. In a recent study, conducted by DEAT (2007), it was indicated that established SMTEs overwhelmingly dominate the local tourism economy. The study further revealed that although many established SMTEs have been in operation pre-1994; there has been a surge of new SMTEs to take advantage of opportunities linked to the tourism boom of post-1994 period. The hospitality sector (food, beverage and accommodation) represents the largest sub-sector of the tourism industry with 67% of the employers and 77% of the employees. SMTEs have a major role to play in the South African economy in terms of employment creation, income generation and output growth. It is estimated that more than 12 million people in South Africa are actively involved in the SMME sector and account for approximately 60% of all employment in the economy and 40% of output (BCM : Annual Report, 2007/2008). According to Tassiopoulos (2008), the largest proportion of SMTEs in South Africa, consists predominantly of white-owned SMTEs that operate a host of different establishments from travel and touring operations, restaurants, small hotels, self- catering and resorts, game farms, bed and breakfasts or backpacking hostels. There is an emerging black-owned group of enterprises, which constitutes a mix of formally registered micro-enterprises as well as a mass of informal tourism enterprises. Virtually all tourism offerings are intangible, and therefore it becomes important how it is delivered to the consumer, i.e. the level of customer service. Relationships with customers cannot be sustained if there are any problems with the quality of the offering. George (2008), states that in tourism marketing the delivery of service is the primary measure of quality. The quality of the offering must live up to the claims made by marketers. It is important to make customers feel special and make them feel that the organisation has chosen to provide them with attention.

Many developing countries, including South Africa experience a general culture of poor service in the tourism industry (Keyser, 2006). Furthermore, there is little interest in delivering service or going that extra mile to satisfy customers. The problem is that service is often exacerbated by high prices that do not match quality of service offered. Many owners of SMTEs are either ignorant of customer expectations or lack exposure to market requirements. Powers and Barrows (2006) assert that quality service is service, that “consistently meets and exceeds customer expectations.” Exceeding customer expectations results in a perception of high- quality service. Failure to meet expectations results in the customer’s perception of quality being relatively low. Further, since service is perception-based, the true measurement rests with the individual customer. Haahti (2003) outlines the strategic core processes that determine much of the core competence and its competitive edge in SMTEs as:

- Understanding the needs, wishes and choice behaviours of guests and potential customers in order to create profitable business relations. This includes targeting, segmentation and positioning. It also means the beginning of the co-creative process of understanding your customer, where the ideas of experience manuscript are collected, chosen and written to meet the choice objectives of the customer and the profitability objectives of the company.
- Meeting the guest is the critical encounter between the guest and the host or representative of the host. For customers it may be the main source of stress, ambivalence and risk before getting to know a new place.
- Staging the experience, providing the services, and selling the products that augment the experience are dependent on the structures and processes that are used to create and support the experience staging. It offers innumerable possibilities for delighting and trust building in the relationship.
- The management structure, including information technology and management processes, create the context and conditions for a successful experience. The first three core processes are dependent on the quality of the management processes in forming of the experience value chain.
- The management of the quality of the experience needs to be submerged in the design and staging for evaluation.

Customer service is anything that an enterprise does to enhance the customer experience. This means meeting their needs and exceeding their expectations. It is about being polite, friendly and caring to customers. Delivering quality customer service is an important strategy for any SMTE in South Africa to survive and grow.

South Africa has good potential for development of the tourism sector and it is within this context and because of its coast and the many natural attractions, the Eastern Cape Province is seen to have good potential. Whilst the tourism sector is growing, there is a clear responsibility of ensuring that previously disadvantaged individuals are also benefiting from the sector. The need to develop community based tourism products and supporting emerging tourism SMTEs to facilitate transformation has become an urgent matter.

Sustainable growth of SMTEs has become a challenge; hence the question of how to manage growth of SMTEs is an important one. The strategies an entrepreneur implements, or does not implement, will determine whether a business will survive, and also to what extend it can expand (Tassiopoulos, 2008). In South Africa, tourism has become fiercely competitive business, and in the light of transformation, numerous windows of opportunity have opened for entrepreneurs in the tourism industry. There are opportunities in the development of manufactured attractions, for example monuments, theme parks, waterfront developments, zoos, parks, game reserves, arts and crafts galleries and cultural tourism. Support services such as catering, tourist guides, marketing and training could also offer good opportunities for entrepreneurs. The fields of entertainment, restaurants, shebeens (township liquor outlet and pub), coffee shops, tea gardens, acting, traditional dancing and music offer just a few of the many opportunities (Tassiopoulos, 2008).

The tourism industry is becoming more professional with increasing emphasis on quality management and greater responsiveness to discerning customer expectations. This raises pertinent issues for the sustainability for SMTEs. Limited research on SMTE profiles has been indicated (Tassiopoulos, 2008). It has been found that SMTEs are characterised by family run businesses, managers have few formal qualifications, limited previous experience in tourism and further that SMTEs have very low levels of capital investment that possibly impacts negatively on quality.

Seasonality of demand is a major factor affecting the viability of small tourism and hospitality enterprises, especially in rural and remote areas. Seasonality of demand is normal, often resulting in cash-flow problems, low profitability, and the necessity of relying on family members as staff (Tassiopoulos, 2008).The marketing challenge for products affected by seasonality is to produce revenue during off-peak times. Tourism suppliers try to even out the use of products or to create demand for their products during off seasons (Keyser, 2006). The use of CRM in SMTE would assist with issues regarding seasonality.

Recently, South Africa’s Department of Environmental Affairs and Tourism (DEAT), highlighted service excellence as a strategy, and emphasized that customer service is one of the critical skills because there has been a lack of underlying service ethos that prevails across the board in the country. These statements stem from a competitiveness rating, whereby South Africa was rated number 62 out of 124 countries that were assessed. Van Schalkwyk, Minister of

Environmental Affairs & Tourism (2008) revealed that an audit undertaken to examine skills levels, indicated that service excellence was one of the most crucial ingredients in sustainable tourism growth. The audit also highlighted the need to urgently develop a customer service programme and transform South Africa into a globally competitive service economy and destination choice.

The Eastern Cape Province is no exception where SMTEs play a crucial role in developing the economy and creating new opportunities. Poor service levels standards were identified as one of the barriers that need to be addressed to facilitate tourism-related product development in the Eastern Cape. Nelson Mandela Bay Tourism's research indicates that service levels in restaurants were below par. Further, there was a skills shortage among tourism organizations, municipalities and communities in management and implementation (Porter, 2008).

Tourism is a human capital-intensive industry, where skilled service orientated people are the backbone of the sector. Soft skills of business etiquette, customer care and service culture are not manifesting according to the Tourism Business Council of South Africa. Indeed, this highlights the importance of all partners in the tourism service value chain to commit to service excellence. The business environment needs to be nurtured where service excellence is firmly entrenched in the culture, policies, processes and mindset of country leaders and service providers. As a business philosophy, CRM is the most significant development in the evolution of marketing since the 1960's. It enables the marketing, sales and service functions to be truly integrated, company priorities to be clarified and resources to be more planned and cost-effectively deployed. Customer-driven business management should be embraced by all functions at all levels (Burnett, 2001).

Customers are a vital asset of any organization. Increased global competition in recent years has forced many organizations to become more customer orientated. Decreasing customer loyalty has led to the emergence of concepts that focus on nurturing of relationships to customers. Major changes have been noted in the way companies organize themselves, as businesses switch from product based to customer –based structures. A key driver of this change is the advent of CRM that is underpinned by information and communication technologies (Ryals & Knox, 2001) as in Ozegener & Iraz (2006).

Shajahan (2004) define CRM as the process of managing the detailed information about individual customers and carefully managing all the customer "touch points" with the aim of maximising the customer loyalty. CRM is an active, participatory and interactive relationship between business and customer. The objective is to achieve a comprehensive view of customers, and be able to consistently anticipate and react to their needs with targeted and effective activities at every customer touch point. To survive in the global market, focusing on the customer is becoming a key factor for SMTEs. It is known that it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase. Hence, customer retention is essential to SMTEs because of their limited resources (Ozgener & Iraz 2006). CRM is the strategic application of people, processes and technology to improve and sustain profitable relationships with customers and partners. The Eastern Cape of South Africa faces serious challenges in endeavouring to remain sustainable as there is a high failure rate of SMTEs in the province.

Research objectives of this paper

Based on existing generic CRM theory and models, the aim of the study is to develop a SMTE-specific CRM body of theory which contributes toward sustainable business practices in the South African tourism industry. It is against this background that this literature review will be conducted with the objectives outlined hereunder:

1. To examine the existing literature on CRM in SMTEs in general.
2. To review the opportunities and challenges that organizations, particularly, SMTEs that are dealing with CRM and how this can impact on sustainability.
3. To contribute to the body of knowledge concerning the appropriate form of CRM for SMTEs.

Literature review

Tourism is a highly competitive industry, with many SMTEs in South Africa offering similar types of

offering. One of the ways that an SMTE can gain an edge over the competition is by providing their customers with excellent service. Therefore, as an SMTE, it is imperative for one to identify what customers' needs are and meeting of those needs. The characteristics and challenges of SMTEs have received considerable attention from governments and academic researchers since the late nineties. The task of satisfying customers in services is much more difficult than it is for the manufacturer of a product (Tassiopoulos, 2008).

Customer service management

As SMTEs increasingly understand the value of forming profitable long-term relationships with their customers, the appropriate forms of CRM is well placed to aid with the growth of SMTEs (Kumar and Reinartz, 2006). The traditional CRM solutions have focused on building competitive advantage for enterprises in terms of products, services, pricing and distribution, but the new and evolving view focuses on building sustainable competitive advantage for SMTEs.

Sustainable competitive advantage can be defined as the ability to deliver superior value to the market for a protracted period of time (Du Plessis, Jooste & Strydom, 2001). Superior value according to these authors refers to the fact that consumers of a product or service must be convinced that they are getting something of value for their money. The real heart of an organization, like the heart of any SMTE, will be your customers, and therefore good treatment of customers is vital to any SMTE. The focus of all tourism organizations, whether small or large, is to provide customers with what they want. Providing excellent customer service will help achieve a high level of customer satisfaction and will encourage customers to return, and to recommend the SMTE to other people (Tassiopoulos, 2008).

A SMTEs ability to remain in business is a function of its competitiveness and its ability to win customers from competition. Cook (1992), states that as competition become more intense, many SMTEs have realised that they cannot compete on price alone. It is in these marketplaces where SMTEs have developed a strategy of providing superior customer care to differentiate their products and services. Time is extremely important in the competitive world. Small businesses should be proactive and take the lead (Van Aardt,Van Aardt, Bezuidenhout & Mumba, 2008).

The evolution of computer and communications technology, particularly the Internet and database software, has shifted the balance of power from producers to consumers. Customers now launch transactions. Customers can find valid information about SMTE products, including price, availability, features, and delivery times on the Web. Customer management processes must help the company acquire, sustain, and grow long-term, profitable relationships with targeted customers (Kaplan, 2004).

Kaplan (2004) highlights that customer management consists of four generic processes:

- Select customers: Identify customer segments attractive to the enterprise, craft the value proposition to appeal to these segments, and create a brand image that attracts customers in these segments to the company's products and services.
- Acquire customers: Communicate the message to the market, secure prospects, and convert prospects to customers.
- Retain customers: Ensure quality, correct problems, and transform customers into highly satisfied "raving fans."
- Grow relationships with customers: Get to know customers, build relationships with them, and increase the company's share of targeted customers' purchasing activity.

Customer management strategies should include execution along all four aforementioned processes. Kaplan (2004) asserts that many organizations pay too little attention to retaining customers. They treat sales as transactional events, avoid contact with their customers after the sale, and fail to measure whether they retain them for future business. A key strategy in the marketing approach (Cooper & Hall, 2008) is to build relationships across the marketing networks of an organization. Cooper & Hall (2008) define relationship marketing as creating, maintaining and enhancing strong relationships with customers. Relationship marketing differs from transactional marketing because it takes a longer-term view, emphasizes the relationship and not the transaction and focuses on trust, partnership and research into the characteristics of the customers. Cooper & Hall (2008) highlight that the keys to success is the judicious identification of customer groups and that tourism organisations must recognize that regular customers are not

always profitable, instead relationship building will engender true loyalty. In turn this will deliver organizational growth and profitability for the organization because customer acquisition costs are reduced. Relationship marketing can be viewed as a fundamental business philosophy leading to genuine customer involvement and co-creation.

The integration of Internet technology and rapid improvement in information technology facilitated the growth of CRM; however, CRM is clearly not only about technology, whereby enterprises look for a software quick fix without examining a clear CRM strategy. Just as building a house first requires an architectural plan, successfully implementing CRM must be preceded by a sound CRM strategy. Kumar and Reinartz (2006) advocate a customer-centric business philosophy, whereby the customer is treated as an asset and the focus is shifted away from the product to customer as the source of wealth generation. Hence, it is important to actively deepen the knowledge about customers and use this knowledge to shape the interactions between an enterprise and its customers in order to maximise the lifetime value of customers for an enterprise.

Benefits of CRM

Ozgener and Iraz (2002), highlight the SMTE benefits of CRM to include the following:

- Gathering and integrating information on customers.
- Nurturing and maintaining company's customer base.
- Increasing customer satisfaction.
- Declining customer acquisition costs.
- Ensuring sustainable competitive advantage.
- Maximising profitability due to increased sales.
- Increasing customer loyalty as a result of more personal and efficient service.
- Enabling micro-segmentation of markets according to customers' needs and wants.
- Collaborating with customers for joint value-creation.
- Acquiring well-accepted outcomes of data-mining activities.
- Supporting effective sales effort through better management of the sales process.

Van Aardt et al (2008), maintain that CRM can be beneficial in that it can be a competitive advantage. Further, it improves customer care and provides memorable experiences for the client. Gerson (1996), states that high quality customer service is as a much marketing tool for your business as it a management approach or philosophy. Service quality improves your marketing because it motivates customers to tell others about you. The least expensive way to acquire new customers is through word-of-mouth referrals. Good service also improves and makes management easier, because everybody is committed to satisfying the customer.

Morphitou (2008) maintains that to survive in today's dynamic marketplaces, SMTEs clearly need to establish strategies that can survive the turbulent changes in the market environment. The need for CRM is underlined by the following three observations:

- Some customers are more profitable than others, while others can cost a SMTE money
- Loyal customers are more profitable- new customers cost 5 to 10 times more to acquire
- Customers expect relationships- SMTEs rarely provide them

The need for CRM in small business

The success of a business derives from satisfying the needs of all stakeholders, namely, customers, shareholders, employees, suppliers and the community at large. Of these, the most pressing demands come from customers. If customers are regarded as an important asset for a company, CRM is undoubtedly a necessary tool to attract and retain this valuable asset (Zeng, Wen and Yen, 2003). The future of CRM is largely decided by three factors:

- Market. Since markets are becoming saturated and communication channels delivering marketing messages are more saturated, customers are demanding to have a different relationship with suppliers from the traditional sales model. This makes CRM more important than ever due to the change of marketing model from traditional product-centered to current customer-centered.
- Technology. The future successful SMTEs will be those which focus their main efforts on the research of what customers want, how to better meet the customers' needs, and how to keep customer loyalty and retention. CRM is a business system for acquiring and retaining customers. A good CRM system of a SMTE should be integrated with the appropriate technology to provide a differentiated service for retaining the customers.
- Economy. The cost of losing profitable customers to competition is very high and is unlikely that once lost the customer will return. This poses a challenge for CRM and thus makes CRM especially important for customer retention and loyalty. A CRM system is also able to provide information regarding who your customers are and what they buy. CRM, from this perspective, is a typically value-added activity and it largely helps the SMTE to increase the revenue and reduce the sales cost (Zeng et al, 2003).

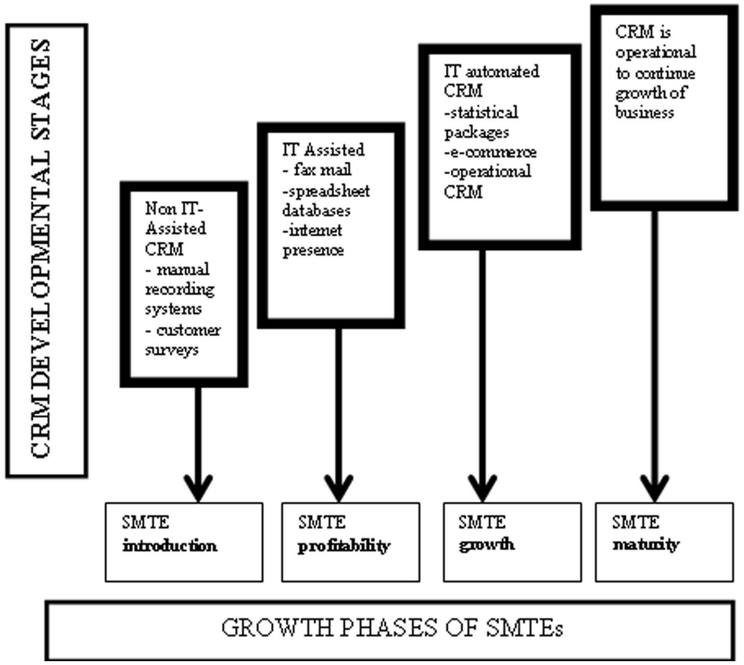
It is impossible to ignore the striking similarities between CRM and relationship marketing. Relationship marketing is based on the idea that the happier a customer is with a relationship, then the greater the likelihood they will stay with an organization. There is also strong evidence that customer retention and profitability are correlated. Relationship marketing is about attracting, maintaining and enhancing customer relationships (Light, 2003). CRM is a highly fragmented and means different things to different people. One view of CRM is the utilization of customer related information or knowledge to deliver relevant products or services to customers (Bull, 2003). While such definitions are widespread, they tend to offer a narrow insight into the goals or basic characteristics of CRM.

The question of how to manage growth is an important one for the SMTE owner, as growth of an SMTE is inextricably linked to the phase of CRM development. Figure 1 illustrates the SMTE growth phases linked to CRM development stages. Hence, it is important to look at the key stages of growth of an SMTE and thereby understand the appropriate stage of CRM to be implemented.

As an emerging discipline, CRM is in great need of theoretical assistance. Guiding theories and models are in short supply in the field, probably due to the fact that it is a new area for research. The stages can be determined by the level of IT employed and the sophistication/ integration of the information system used in the enterprise (Stefanou & Sarmaniotis, 2003). The developmetal stages of CRM are as follows:

- The first CRM development stage is the preliminary, non-IT assisted stage. Enterprises belonging to this stage have a very limited or no use of IT as far as managing customer relationships are concerned. Customer surveys and manual recording systems are generally used.
- The second CRM development stage can be linked to the growth phase of the SMTE. IT-assisted CRM, predominately a manual process that uses IT to enhance the SMTE-customer relationship and analyse customer-related data is used. Enterprises belonging to this stage are expected to have some Internet presence and manage effectively and efficiently customer satisfaction and complaint behaviour.
- The third CRM development stage can be linked to the take-off leading to the maturity of an SMTE. Generally, IT-automated CRM, which emphasizes customer interaction by using a number of technologies, such as the Internet and telephone/computer integration is used. Enterprises belonging to this stage have active Websites, engage in e-commerce aimed at business processes optimisation and sales force automation. Processing of customer requests, orders, and management of customer accounts are expected to be timely and accurate and generally at a high level of efficiency.
- The fourth CRM development stage can be linked to the decline phase, enterprise needs to modify its operations to maintain profitability. Integrated CRM (i-CRM) is used here, leading to customer personalisation and high level of service and customer satisfaction. At this stage, enterprises employ sophisticated CRM information systems providing highly integrated back-office, front office and Internet functions.

Figure 1: an integrated conceptual model of CRM



Source adapted from: Tassiopoulos (2008), and Stefanou and Sarmaniotis (2003)

The proposed CRM model, as depicted in figure 1, specifies the basic parameters of the various CRM development stages in the context of various growth stages of SMTEs. CRM initiatives require vision and every employee should understand the purpose and changes that CRM will bring at a particular growth stage of an SMTE. Re-engineering a customer-centric business model requires cultural change and the participation of all employees within the organisation (Chen & Popovich, 2003). Thus, employees must also come to terms with changing business processes and culture in order to serve customers better.

Winer (2001) asserts that CRM is the new "mantra" of marketing. The traditional focus of marketing was the acquisition of new customers; however, this has shifted to customer retention (Light, 2003). Relationship marketing emphasizes building relationships that lead to customer retention and long- term customer loyalty, in juxtaposition to traditional transactional marketing, in which making a one-time, immediate sale to the customer is the primary goal (Fjermestad and Romano Jr., 2003). Further, it has been shown that a small increase in retention (5 percent) can yield a 95 percent increase on the net present value delivered by customers. Relationship marketing is in contrast to 4Ps marketing: product, price, place and promotion that emphasize attracting businesses, but less so retaining businesses (Buttle, 1996; Gummesson, 1999) as in Lindgreen (2004). 4Ps marketing is also known as traditional marketing or transaction marketing.

Problems and challenges of CRM

Zemke & Woods (1998), assert that the purpose of the SMTE is to create a mutually beneficial relationship between itself and those that it serves. While the owner has to be concerned with profit, a strong focus on profits will not guide one as to what is needed to generate profit, however, figuring

out how to best serve customers is required. The fact is that being more concerned with profit than customer needs is at the heart of poor management and the cause of many problems for organisations. The rise of consumerism and laws that protect consumers demonstrates, Peter Drucker (1993), as in Zemke & Woods (1998) has observed, "that not much marketing (effectively serving customers) has been practiced." Drucker also reminds us that profit is not a goal but "a measurement of how well the business discharges its functions in serving market and customer". This clearly demonstrates that profit and customer service are intimately related. The organisation's profit is a measure of the value and quality of the service it delivers to customers.

The promise of customer relationship management is captivating, but there is sufficient evidence to support the notion that in practice it can be perilous. CRM allows companies to gather customer data swiftly, identify the most valuable customers over time, and increase customer loyalty by providing customized products and services. It also reduces the costs of serving these customers and makes it easier to acquire similar customers and makes it easier to acquire similar customers down the road.

A popular question that arises in CRM literature is: Why do CRM initiatives fail so often? Research conducted by Rigby et al, (2002) suggest that the one reason CRM backfires is that most executives simply do not understand what they are implementing, let alone how much it costs or how long it will take. Further, their research indicates that many executives stumble into one or more pitfalls while trying to implement CRM. Rigby et al, (2002), highlight four pitfalls to be avoided:

1. Implementing CRM before creating a customer strategy. Effective CRM is based on good old-fashioned segmentation analysis. It is designed to achieve specific marketing goals. To implement CRM without conducting segmentation analyses and determining marketing goals would be like trying to build a house without an architectural plan.

2. Rolling out CRM before changing the organization match. A CRM rollout will succeed only after the organization and its processes- job descriptions, performance measures, compensation systems, training programs etc have been restructured in order to better meet customers' needs.

3. Assuming that more CRM technology is better. Customer relationships can be managed in many ways, eg, motivating employees to be more aware of customer needs. Merely relying on a technological solution, or assuming that a high-tech solution is better than a low-tech one, is a costly pitfall.

4. Stalking, not wooing customers. Relationships are two-way streets. Failure to build relationships with customers who value them, one is bound to lose these customers to a competitor.

The philosophical bases of CRM are relationship marketing, customer profitability, lifetime value, retention and satisfaction created through business process management. Anton (1996), Couldwell (1998) and Goldberg (2000), as in (Chen & Popovich, 2003), characterizes CRM as an integrated approach to managing customer relationships with re-engineering of customer value through better service recovery and competitive positioning of the offer and further depicts CRM as a combination of business process and technology that seeks to understand an SMTE customer from the perspective of who they are, what they do, and what they like. In fact, SMTEs have been repeatedly warned that failure is eminent if they believe that CRM is only a technology solution. A CRM strategy can help create new customers and more importantly, develop and maintain existing customers.

Morphitou (2008) asserts that CRM initiatives require vision and each and every employee must understand the purpose and changes that CRM will bring. Re-engineering a customer-centric business model requires cultural change and the participation of all employees within the organization. Some employees may choose to leave and others will have positions eliminated in the new business model. Successful implementation of CRM means that some jobs will significantly change. Management must show its commitment to an ongoing company-wide education and training programme.

Gaps in the literature review

- The results of the study will have to be considered in the context of the South African and the Eastern

Cape SMTE sector where various dimensions have an impact. Some of these dimensions can be defined as the geographical location, size and composition of SMTEs, local and national policy affecting SMTEs, and the availability and access to support services and resources.

-Very limited studies on CRM in SMTEs has been conducted in general, particularly in the Eastern Cape of South Africa.

Research methodology

Research methodology according to Michael (2008) refers to the procedural framework within which the research is conducted, with the topic of research question being the primary factors when choosing the suitable research methodology. Given the focus of the existing diversity of CRM literature on enterprises in general and the sparse information available on the topic in the Eastern Cape, the secondary research will initially use the mainstream literature to develop an initial conceptualisation model. Thereafter, a triangulation approach combining qualitative and quantitative research will be used to further develop, redefine and validate the initial theoretical model. The philosophy of triangulation is that the weakness of one research method will be compensated by the counterbalancing strengths of the other. Further, there is strong support within the research community that research, both qualitative and quantitative, is best thought of as complementary and should therefore be mixed in research of many kinds (Michael, 2008).

Conclusions

The need to better understand customer behaviour and focus on those customers who can deliver long-term profits has changed how marketers view the world. Winer (2001), states that the ultimate goal is to transform relationships into greater profitability by increasing repeat purchase rates and reducing customer acquisition costs. The overall goal of relationship programs is to deliver a higher level of customer satisfaction than competing firms deliver. Research has shown that there is a strong, positive relationship between customer satisfaction and profits. Because customers have more choices today and the targeted customers are most valuable to the organization, customer service must receive a high priority. There is a clear lack of research on customer relationship management among SMTEs in the Eastern Cape, and this paper serves to set a new focus on customer services, as it is evident that SMTEs in the Eastern Cape.

Customer-centric knowledge management requires a positive attitude and a desire to extract value for the organization by managing customer relationships over time (Stefanou and Sarmaniotis, 2003). The organization, in order to really manage customer relationships, has to primarily develop a culture, motivating employees at all levels towards learning and facilitating them in capturing, selecting, using, and sharing knowledge by providing the means and the technology required to do so.

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PILGRIMAGES VERSUS TOURISM

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Abstract

After a chronological outline, I introduce some major concepts associated with pilgrimages based on the points of view of a number of authors. I argue there are two major groups, one characterised by spirituality and the other by academicism: the studies and analyses on the spiritual fundamentals of pilgrimage are usually written by clergymen and regard pilgrimages as an encounter between man and God; lay scholars generally regard pilgrimages as social sciences phenomena, basing their analyses on empirical data and according to the individuals who take part in them.

Further in my analysis, I attempt to establish the difference between pilgrimages and tourism, pointing out the fact that both church and lay scholars often make use of tourism and pilgrimage definitions: the former to distinguish the different phenomena; the latter in order to combine them.

After contrasting pilgrimage and tourism, I define the concept of religious tourism as found in the works of church and lay scholars. For church scholars, there are specific logistical aspects in pilgrimages connected with tourism, which are secondary to the main goal (the above mentioned encounter between man and God). Lay scholars stress the opposite, that is to say, the religious aspects that characterise tourist phenomena (pilgrims are seen as a tourist market segment).

The different scholarly approaches become more evident when we consider the focus of their studies. Scholars describe religious tourism on the basis of: the training of the authors; the evolution of the term (from pilgrimage to tourism); the growth of individual faith; the semantics of the term; the primary motivation of pilgrims, tourists and religious tourists; the image differentiation (tourist versus pilgrim); religious resources as tourist products; territorial and socio-economic impacts; management and promotion.

Key Words: Catholicism, Pilgrimages, Tourism, Religious Tourism.

Note – This paper is based on a chapter from the author's PhD (Ambrósio, 2006) and on chapter 6 in "Religious Tourism and Pilgrimage Management – An International Perspective", (Ambrósio, 2007).

Introduction

According to the information on Cooperation Shrines of Europe (s. d.), long before efforts were made to unite Europe economically and politically, and long before the flocks of tourists made their first appearance, men have crossed borders in order to reach the large places of pilgrimage.

For centuries, pilgrimages have been made by worshippers, and those were, in great part, responsible for the foundation of numerous lodging structures along the chosen roads, for the works of art in places of worship, and for the development of areas where the shrines were built.

Actually, for many Tourism industry agents, Religious Tourism is a new designation for pilgrimages, as those are understood in terms of economic flows, just like Sea and Sun Tourism, or Spa and Business Tourism. Just like these, Religious Tourism also sets off a complex system of intense territorial, social, local and regional economic transformations.

Catholic Pilgrimage - Spiritual Fundamentals

The pilgrimage concept based on spirituality is essentially defined as an encounter between Man and God. Mattoso (2000) writes that, through pilgrimage Man has been trying to contact the occult forces that enrich his existence. Pilgrimage exists in all or in most civilizations, being almost always integrated within religious practices and it is directed to concrete points, with marked itineraries, rituals and preferential dates.

The Papal Council for the Pastoral of the Migrants and Itinerants (1999) reinforces this idea, underlining that evangelization is the main reason for the Church to propose and to encourage pilgrimage, and to sanction it as a deep and matured experience of faith. For example, throughout the centuries, Christians have walked towards the places that resonate to 'the memory of God', or to those that represent important moments in the history of the Church.

Lived as a celebration of their faith, pilgrimage is for Christians a cultural event to be accomplished with fidelity to tradition, with deep religious feeling and as a performance of their paschal existence. Its dynamics reveals clearly distinct stages that are reached by pilgrims: the departure symbolizes a decision to 'move forward' on a 'path', in order to reach the spiritual goals of their baptismal vocation; the 'path' leading them to solidarity with others and preparing them for the encounter with God. The visit to the shrine invites them to listen to the 'word of God' and sacramental celebration, and the return reminds them of their mission in the world as 'witnesses of the salvation' and builders of peace.

Pilgrimage drives Christians towards a spiritual encounter and a renewal of their baptismal pledge. At the shrine, when they confess their sins, their conscience is challenged, they are forgiven and they forgive, and they become new creatures through the sacrament of the reconciliation, feeling the 'divine grace' and the 'divine mercy'. According to this enunciation, Chélini and Branthomme (1982) observe that, although the Church has not created the pilgrimage, it is nevertheless authenticated by the religious institution and organizes it in order to afford the pilgrims a larger spiritual elevation.

In reality, the theology of a pilgrimage centre is based on three pillars, or three dimensions of time: memory, presence and prophecy of God with men. Guerra (1989) suggests that in relation to the only and definitive past of the redemption event, the shrine offers itself as the memory of the origin of God; related to the present, it is delineated as a sign of the divinity, place of the alliance, where the Christian community regenerates and expresses itself; as far as future is concerned, it becomes the prophecy of the tomorrow in God.

The shrine is not simply the 'fruit' of human construction, steeped in cosmological or anthropological symbolism, but it testifies, above all, to the initiative of God in communicating to Man, with the goal of establishing with him the pact of salvation. In short, pilgrims go to shrines to invoke and to welcome the Holy Spirit, transferring it, later on, in terms of everyday actions. This includes the celebration of the sacraments at the shrine, expressions of prayer and the importance of the Eucharist as 'the centre of the life' in a sacred place.

Catholic Pilgrimage - Academic Perceptions

Academics regard pilgrimages as a social science phenomenon. They base their analyses on empirical data related to individuals who take part in them. The research insights of Vukoni'c (1996) observe that, since the time of the old mythologies and the emergence of religions, a believer's faith has been reinforced through visits to sacred places that will relieve them of their problems, either spiritual or materialistic. In this process, depending on the degree of the pilgrim's faith, they are prepared to begin shorter or longer trips and to satisfy their religious needs (which may accomplish an obligatory act of their religion).

In this sense, Mattoso (2000) considers that pilgrimage is incompatible with scientific rationality because pilgrimage encourages a dislocation in space and in time, with the obligation to follow the ritual of celebration within a group. Furthermore, it is viewed as more than 'a simple trip': it is a state of mind that is the result of a set of conditions that are determined by different societies. According to Mattoso, the visit to privileged places of pilgrimage reinforces the rituals and the conditions created by the nature and the distance from everyday and 'artificial' life.

For Voyé (1996), pilgrimages possess – besides the capacity to reconcile body and spirit – the capacity to implement national, regional and local identities, particularly in a world that 'suffers' from globalization. In terms of division into categories, pilgrimages for Chélini and Branthomme (1982) are classified according to the motivations that determine the departure: pilgrims' sense of devotion, spiritual improvement and, in its 'purest form', the perfection of the soul and the search for eternal salvation. The penitential pilgrimage, frequently imposed in medieval times by either the priest, the ecclesiastical court or the lay

judge, constitutes a more or less severe form of punishment for serious mistakes/crimes.

The request pilgrimage brings to the shrines, among others, the sick and infirm. Russell (1999) adds to this categorization that pilgrimage is a religious commandment: to attend a 'prayer encounter' with a religious leader, to testify or to participate in a religious ceremony or to go to a place where it is speculated that, in the future, miracles will take place.

In a more pragmatic perspective, Ambrósio (2000) observes that pilgrimage is not linked to a certain mark of civilization or to a certain form of thinking, or even to a socio-economic status. It contended that it is an act latent in each human being and comprises two aspects: a spiritual order and a practical order (of travel to a shrine, increasingly viewed as religious tourism).

Kaszowski (2000) suggests that pilgrimage has complex and interdisciplinary charactereristics in its essence, in that it is a religious act and that its study belongs to the research field of theology and other disciplines that deal with religion. Furthermore, as human activity it should be observed under social, historical, geographical, psychological, cultural, economical and legal perspectives, with its spatial and temporal concentrations. He emphasizes the matrix of interdisciplinary elements of pilgrimage in which culturally modified natural and geographical landscapes are transformed into sacred landscapes, altering, in this process, behaviours, habits and the mentality of local communities driven by regional differentiation. The mobility and migration of large groups of pilgrims has stimulated the development of destinations supported by technical infrastructures and services and legal regulation.

Another aspect of the study of pilgrimage is to understand the point of view of the pilgrim. According to Branthomme (1982), the pilgrim has to create the perception of walking a physical and moral path, i.e. not the one of everyday life; that this path, separated from everyday life will create unexpected risks and sacrifices, with the possibility of a vision beyond the routine of everyday life, a lucidity inspired by the sacred place of visitation, which provides a spiritual wealth.

Ostrowski (2000) suggests that pilgrimage and the fulfilment of religious acts require pauses, because these experiences are very intense. The suggestion is that the 'overcharging' of pilgrimage can result in the opposite of what is intended: the drive for psychic and spiritual 'hygiene' is necessarily entwined with the drives of the mundane, of human curiosity, of seeing new places, of meeting new people and even of the search for entertainment.

In his novel, Lodge (1997) suggests that it is possible to look at a pilgrim according to three phases of personal development, initially proposed by Kierkegaard: the aesthetic, the ethical and the religious. The aesthetic phase is typified by interest in the amusement and in the fruition of the picturesque and cultural pleasures that he/she can achieve along the 'path'. The ethical phase that confronts the pilgrim is, above all, a test of their psychic force and self-discipline, of the possibility of succumbing to temptation, and incorporates a very competitive attitude towards other pilgrims. The 'true' or 'religious' pilgrim is viewed as acting 'naturally' as a pilgrim, knowing instinctively how to engage in pilgrimage (it is worth noting that this categorization is not without its contradictions in that, in the Kierkegaardian sense, Christianity was 'absurd' because, if it were entirely rational, there would not be any merit in being a believer).

Finally, pilgrimage can also be viewed as a form of social grouping. Hitrec (1991) observes that this phenomenon is essentially a collective act during which, from a sociological perspective, pilgrims subscribe to the idea of unification inside the same religion. Reinforcing this idea, Boisvert (1997) affirms that there is also a shared social experience during pilgrimage in which pilgrims are able collectively, through a tradition of 'shared community', to enter a mythical realm outwith the temporal and spatial context of the pilgrimage.

Pilgrimage versus Tourism

Both church and lay scholars often make use of tourism and pilgrimage definitions: the former to distinguish the different phenomena, the latter in order to combine them. During the 1970s, with the increasing development of tourist activity, some church scholars felt that it was necessary to establish differences between these two forms of travelling.

For Gendron (1972), the tourist tries to 'find him/herself ' when he/she becomes free from the pressures that everyday life imposes, while the pilgrim departs to be close to God. In this division, the author considers that the religious tourist – as

any other tourist – travels to free him/herself from everyday life; although their 'convergence centre' is the divine place. In other words, the pilgrim is attracted by the shrine, by the proximity with the divine, but does not go exclusively to worship God. In this sense, Roussel (1972) verifies that a visit considered as a pilgrimage should be done with a devotional intention, it not being enough to be a simple curiosity stop or a tourist trip to a sacred place: it requires some form of adoration.

In opposition to this view is the one that there are no major differences between pilgrimage and tourism. Cohen (1974) sustains the theory that tourism is a kind of modern pilgrimage, although the reasons for undertaking the trip are more substantial than simply pure recreation and entertainment. According to the author, tourists move towards a destination that is a type of symbol of their desires and needs, just like a pilgrim does when he goes to a shrine looking for the satisfaction of his/her religious and spiritual aspirations.

In this sense, MacCannell (1976) defines tourism as a 'ritual of the modern society', considering the tourist a pilgrim who has to see the places where extraordinary powers are embodied (for example, in Europe he/she has to go to Paris, and in this city it is obligatory to visit Notre-Dame, the Eiffel Tower and the Louvre).

Turner and Turner (1978) also conclude that a tourist can be considered a semi-pilgrim if the pilgrim is considered a semi-tourist, adding that, when a person mixes themselves in an anonymous crowd of a beach, or in an agglomeration of believers, he/she is looking for a symbolic form of company, which 'removes' them from their daily life.

In 1981, Cohen reformulated his opinion, observing that although pilgrimage and tourism have similarities, they are different phenomenon: the elements in common consist of the temporary change of residence, in the departure to a chosen destination and in the search for other ideals. However, they differ in their characteristics, in the activities performed during the trip and/or during the stay.

In the ecclesiastical field, Guerra (1988) analyses visitors by considering the evangelistic function of the shrine, granting the most honourable term of pilgrim to those who know sufficiently the nature of the sacred place and obtain the inherent spiritual advantage from their trip. A second category is constituted by those who go to a pilgrimage centre, exclusive or mainly to engage in religious pilgrimage. The third and final category of visitors is the one constituted by tourists in which Guerra (1989) distinguishes pilgrimage from 'vulgar' tourism, arguing that the element that separates them is faith.

In the last decade of the 20th century, although some authors continued to insist on the demarcation between pilgrimage and tourism, many scholars (either ecclesiastic or lay) attempted to establish connections between the two phenomena. Bauer (1993) persists in the conviction that the image of tourism is linked to banality, frivolity and consumption, and conversely he considers pilgrimage to be associated with seriousness and commitment. This author reinforces his point of view defending that pilgrimage is not a tourist trip, but a spiritual retreat that demands 'sacrifice' and religious motivation, and perhaps viewed as a transcendental experience.

Bauer (1993) concurs with others authors who retain the term pilgrimage, (excluding the term religious tourism) because tourism and pilgrimage are two opposite conceptions of the world. Consistent with this view, Vukoni'c (1996) articulated the position of the Church during the International Christian Conference of Asia (Manila, 1981), where it was confirmed that modern tourism is not pilgrimage, because pilgrims 'step the sacred soil smoothly' with humility and patience, while tourists 'trample these places, photographing them, travelling with arrogance and in a hurry'.

A transitional approach articulated by Hitrec (1991) is that the characteristics of some human migration are rooted in religious motivations; this approach tries to connect and even integrate them into the definitions of tourism. Having in mind the spiritual framing and the religious conceptions of tourism, Hitrec (1991) paraphrases MacCannell (1976), advocating that while sacred places and objects are losing their sacredness, this can be offset by tourist trips that provide an opportunity to look for the authentic reality and the meaning of human existence.

In this sense, theologians declare that tourism is a way of connecting with the world of the 'divine creation', and that leisure time can be used for the spiritual enrichment and even for a moral rebirth. Furthermore, pilgrims will be interested in the natural and built environments (enjoying them as tourists). Smith (1992) still observes that

tourism and pilgrimage have both been defined as activities rooted in three operative elements (income, free time and social permission to travel); the social sanctions, or what society thinks is correct behaviour, as well as the prevalent philosophy based on socio-economics and policies also influence the conditions of free time and vacations.

In terms of shrines as the locus for 'believers' and religious tourists, Vukoni'c (1996) concurs with Cohen (1992) that these 'centres' are typically 'out there' – in other words, eccentric to population agglomerations and to mundane socio-political axes and, consequently, they tend to be peripheral and remote. In this context, the concentricity of pilgrimage 'centres' means that pilgrims travel towards the sociocultural nucleus of their society, while tourists travel from it to the periphery.

When the pilgrimage centre is eccentric (located in the sociocultural and geographical periphery of the pilgrim's society). the pilgrimage will be characterized by touristic aspects: the longer the distance of the shrine from population agglomeration, the stronger will be the tourist components of the trip. In this sense, Boisvert (1997) posits that pilgrims and tourists create a distance in relation to their places of residence, an estrangement that allows them to reflect on their own existence. Nevertheless, what characterizes pilgrims is their capacity to interpret their experiences as a form of personal transformation.

The burgeoning tourism literature has attempted to focus on the management and administration of pilgrimage sites as distinct from spiritual analysis, opting for a more pragmatic perspective. For example, Murray and Graham's (1997) article on Santiago de Compostela, in Galacia, Spain, verifies that pilgrimage to the Spanish city – the Camino de Santiago – relies on a complex dialectic of apparent contradictions and tensions with visits from different market segments (pilgrims, tourists, motorized travellers and walkers). They highlight the conflicts that appear because of the varying types of tourist activity within a sacred pilgrimage destination. In spite of differences, the authors agree with Nolan and Nolan (1992) when they observe that tourism and pilgrimage are not incompatible activities; consequently, the changes introduced in the meanings should not be connoted as negative, because it was tourism that reinvented the Santiago Trail, augmenting an ancient pilgrimage path with tourist resource within contemporary society.

Although some authors continue to highlight a division between pilgrimage and tourism, the concern of most specialists is to establish an intermediate category between the two phenomena.

In relation to the first group, one may observe that the authors who choose the division are, above all, the ones without connection to the tourism phenomenon, as in the case of Mattoso (2000): he persists in his view of the journey/pilgrimage as being distinct from tourism, an act of travel undertaken in a superficial way. Conversely, authors such as Liszewski (2000), when comparing pilgrimage with religious tourism, integrate the first phenomenon into the second one, although defending the maintenance of the traditional term (pilgrimage), since this has existed for many centuries.

Summary

The desire to peregrinate often surpasses the will of one's consciousness, that is, it is triggered by something, which is beyond the rational, which may be one's faith, attraction to the wonders or even superstition (Roussel, 1972). For those searching for God, the goal of going to a place where He revealed Himself is a natural thing. It is a deep instinct and leads the human being far away, as he is unable to find God next to him (Malherbe, 1992).

In fact, going to a place where the divine revealed itself shows a need for protection against daily vicissitudes. That need is expressed by personal worship, either in an isolated way, or more frequently, as part of a group.

In any case – a pilgrimage – is always comprised of two perspectives: one of a spiritual order and another of a material one, its interrelationship being designated as Religious Tourism (Ambrósio, 2000). The first one is the motivation to travel, the second covers, among others, the journey and the stay at the sanctuary-town.

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SERVICE QUALITY AND CUSTOMER SATISFACTION

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Abstract

Service sector has been in focus of academic community for several decades because of its exponential growth and impact on global economy. Thus, this paper presents theoretical propositions for service quality and customer satisfaction. Former research results and theoretical constructs, referring to definition and dimensions of service quality construct as well as the definition of that fundamental determinant of customer satisfaction construct, are systematically presented. Also, a cause-and-effect relationship between service quality and customer satisfaction and their influence on consumers' purchase habits have long been analysed throughout former research. A systematic review of former research may be significant for service providers in order to compare, improve and adjust their business to customers' needs.

Key words: service quality, customer satisfaction, disconfirmation paradigm

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INTRODUCTION

The first discussion about service quality appeared in the late 1970s, in Sasser, Olsen and Wyckoffs' paper on management of service operations. This paper marked the beginning of the period of debate about service quality. Hence, in the early 80s, more and more authors like Lehtinen and Lehtinen (1982), Gronroos (1982, 1984), Lewis and Booms (1983) became interested in the topic.

Despite the importance that service quality represents in company's strategic planning, its clear definition has not yet been determined. Different authors give different definitions, so Lovelock says that the word quality has different meanings to people depending on the situation. Gronroos in 1982 defined perceived service quality as a general judgement or attitude towards service resulting from the comparison between expectations and consumers' perceptions of current service performances. Lewis and Booms in 1983 offer similar definition according to which service quality presents a measure of how well the service provided matches consumer's expectations.

SERVICE QUALITY

Definition of service quality

Parasuraman, Berry and Zeithaml present a fact that service quality field has yet to be thoroughly studied and defined. Their paper from 1985, together with the one from 1988, caused the beginning of significant interest in this area. Authors completed a review of earlier service-related studies and suggested three facts that later marked their work, in turn:

- Service quality is more difficult to assess than product quality
- Perception of service quality results from the comparison of consumers' expectations with the performances of actual service

- Quality assessment is not applied only in the end result of the service, but it also includes the evaluation of service distribution process.

In accordance with this, Parasuraman, Berry and Zeithaml define service quality, perceived by customers, as the degree and direction of discrepancy between customers' perceptions and expectations. In their papers (1985, 1988), they point out that quality differentiates from satisfaction in that perceived quality represents general judgement or attitude, related to service superiority, whereas satisfaction is connected to specific transaction. Basically, almost every definition of satisfaction relates to individual transactions and, according to Oliver's words : "Satisfaction is an overall psychological state that arises when previous consumer's emotions based on purchasing experience are added to emotions provoked by disconfirmed expectation." Diametrically opposed, perceived service quality is an ongoing attitude, that is, a long-term judgement. In their paper from 1985, Parasuraman, Berry and Zeithal considered the example when customers were satisfied with a specific service even though it was not perceived as high quality. This implies a cause-and-effect relationship where satisfaction is an antecedent of service quality.

The term customer satisfaction is mostly used incorrectly, as by customers so by the public, and in so as a cumulative measure which enhances confusion. In accordance with this, Teas states that service quality is not just a general attitude but that it also relates to individual transaction. He mentions two constructs of perceived quality: perceived quality of individual transaction and relationship quality, where the latter is similar to service quality construct by Parasuraman, Berry and Zeithaml, while the former actually instigates satisfaction with individual transaction.

Parasuraman, Berry and Zeithaml's proposition is questionable even to Cronin and Taylor who point out that there is a discord in the literature about the relationship between satisfaction and service quality. Authors have criticised the use of paradigm of disconfirmed expectations and stated their arguments claiming that service quality can best be realised through attitude model instead of disconfirmed expectations model.

Following everything that has been stated, it is obvious that, in spite of the importance of service quality, there is no agreement on a common definition, even though each one puts the customer in the centre of attention. Most commonly used definition is the one by Parasuraman, Berry and Zeithaml which has therefore been accepted by eminent scientists, in turn Carman (1990), Bolton and Drew (1991), Lewis (1993), Avkiran (1994), and Bahia and Nantel (2000).

Dimensions of service quality

After defining service quality, it is necessary to consider various dimensions of service quality and ways to measure them.

Service quality is divided in two main dimensions: one states "what" the service provides to the customer (service result), and the other "how" service is delivered to the customer. Moreover, "what" is assessed after using the service, and it is referred to as result quality by Parasuraman, Berry and Zeithaml , technical quality by Gronroos , and physical quality by Lehtinen and Lehtinen . On the other hand, "how" is assessed during delivery process, and it is referred to as process quality by Parasuraman, Berry and Zeithaml, functional quality by Gronroos, and interactive quality by Lehtinen and Lehtinen.

Gronroos concludes that service depends on "technical" and "functional" factors. Technical performances are perceived by customers through currently received service, that is, through the "what" is received, while functional performances are represented in the manner of delivering a service to the customer. In other words, customers are not interested in only what the service provides, but also in the manner of its delivery. Therefore, contact personnel during service providing is of primary importance for customer satisfaction, namely their behaviour, appearance, affability, attitude and serviceability.

Gronroos developed a construct of service product, that is to say, service offering. This concept is based on a basic service package and an expanded service offering. Basic service package refers to what customers will receive including supporting and additional services. Expanded service offering includes service availability, interaction between employees and customers, physical resources and customers, system and customers and customer participation in the process of service providing. Furthermore, the same author suggests six criteria for good consumers' perception of service quality: professionalism and ability, behaviour and

treatment, affability and flexibility, reliability and confidence, repair, reputation and credibility

Probably the most widely accepted model of service quality based on gaps was proposed by Parasuraman, Zeithaml and Berry in their paper in 1985. They defined perceived quality as the gap function between expectations and consumer's perception of received service. They also stated that this gap depends on size and direction of four other gaps that can affect service delivery. Suggested model of service quality is presented in Figure 1.

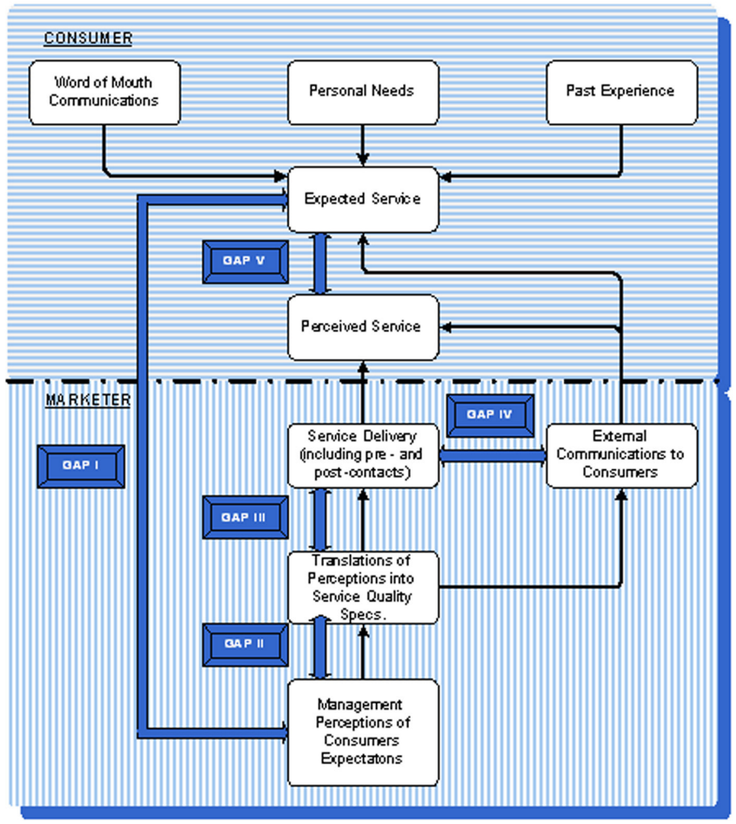
1. the gap represents discrepancy between consumers' expectations and management's perceptions of these expectations, namely, management will not be able to accurately assess consumers' needs and therefore will not be able to satisfy them qualitatively.
2. the gap arises from discrepancy between management's perception and service quality specification. In another words, management understands consumers' expectations, but is not able to fulfil them momentarily, for example, due to lack of resources.
3. the gap is discrepancy between service quality specification and current service delivery. This gap emphasises the significance of human factor in service delivery and appears mostly due to bad team work.
4. the gap appears when that what is said about the service through external communication does not correspond to that what is delivered. Simply put, management is not able to provide all necessary information, as well as fulfil all given promises, consequently leading to negative perceptions of service delivery.

In the same paper, Parasuraman, Zeithaml and Berry propose ten dimensions of service quality, in turn:

- Reliability in service providing – fulfilling promises given to consumers, providing services right at the first time, consistency in service providing;
- Commercialism and responsiveness – prompt action, willingness and availability of employees to provide a wanted service;
- Competence – required skill and knowledge to perform service, contact personnel's expertise;
- Access – service availability – company's adequate working hours, location, waiting period;
- Courtesy – politeness, respect, consideration, friendliness of contact personnel;
- Communication with the customer – informing the customer in an understandable manner, gathering and appreciating customer's opinions, complaints and proposals;
- Credibility – integrity, professionalism, reputation and trustworthiness the firm has;
- Security– eliminating the possibility for danger to occur, diminishing risks, physical and financial security, guarantees;
- Understanding the customer – efforts put for understanding customers' needs, service personalisation;
- Tangible elements – exterior and interior, employees' appearance, equipment, communication materials;

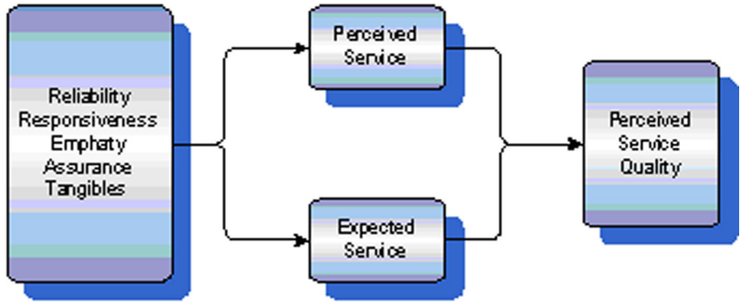
Based on these ten dimensions, authors have conducted various statistical research in order to form SERVQUAL, instrument for measuring service quality, and in 1988, they reduced them to five, as can be seen in Figure 2. While the dimensions of reliability in service providing, commercialism and responsiveness, and tangibility remained the same, the remaining seven were reduced to only two. Competence, empathy, credibility and security were merged into a dimension of assurance, while access, communication with the customer and understanding for the customer merged into the dimension of empathy.

Figure 1: Model of service quality



Source: Parasuraman, A., Berry, L.L., Zeithaml, V.A.: "A conceptual model of service quality and its implications for future research", Journal of Marketing, Vol. 49, 1985, p. 44.

Figure 2: Model of service quality



Source: Sharma, A., Mehta, V.: "Service quality perceptions in financial services - a case study of banking services", Journal of Services Research, Vol. 4, No. 2, 2004, p. 207.

CUSTOMER SATISFACTION

Definitions of customer satisfaction

Customer satisfaction construct is as equally important for theoretical, as well as practical reasons. "In marketing, customer satisfaction has long been recognised as the central construct, as a significant goal of all business activities." Understanding how a customer creates positive or negative attitude towards a service and how this is reflected on his purchase behaviour is the crucial theoretical problem. However, in spite of the significance, a consensus on the definition of satisfaction has not been reached up to date.

Most researchers consider that satisfaction is opinion or evaluation formed when the customer compares his pre-purchase expectations to perceived performance of received service.

According to Kotler , satisfaction is a feeling of pleasure or disappointment resulting from comparison between expected and real, that is, received values (performance) of products or services.

There is a golden rule with services which is continually (although unconsciously) applied by customers, and it states:

- Positive discrepancy between perceptions and expectations results in customer satisfaction, transfer of positive experiences to other people (potential customers) and customer retention.
- Dissatisfaction appears when expectations exceed perceptions, resulting in word-of-mouth transfer of negative experiences and information thus creating a negative image of the service and the firm.

Literature cites three types of factors that affect quality and satisfaction:

- Hygiene factors are those service aspects that customer expects to be present, whose appearance will not necessarily generate satisfaction, but whose absence will cause dissatisfaction. For example, a customer expects to take a certain amount of money from his account out of a cash dispenser (ATM). If the service is not adequately provided, he will be dissatisfied.
- Enhancing factors are those service elements that instigate satisfaction, but whose absence will not necessarily cause customer dissatisfaction. For example, if the bank personnel remember a customer's name or enable him to freshen up with water from self-service machines.
- Dual-threshold factors are those service aspects that will cause dissatisfaction if they are inadequately provided by the bank. On the contrary they cause customer satisfaction, like exceptionally friendly and kind behaviour of bank personnel to its customers.

There are various debates about the distinction between service quality and customer satisfaction.

For example, although certain authors (Bitner, Oliver) acknowledge that present measurement of perceived service quality is founded on disconfirmation paradigm, they still claim that service quality and customer satisfaction are distinct constructs. The most common explanation for this distinction is that perceived service quality presents attitude, overall long-term assessment of the service, while, on the other hand, satisfaction is linked to a specific transaction.

Parasuraman, Zeithaml and Berry , in their study from 1988, comment the distinction between service quality and customer satisfaction and point out that, during the measurement of perceived service quality, that what the customer feels he should receive is used, while during the measurement of satisfaction, that what the customer expects to receive is used.

Cronin and Taylor point out that the distinction between service quality and customer satisfaction is as important for the managers as for the researchers because service providers need to know whether their service performances have to satisfy the customer or, however, provide maximum level of perceived service quality.

Importance of customer satisfaction

The research of customer satisfaction has, during the last years, become a common occurrence in many service branches. Furthermore, satisfaction is widely appreciated and assessed as the determinant of re-purchasing, word-of-mouth transfer of positive experiences and information, and loyalty to the brand or service provider. Table 1 shows effects on three different satisfaction levels which customers use to express loyalty to service provider although Vranešić warns that “the company’s goal should not be just their satisfaction” but a tendency to move from a satisfied customer to the level of enthusiastic customer because “only enthusiastic customers represent real loyalty” for service providers.

File and Prince emphasize the importance of analysing customer satisfaction. They believe that aggressive programs of satisfying customers are the most efficient method of maintaining a large number of customers. Consequently, there is a reduction of overall investments normally used to attract new customers. A satisfied customer demonstrates a higher level of loyalty and is less subject to competition’s marketing efforts.

Moutinho states that satisfaction construct is important as for theoretical and as for practical reasons. It emphasises the importance of satisfaction claiming that companies that conduct satisfaction research consequently make themselves closer to their customers.

Understanding the way customers create positive or negative attitudes to services and the way it affects their current purchasing behaviour is the crucial theoretical problem.

Determinants of customer satisfaction and dissatisfaction

It is of extreme importance for all service industries to recognize the sources of customer satisfaction and dissatisfaction. If they are able to understand their customers, service providers can act ahead without waiting for change to happen by itself.

Swan and Combs state two types of determinants: instrumental (those that depend on the performance of physical products) and expressive (psychological product performances). In order to satisfy the customer, the product needs to meet the expectations for both determinants. Moreover, they claim that dissatisfaction may appear from any type of performances. After having conducted the study, they realized certain problems in data classification: namely, some data can be both instrumental and expressive, like comfort. They also established that both determinants lead to either satisfaction or dissatisfaction. Based on the study, they concluded that customers value products or services by a limited set of attributes. Some of them are relatively significant in satisfaction determination while others are not essential for satisfaction, but they are connected to dissatisfaction when performed unsatisfactorily.

Table 1: Levels of satisfaction

EXPERIENCE/ PERFORMANCE	CONSUMER'S EXPERIENCE	LEVEL OF SATISFACTION	EFFECT
Actual value of product /service	-better than expected	-enthusiasm	-consumers will tell others and re-purchase if able (loyalty)
	-expected	-satisfaction	-consumers will tell others; may cross to competiton if promised additional gain
	-verse than expected	-dissatisfaction	-consumers will cross to competition if there is any possibility to do so

Source: Vranešević, T.: op.cit., p. 192.

Johnston studied determinants of service quality that affect customer satisfaction. His study, conducted in a bank, showed the following:

- certain satisfaction determinants are more superior than others
- for bank customers, predominantly satisfying determinants are attentiveness, responsibility, caring and friendliness, while the main sources of dissatisfaction are connected to lack of integrity, reliability, responsibility, availability and functionality
- sources of dissatisfaction are not necessarily the obverse of sources of satisfaction
- intangible aspects of personnel-customer relationship have significant effects, whether positive or negative, on service quality and customer satisfaction
- commercialism and responsiveness are the crucial quality dimension and also a crucial component when it comes to satisfaction because its absence presents a major source of dissatisfaction
- reliability is predominantly a source of dissatisfaction and not satisfaction

Besides, the result suggests that for an individual institution, despite the fact that the same factors of satisfaction and dissatisfaction may appear, a great number of factors is relatively more important than others.

Attempts to enhance satisfaction rather than to remove dissatisfaction, caused many attempts to improve quality, or so called TQM programs, to fail. Personnel, and particularly customers, may get cynical when it comes to organisation’s efforts to improve service quality, if this is implemented without a strategy that includes both removing dissatisfaction and enhancing satisfaction, or at least removing dissatisfaction first.

RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION

Service quality and satisfaction are separate terms. Since similarities between them are quite apparent, researchers still state very cautiously that these are two distinct constructs.

Moutinho and Smith point out that, even though quality and satisfaction are sometimes used alternately, many studies have been conducted in order to perceive the relationship between them (see for example, Bitner , and Cronin and Taylor).

Parasuraman, Zeithaml and Berry , in their study from 1985, claim that higher level of perceived service quality results in enhanced customer satisfaction, but newer findings suggest that satisfaction precedes quality. For example, Bitner has empirically presented a significant cause-and-effect relationship between satisfaction and quality by analysing structural equation.

Bolton and Drew use a general presumption that quality equals attitude as a basis for statement that satisfaction is an antecedent of quality. Specifically, they emphasise that perceived service quality is a function of perceived service quality from previous periods and level of satisfaction or dissatisfaction with a current level of service performance. This point of view suggests that satisfaction is a clear construct used to modify a previous service quality perception for the purpose of forming a present service quality perception. The same authors

indicate that this relationship causes the processes of disconfirmation, expectation and performances to have a significant affect on current customer's perception of service quality. Nevertheless, their study findings show that perceived service quality is under strong influence of current performances while the influence of disconfirmation paradigm is relatively weak and transient.

Cronin and Taylor conduct the first parallel study of both possible relationships between quality and satisfaction. Besides, they are the first to use a sample constructed from multiple industries and to study a relationship between service quality and customer satisfaction in four service sectors: banking, pest control, dry cleaning and fast food. For each of these four service industries, a hypothesis that satisfaction precedes service quality was studied, but the result and analysis showed otherwise. Namely, Cronin and Taylor's results confirm the opinion that quality occurs as a cause-and-effect antecedent of customer satisfaction.

Better understanding of the relationship between service quality and customer satisfaction is nonetheless needed. Spreng and Mackoy maintain that if two constructs are truly distinct, than the way in which they differ should be understood. However, if they do not differ, then researching both these constructs and requiring that managers are familiar with both of them, thus confusing them, is a waste of time. They studied students' evaluations of consulting services among 273 students with at least a year of personal experience with consulting student services. One of the goals of their study was to evaluate the distinction between perceived service quality and customer satisfaction. Findings have shown that service quality and customer satisfaction present two distinct constructs, namely that they have different antecedents. A concurrence of wishes affects satisfaction, a disconfirmation of expectation has no direct impact on service quality and the impact of expectation is indirect, through perceived performances.

Based on the relationship between service quality and customer satisfaction, there have been many attempts to establish the nature of cause-and-effect relationship between these two categories during the study of consumers' purchase intentions.

For example, Woodside, Frey and Daly propose one of the first models that explicitly investigates a link between service quality, customer satisfaction and purchase intentions. They published empirical results which suggest that customer satisfaction intermediates in the relationship between service quality and customer's purchase intentions (service quality – customer satisfaction – consumers' purchase intentions).

Bitner conducted a research of perceived service quality and satisfaction on the sample of 145 passengers from an international airport. She suggested a different hierarchy of quality and satisfaction constructs (customer satisfaction – service quality – consumers' purchase intentions) and her results and analysis confirm her model and are contradictory to cause-and-effect hierarchy by Woodside, Frey and Daly.

The most recent researches, like Ting's from 2004, maintain that the relationship between service quality and satisfaction is positive and in accordance with the theory, that is to say, service quality precedes customer satisfaction. According to Ting, this is logical because "customer satisfaction is an important goal for bank employees to reach, and if banks want to enhance their customers' satisfaction, they can do so by increasing their service quality". Furthermore, Ting's findings confirm that the relationship between these two constructs is curvilinear, namely, that a non-linear model explains satisfaction variations better than a linear model.

Taylor and Baker evaluate the nature of the relationship between service quality and customer satisfaction in the formation of purchase intentions across four service industries: health care, amusement parks, air transport and telecommunications. A regression coefficient for satisfaction-quality relationship is important for three industries (communication, travel and recreation), and it has no significant interaction affect only in health industry. They conclude that customer's decision-making model which includes satisfaction and service quality interaction, provides better understanding of consumers' intentions than a model which includes only the major effects of satisfaction and quality. Their research contributed to the debate about the relationship between service quality and customer satisfaction. For some service industries, quality and satisfaction perform jointly in stimulating purchase behaviour. In each of the three industries, Taylor and Baker found that positive influence of service quality on purchase behaviour increases with increased satisfaction. In another words, the better service quality

and satisfaction, the higher level of consumers' purchase intentions.

Finally, Moutinho and Smith conclude that it has been shown throughout the literature how customer's perceived service quality and their satisfaction are linked to customer retention and profitability, although the relationship between these two constructs has not been completely clarified.

CONCLUSION

A great majority of academic community agrees with the statement that service quality and customer satisfaction are two distinct theoretical constructs. However, there has yet been no consensus on the way to define constructs, that is to mutually separate them. For now, the statement that service quality presents a general judgement or attitude remains, while customer satisfaction is related to specific transaction. On the other hand, Parasuraman, Zeithaml and Berry's assertion that constructs differ according to how expectation is defined, that is, how with perceived service quality, expectations are defined as what the customer feels he should get, while with customer satisfaction, they are defined as what the customer feels he will get, is still relatively abstract for the business world and is also exposed to much criticism within the academic community itself. One of the things most authors agree with is that "service quality is not something that everyone does well" . Therefore, it is necessary to make additional research efforts in order to clearly separate the constructs and to enable service providers to satisfy their ever demanding customers, by applying the theory, as best as they can.

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ANALYSIS OF PURCHASING SPECIFIC DETERMINANTS OF BORDER-CROSSING LOYALTY FOR RETAILERS

ULRICH SCHOLZ

Abstract

The concept of marketing and managing relationships with customers and other interest groups is at the core of marketing today. The border crossing loyalty of consumers towards a place of retailing depends on different procurement specific determinants. It is to analyses the role of the frontier and the culture as well, the further social environment in the relation between supplier and consumer in a borderland (i.e. the German-Dutch borderland) and possible influences on buying patterns. Examined were consumer motivations for shopping abroad and the role of culture versus socio-psychological factors. Social aspects determine the relation between cross-border retailers and consumers and for retailers it is nowadays very difficult to have a profitable business. Retail-Companies have to know the circumstances of living of the target group. This has to do with building a culture of customer orientation, customer satisfaction and loyalty. Out-shopping consumers are interested in the culture of the foreign country and they are interested in entering into an active relationship with the retailer. The problem of the culture influence of 'loyalty' is that it is a latent variable which can't be measured directly. Culture has an important influence in defining 'loyalty'. 'Loyalty' depends on the country cluster according to Hofstede and the conclusions of Kasper about the country cluster. Everybody belongs to a social group. So we have to know, that all groups have their own norms and create their own status. But the intensity of the relationship with this group depends on the country culture. The distinguishing feature of the study is that it examines socio-psychological and culture variables as determinants of cross-border shopping. In particular, the role of 'social norm', 'personal norm' and 'concept of involvement construct' has rarely been investigated in this context.

Keywords: customer purchasing behaviour, concept of involvement constructs, cross-cultural research, loyalty, procurement, personal norm, social norm,

INCREASING CONSUMERS' SATISFACTION BY DEVELOPING COMPANY'S CORE COMPETENCES

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Abstract

This article investigates the role of company's core competences in increasing consumers' satisfaction. The proposed conceptual model illustrated the core competences nature, dimensions and influence on product's benefits for customers confirms that developing core competences makes company's products more valuable for its customers and thus provides its competitiveness in the global market. Nowadays Russian poultry farming enterprises are facing with the growing competition from the direction of foreign companies. The quality of Russian poultry products in terms of its benefits for customers would be better if national companies give more attention to developing their core competences. However, the research indicates that very often companies don't give enough attention to their core competencies in this regard. The implication is that core competences should be used for making company's products more valuable for its customers. A better understanding of company's core competencies allow to satisfy customers' needs better in order to become more competitive in the global market.

Key words

consumers' satisfaction, company's competitiveness, core competences

There can be little debate that globalisation of the markets, increasing number of existing and potential competitors, transformation of customer expectations determine new approaches to make a company competitive.

It is our contention that with the business environment becoming more unpredictable and business requiring innovations, it calls for returning back to company's internal resources; especially it applies to core competences of a company. We believe our paper contributes to the literature by adding to the knowledge that exists about relationships between company's core competences and consumer satisfaction by company's products. We argue that developing company's core competences makes its products more valuable for customers and thus provides a company with sustainable competitive advantage in a market. Finally, we identify Russian poultry farming enterprises' core competences and their influence on developing poultry products features that are the most important for their customers.

Conceptual background/hypothesis development

While a comprehensive review of the vast literature pertaining to core competences is beyond the scope of this paper, in this section we'll provide a brief overview of elements of core competence research that we suppose to be important to the understanding of our research.

Andrews (1979) is one of the first to use the term 'distinguishing competence' to define the field of activity in which a company operates at its best. He proposed that 'distinguishing competences of an organisation mean not only what it can do. They mean what it can do especially well' (p 48). He concluded that a firm should 'define the skills which are the basis for success and 'identify and create the skill which is really distinguishable'.

The core competence is defined by Prahalad and Hamel (1990) as 'skills and abilities…, which mean harmonising various technological directions…, relate to providing values…, are the result of the joint experience of a company as a whole' (p 81). The authors found that a unique combination of the core competences creates competitive advantage, and core competences' development is a key to company's competitiveness.

Furthermore the work cited later by Prahalad and Hamel (1994) relative to core competence as the essence of company's competitiveness provides support for the contention the core competence may be used by a company to create benefits for customers.

Similarly, Durand (1997), arguing that the concept of competences can give more than resource-oriented point of view, defined competences as company's abilities to gather and integrate resources into goods and services. Accordingly, the author described organisational competences using three dimensions: knowledge, know-how and interaction (Figure 1).

Knowledge is structured sets of the received information in incomplete and partly contradicting interpretation which help to understand the world. Thus, knowledge includes access to data, ability to take them as information and process it.

Know-how is an ability to take a certain course of action according to the previously set objectives and processes. Know-how does not exclude knowledge. It implies the most complete understanding why skills, abilities, technologies and innovations really work.

Interaction is often ignored in approaches that are based on resources, though behaviour, identification and desire are the most important parts of an ability to achieve the goal.

Bogner at al (1998) report a study designed to investigate the role of dynamic competences in choosing an optimal organisational form of multinationals. The authors argue that the cost-benefit analysis of competences development better explains reorganisation decisions than the model of operating cost or the model based on knowledge.

Research by McGrath at al (1995) provides some evidence of such competitive advantage of a company as rental revenue resulted from company's competences and innovativeness in recognising its own efficiency, values and strong customer relations compared to those of competitors'.

The common thread in these research streams is that competences mean the specific skills, knowledge, behaviour patterns that are unique for a company and are the basis for developing its competitive advantage. Thus,

Hypothesis 1. Competences are a unique combination of knowledge, skills and technologies which is used by a company to manage its resources and business-processes to increase the value of goods for its customers.

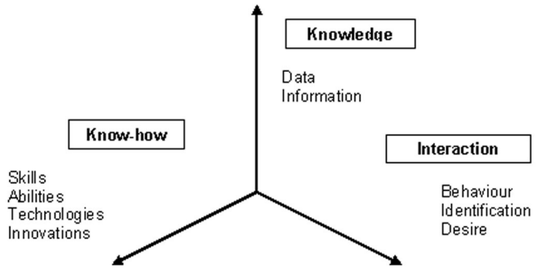
Prahalad and Hamel (1990) proposed that there is a hierarchy of competences. They defined a core competence as joint knowledge which allows managing other competences and is used for creating the maximum value for a customer. They found the key features of core competence: core competence creates the distinctive value of a company's product; it is unique for each company and can't be reproduced by competitors; core competence provides a company with access to different markets; it is one of the longest lasting assets of a company.

Hypothesis 2. Company's core competences apply to the product features that are the most beneficial for customers. Identification of core competences will help to increase value of company's products for customers.

Our research is set specifically within the context of Russian poultry farming industry which we believe to be an area in which Russian customers satisfaction is likely to be problematic for a variety of reasons. First, nowadays more than 50% of poultry products are imported to Russia from abroad. Empirical data provides some evidence for higher quality of imported products in comparison with domestic ones. Second, there is a lack of government support in this sector which would help to develop productive capacities and infrastructure. Thus, Russian poultry farming enterprises facing with the strong competition from the direction of foreign companies need to increase their competitiveness in Russian market.

Hypothesis 3. If Russian poultry farming enterprises start to identify and develop their core competences they will be able to increase the product value, achieve better customer satisfaction and become more competitive in the poultry farming market in Russia.

Figure 1. Three dimensions of an organisational competence



Method

Sample A firm that manages a large regional consumer panel of approximately one million consumers living in Sverdlovsk region, Russia, was engaged to provide the participants for the study. After we developed the data collection instrument using the panel's online software, the firm sent e-mail 'invitations' to a number of their panel. We received a total of 443 usable responses. Study participants were from 18 to 65 years old, men and women equally, lived in urban (70%) and rural (30%) areas and had an average monthly income from $100 to $1000 and higher represented a broad cross-section of the Sverdlovsk region population.

Procedure

At the first stage the respondents were asked to estimate the importance of different characteristics (price, brand, colour, smell, package, etc.) of poultry products using scale 1-10 (10–the most important feature, 1-the least important feature).

Then in collaboration with management staff of five leading poultry farming enterprises in Sverdlovsk region the combination of resources, business-processes and competence of each company was identified.

The third step was to evaluate of the relationships between product features, resources, business processes and competences of each company analysing them in three groups: product features, resources; resources, business processes; business processes, competences.

X was used for product features

$$X = (x_1, x_2, x_3, \dots, x_n)$$

; Y was used for a number of resources

$$Y = (y_1, y_2, y_3, \dots, y_m);$$

Z was used for different business processes

$$Z = (z_1, z_2, z_3, \dots, z_k);$$

C was used for different competences

$$C = C = (c_1, c_2, c_3, \dots, c_l).$$

A matrix was developed to present the relationships between product features, resources, business processes and competences of each company (Appendix 1). Arrows indicate relationships between groups.

Then a group of experts estimated for each company the extent of influence of resources on product features; resources on business processes; competences on business processes filling in matrix cells by 1-5 marks (5–the highest influence, 1-the lowest influence).

To evaluate the relationship between the product features and competences of every company we needed to define first the influence of a certain business process on forming a certain feature of a product. It was done through calculating the average indicator that showed to what extent resources were involved in this business process

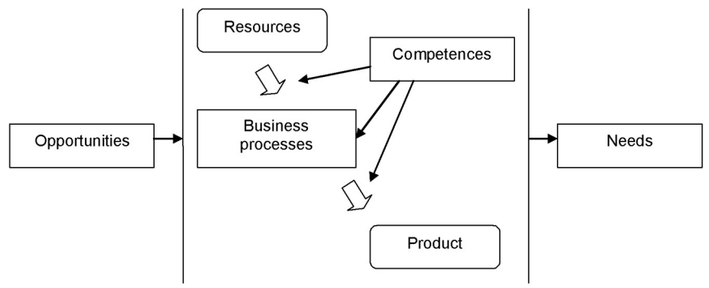
judging by the participation of these resources in creating a certain feature of a product (1).

$$(x_i, z_j) = \frac{\sum_{k=1}^{m} (y_k z_j \cdot x_i y_k)}{\sum_{k=1}^{m} x_i y_k} \quad (1)$$

Second, using the received matrix, characterising the influence of a certain business process on a certain product feature, we could similarly define how a combination of product features depended on company competences (2).

$$(x_i, c_l) = \frac{\sum_{j=1}^{k} (z_j x_i \cdot c_l z_j)}{\sum_{j=1}^{k} c_l z_j} \quad (2)$$

Figure 2. Competences managing resources and business processes of a company



A proposed matrix (Appendix 1) approves that a combination of product characteristics depends on company core competences interconnected with its resources and business processes. So developing core competences may increase value of company's products for customers (H2).

At the fourth stage using the sets of interconnections between business-processes, resources, competences and product features we drew a hierarchy of the existing competences and identifed the core ones for each company.

Finally we defined which of the competences were of key importance in creating a set of features putting the product in high demand by customers.

Results

Based on the previous studies which investigated the nature and the role of company's competences [Wernerfelt, 1984; Prahalad, Hamel, 1990; Barney, 1991; Leonard-Barton, 1992; Stalk, Evans, Schulman, 1992; Peteraf, 1993; Conner, Prahalad, 1996; Teece, Pisano, Schuen, 1997; Saner, Yiu, Sondergaard, 2000; Lazarus, 2002] we concluded that a company may use competences to manage its resources and business-processes (Figure 2) to satisfy customers' needs better (H1).

The results of the respondents' survey are presented in Table 1.

Table 1 shows that the most important features of poultry products for customers in decreasing order of importance are organoleptic characteristics (smell, colour, taste, etc.), also being natural and nutritious.

Table 1. The importance of poultry products' features for customers in Sverdlovsk region, Russia

Product features	Importance of product features, % of respondents										Ave-rage value	Extent of import ance
	10*	9	8	7	6	5	4	3	2	1		
Price	20,2	17,0	13,8	8,5	9,6	13,8	6,4	--	4,3	6,4	6,921	**5**
Brand	16,0	8,5	21,3	8,5	11,7	11,7	2,1	12,7	4,3	3,2	6,525	**3**
Country of origin	25,5	11,7	18,1	11,7	2,1	11,7	2,1	4,3	6,4	6,4	6,986	**6**
Shelf life	29,9	8,5	11,7	8,5	4,3	21,1	5,3	6,4	3,2	1,1	7,078	**7**
Nutritious	28,2	16,2	15,0	9,6	4,3	15,0	5,3	1,1	3,2	2,1	7,488	**8**
Organoleptic (smell, colour, taste, etc.)	69,0	7,5	5,3	6,4	4,3	3,2	1,1	2,1	--	1,1	8,983	**10**
Natural (non-artificial)	41,3	9,6	9,6	10,6	7,5	8,5	4,3	1,1	4,3	3,2	7,999	**9**
Package	2,1	5,3	11,7	16,0	6,4	18,1	11,7	10,6	6,4	11,7	5,063	**1**
Easy to make	7,5	3,2	9,6	13,8	7,5	19,1	6,4	13,8	5,3	13,8	5,091	**2**
Quality of services	20,2	11,7	10,6	12,8	11,7	11,7	3,2	4,3	5,3	8,5	6,552	**4**

*10 – the most important feature, 1- the least important feature

The matrix revealing the relationships between product features, resources, business processes and competences was developed for each company (see Appendix 2 for the matrix developed for a poultry farming enterprise 'Pticefabrika 'Sredneuralskaya'). Based on the matrix the core competences of every company were identified (for example, core competence of 'Pticefabrika 'Sredneuralskaya' are being 'customer-oriented', 'innovative' and 'easy to train').

The results shows that although organoleptic, natural characteristics, a brand, a country of origin are very important for the customers, core competences of leading poultry farming enterprises in Sverdlovsk region are mostly used to improve other product features such as a price, a package, easiness to make, etc. (Figure 3).

So if Russian poultry farming enterprises start to develop their identified core competences in order to make their products more corresponding to the customers needs we believe they will be able to increase the product value, achieve better customer satisfaction and become more competitive in the poultry farming market in Russia (H3).

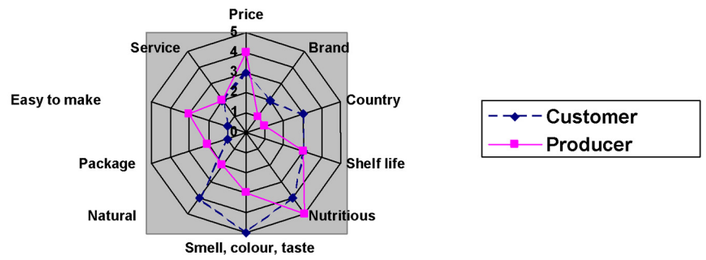
General discussion

Although no company wants to lose its competitive advantages it is perhaps inevitable in the face of growing competition in the global markets. Companies may focus on strengthening their financial position, developing organisational structure, reengineering business processes, using different product strategies and technologies. Our paper suggests using core competences to make company's products more corresponding to consumers' needs and thus to make a company more competitive in a market. Our research also highlights the importance of core competences for Russian poultry farming enterprises which feel a lack of external resources for their future development.

Managerial implications

We believe that these conclusions lead to a number of significant implications for Russian poultry farming enterprises. They should be well-informed about their customers' needs and recognise the importance of core competences in creating product benefits for customers. Accordingly we also suggest developing their core competences to increase consumers' satisfaction and to make the companies more competitive in Russian poultry farming market.

Figure 3. Differences between existent and desirable by customers combination of poultry product features



Future research directions

In no way do we suggest that our paper is the final word on this topic but we hope that it can act as a way to open a dialogue on the role of core competences in the provision of consumers' satisfaction. We consider that there is a number of very interesting questions that remain to be answered relative to our research. For example, in our study we only looked at the situation in poultry farming industry. It might be that our findings are generalisable to other branches of national economy. In addition nowadays market forces are increasingly making companies to deal within their main competence as well as develop partnerships with each other. Thus future research could investigate the role of core competencies as a basis for strategic alliances' building.

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CUSTOMER RELATIONSHIP MANAGEMENT (CRM) ACCEPTANCE IN CROATIA

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Abstract

Peter Drucker defined the marketing concept as "the business as seen from the customer's point of view." The customer concept is the conduct of all marketing activities with the belief that the individual customer should be the central unit of analysis and action (Kumar, Werner, 2005). Major business trends such as deregulation, globalization, technological convergence, and the rapid evolution of the Internet have transformed the roles that companies play in their dealings with other companies (Prahalad, Ramaswamy, 2001). Business practitioners and scholars talk about alliances, networks, and collaboration among companies. In today's globally competitive world, customers expect more, have more choices, and are less brand loyal (Best, 2005). The only thing that is constant is change. Customers will continue to changing with regard to needs, demographics, lifestyle, and consumption behaviour. The companies that survive and grow will be the ones which understand change and are in the lead, often creating change. Customer relationship management (CRM) is one of the basic and most crucial elements of the marketing philosophy. CRM puts in focus the customer and their satisfaction in such a way that all the company's activities are pointed towards the customer. The main aim of CRM is to get to know the customer as well as possible, which can help a company deliver better, more appropriate and higher added value to the customer. A strong connection with the customers is the key to their satisfaction, especially if this connection is attained through recognizing the customers' needs and thus can become one of the crucial competitive advantages. The main aim of this paper will be to research CRM acceptance in Croatia. A desk research is going to be conducted where 450 leading Croatian companies' web pages are going to be visited. What is being researched are the following elements and there presents: toll free telephone numbers, call centres, help desks or service desks as the basic CRM parts.

Key words: Customer relationship management (CRM), CRM implementation, business strategy, marketing philosophy, customer satisfaction, Croatia

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Introduction

The Interest in customer relationship management (CRM) began to grow in the 1990s. Regardless of the size of an organization, businesses are still motivated to adopt CRM to create and manage the relationships with their customers more effectively. An enhanced relationship with one's customers can ultimately lead to greater customer loyalty and retention and, also, profitability. In addition, the rapid growth of the Internet and its associated technologies has greatly increased the opportunities for marketing and has transformed the way relationships between companies and their customers are managed (Ngai, 2005). CRM appeared as a new concept at the peak of the Internet boom. In 1998 JPMorgan's analysts forecasted that the demand for CRM technology would grow with double-digit annual rate because the Internet was causing a quiet revolution in the way were customers would demand to interact with companies. Interestingly enough, another forecast envisioned that companies would change the way of managing their networks dramatically as a result of the emergence of an efficient market. Another forecast was given by Enron, one of the largest companies in the USA, the pioneer in bandwidth trading. Many management specialists embraced the still vague notion of customer relationship management across multiple channels

and interaction points as "the next big thing", and rushed its implementation despite the lack of a clear definition, vision, and set of best practices, as well as without understanding of the enormity and complexity of organizational restructuring required for a successful CRM implementation (Kotorov, 2003). Customer relationship management (CRM) is one of the basic and most crucial elements of the marketing philosophy. CRM puts in focus the customer and their satisfaction in such a way that all the company's activities are pointed towards the customer. The main aim of CRM is to get to know the customer as well as possible, which can help a company deliver better, more appropriate and higher added value to the customer. A strong connection with the customers is the key to their satisfaction, especially if this connection is attained through recognizing the customers' needs and this can become one of the crucial competitive advantages. In essence, it seems quite simple: look after your customers and they will look after your business. However recent surveys found that 70 percent of companies that had implemented CRM have found it to be only a minor success or even a failure (Bull, 2003). A part of the problem is that companies are applying this technology in the absence of a holistic and coherent business strategy focused on the customer. For many, CRM is about "customer relationships" only in theory. Judging from the metrics that some firms use to gauge CRM success, it appears their primary objective is to reduce costs through the automatization of sales/service processes and also by putting more responsibility on the customer for self-service. In other corporations, the purpose of CRM is to gain a short-term revenue "lift" through targeted offers and cross-sell attempts. While improving efficiency and increasing short-term revenue are certainly valid business goals, these aims are not exactly synonymous with building lasting relationships. Furthermore, given the size of the investment that CRM often requires, it is unclear that these implementations can be economically justified based solely on productivity and short-term revenue improvements (Crosby, 2002). However, successful implementation is elusive to many companies, mostly because they do not understand that CRM requires company-wide, cross-functional, customer-focused re-engineering of the business process. Although a large portion of CRM is technology, viewing CRM as a technology-only solution is likely to fail. Managing a successful CRM implementation requires an integrated and balanced approach to technology, process, and people (Chen, Popovich, 2003). Importantly, whether CRM's adoptive momentum in 2000 was sustainable was then uncertain. Following the burst of the dot-com bubble, CRM software sales dropped nearly 40 percent in the next three years, during which analysts reported that 55-70 percent of CRM implementation projects failed. By 2003, however, CRM's decline seemed to have abated. Software sales were forecasted to grow again (source: Gartner Dataquest). According to a 2003 survey by Bain & Company, CRM adopters reported increased satisfaction with their investments and 82 percent of those surveyed reported that they had or planned that year to deploy CRM (Wang, Swanson, 2007). Implementing CRM in specific departments is not easy and looking for short-term improvements in performance is not realistic. Real CRM implementation has to be an organization-wide initiative and needs to be strategic in nature. In general, we can say that the companies with CRM implementation want to attract new customers, increase sales per customer, reduce costs through improvements in business processes, and improve the relationship with the customer and thus customer loyalty. CRM makes communication easier with customers, which is a great step forward, but this is just one part of CRM. Many companies have collected a lot of information from their customers, but have not put it to good use. If the marketing department does not talk to the people who develop new products and services, the value of much of the information gathered from customers is lost. So, CRM may also mean changing the nature of communications and relations within the company. Further aims will be to detect key pointers of CRM success. It seems that the crucial point is the involvement and commitment of the people. Secondly, CRM has to be looked at as a business strategy. It is possible to say that the aim of CRM is to improve the total customer experience. The problem is that too many companies are focused just on short-term improvements. The fact is that the total customer experience is unlikely to be improved in short-term. Companies have to be aware that they need a longer period of time to improve elements such as quality and quantity of their customer information, particularly in large companies where relations with hundreds and thousands of customers are difficult to maintain. The latest surveys showed that marketing departments are too focused on the brand. At the same time it is possible to notice that big number of companies did not have a good understanding of their own customers.

All the mentioned points to the same conclusion - companies need CRM because they have to improve their performance. But at the same time companies do not know how to implement CRM, because in essence they do not approach CRM in the proper way.

Customer Relationship Management

Peter Drucker defined the marketing concept as "the business as seen from the customer's point of view." This definition underwent further refinement when the marketing concept was proposed as a distinct organizational culture, a fundamental shared set of beliefs and values that puts the customer in the centre of a firm's thinking about strategy and operations. The customer concept is the conduct of all marketing activities with the belief that the individual customer should be the central unit of analysis and action (Kumar, Werner, 2005). Major business trends such as deregulation, globalization, technological convergence, and the rapid evolution of the Internet have transformed the roles that companies play in their dealings with other companies. Business practitioners and scholars talk about alliances, networks, and collaboration among companies. But managers and researches have largely ignored the agent that is most dramatically transforming the industrial systems as we know it: the consumer (Prahalad, Ramaswamy, 2001). In today's globally competitive world, customers expect more, have more choices, and are less brand loyal. The only thing that is constant is change. Customers will continue to change with regard to needs, demographics, lifestyle, and consumption behaviour. The companies that survive and grow will be the ones which understand change and are in the lead, often creating change. Many businesses work hard to acquire new customers, but this is where the customer relationship often stops. Before going any further it is important to understand the difference between customer relationship marketing and customer relationship management (Best, 2005). Although CRM has become widely recognized as an important business approach, there is no universally accepted definition of CRM (Ngai, 2005). Customer relationship marketing includes a range of one-on-one relationship marketing programs based on the level of company and customer value. Customer relationship management is a high-level customer relationship marketing program that attempts to build one-on-one relationships with certain customers when both company and customer value are high enough to warrant this level of marketing effort (Best, 2005). Customer relationship management is sometimes called customer relationship marketing, or just relationship marketing. Temporal and Trott (2001) prefer not to use the term "relationship marketing", as it often used to mean points programs such as frequent flyer programs, which to use do not constitute real CRM. According to Lee and Jun (2007) CRM comes from the relationship marketing (RM) literature. The term RM was initially coined by Berry (1983) who defined it as attracting, maintaining and enhancing customer relationships. Starkey et al. (2002) prefer to use the term customer management (CM) rather than relationship marketing or CRM. This is not just because of the confusion over terms but because in some instances a relationship may be neither desired nor appropriate. When customers suggest that they do not want a relationship, then companies should infer that they should not attempt to become too intimate with those customers. Starkey et al. (2002) suggest that in business-to-business marketing not all customers want a relationship with their suppliers. They (Starkey et al. 2002) propose the following definition for CM (Customer management is about):

- Finding the right customers (those with an acceptable current and future net value).
- Getting to know them (as individuals or groups).
- Growing their value (if appropriate), and
- Retaining their business in the most efficient and effective way.

It is achieved by companies enabling their people, processes, policies, suppliers and customer-facing technologies to manage all customer interactions proactively during each stage of the customer lifecycle in a way that enhances each customer's experience of dealing with the company.

CRM is all about collaborating with each customer – being able to create the classic win-win situation: you add value to each customer's daily life, and they give you loyalty in return (Temporal, Trott, 2001). In spite of the progress that is being made, there is still some confusion about the meaning and implications of CRM. In order to illustrate the differences in views, Peelen (2005) presents two extreme and two "standard" definitions. One of these definitions originates from the Metagroep,

which, in 2000, defined CRM as "the automation of horizontally integrated business processes involving front office customer contact points (marketing, sales, service and support) via multiple, interconnected delivery channels". In this description, CRM is positioned in the "IT corner". According to this definition, a company is engaged in CRM if it ensures, for example, that customers are recognised during contact via Internet, by telephone or personal contact. Choy et al. (2003) stated that CRM is an integration of technologies and business process used to satisfy the needs of a customer during any given interaction. In brief, CRM is a process by which a company makes good use of customer information to enhance customer loyalty. The primary goals of CRM are to: build long-term and profitable relationships with chosen customers; get closer to those customers at every point of contact; and maximize the company's share of the customer's wallet. In fact, CRM is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. Simply stated, CRM is about finding, getting, and retaining customers. According to Kumar and Werner (2005) CRM is the practice of analyzing and utilizing marketing databases and leveraging communication technologies to determine corporate practices and methods that will maximize the lifetime value of each individual customer to the firm. It is possible to conclude that CRM is business strategy and therefore more than a functional strategy alone. It affects the organisations as a whole: marketing, IT, service, logistics, finance, production and development, HR, management, etc (Peelen, 2005). Also, Kumar and Werner (2005) look at CRM from a business strategy perspective. The aim is to gain long-term competitive advantage by optimally delivering value and satisfaction to the customer and extracting business value form the exchange. From this standpoint, CRM is the strategic process of selecting the customers a firm can most profitably serve and of shaping the interactions between a company and these customers. The goal is to optimize the current and future value of the customers for the company. According to Dyche (2004) it is important to distinguish operational from analytical CRM. Operational CRM, also known as "front-office" CRM, involves the areas where direct customer contact occurs. Dyche refers to these interactions as customer "touchpoints". Recent surveys found that 70 percent of companies that had implemented CRM have found it to be only a minor success or even a failure (Dyche, 2004). In order to have good CRM implementation strategy it is important to (Peppers, Rogers, 2004):

- Identify customers
- Differentiate customers
- Interact with customers
- Customize treatment

This IDIC process implementation model can also be broken into two broad categories of activities: analysis and action. The enterprise conducts the first two tasks, identify and differentiate, behind the scenes and out of the customer's sight: the constitute analysis. The latter two tasks interact and customize, are customer-facing steps that require participation on the part of the individual customer. Visible to the customer, they constitute action (Peppers, Rogers, 2004). According to Temporal and Trott (2001) in creating your CRM strategy, it is important that you cover the following areas:

- Make your company the type of company people really want to do business with over and over again (through reskilling, restructuring, and retooling),
- Create a mechanism to identify, reward, and therefore retain your best customers (through customer reward and recognition programs),
- Create a means to organically grow the value of your existing customer base (through cross-sealing and up-sealing)
- Find new customers with the right potential (through "member get member" activities).

Furthermore Gronroos (2007) stress that good CRM implementation strategy has to include three tactical elements:

- To seek direct contacts with customers and other business partners
- To build a database covering necessary information about customers and others,
- To develop a customer-centric service system.

The three strategic requirements set the strategic base for the successful management of relationships. As mentioned the three tactical

elements are required to successfully implement customer management.

According to Zikmund et al. (2003) failure of the CRM implementation is derived from the following:

- Management and the developers do not have a clear understanding or definition of the components or purpose of a CRM system
- Management and the developers define the project scope too large
- Management fails to commit an executive sponsor or champion to the project
- Management and developers fail to understand the expectations of key constituent groups in using the CRM system

However, in implementing the CRM strategy, managers must recognize the cultural orientation required to energize inter-firm communication and knowledge sharing routines and build innovation and joint action. Infrastructure alone will not build relationship bridges with strategic partners nor leverage the resources that lie within those partners. Thus, managers will need to ensure that processes are in place to stimulate new ideas about relationship management and to capture current knowledge about relationship practice and productivity (Jarratt, 2008). According to Ngai (2005) CRM has attracted the attention of practitioners and academics but results presented in research have several important implications:

- There is no doubt that research on CRM will increase significantly in the future based on past publication rates and the increasing interest in this area.
- 76 out of 205 articles were related to IT and IS. IT and IS play an important role in the development and implementation of CRM.
- There are relatively fewer articles discussing customer privacy in CRM.
- A large portion of the reviewed articles were related to "General, concept, and study" and "Management, planning, and strategy" for CRM because CRM is still a new phenomenon for many businesses. Most of these articles conceptually described CRM in a general way.

Research

For the purposes of this paper a desk research has been conducted in March of 2009. The aim was to visit 450 web pages of the leading Croatian companies and, therefore, to confirm the presence of toll free telephone numbers, call centres, help desks or service desks. The focus of the research were all companies on the Croatian market, which, according to their revenue and profit, belong in the group of the mentioned 450 companies. The most companies in question showed that in the statement of the mission and vision they put their customers first. However, reality presents deferent CRM results. This research is very important in its approach because it offers a realistic presentation to which extent CRM is implemented on the Croatian market. Had Croatian managers been asked about the importance of their customers, the answers would show that the most of them are introduced with the importance of CRM. Furthermore, the answers would surely reveal that the managers consider their customers to be the greatest and the most important value of the business. In case they did not have the implemented CRM strategy, they would in all probability say that they plan to implement it. Unfortunately, the research results show a completely different situation. Out of 450 companies in focus, only 29 have the toll free telephone number as a part of their web site. Out of 29 companies with a toll free telephone number, 4 belong to the telecommunication sector, 9 to the production of fast consuming products, 6 belong to the banking sector, 2 to the retail sector, 1 is a construction company, 2 are car dealers, 1 is a games of chance company, 2 belong to the production and distribution of IT equipment, 1 to building equipment and 1 to newspapers distribution. These examples point out the fact that CRM strategy is possible to implement in various fields of business. It is interesting that in the top 10 companies, as many as 7 offer toll free telephone numbers, whereas in the first 100, only 14 companies have the toll free telephone option on their web page. Moreover, there are 23 companies among 100 firsts who do not have a web page at all. It is a defeating fact that out of 450 top Croatian companies, according to revenue and profit, as many as 123 do not have a web page. Considering the influence of the Internet and the World Wide Web as one of the most significant tools of communication with the customers, the above mentioned information gains even more importance. The remaining 298

companies which do have a web site but do not have the toll free telephone, a call centre, a help desks or a service centre, offer contacts which give the customers a chance to communicate with the company. In observation of such possible contacts, the e-mail has shown as the dominating tool of communication. In conclusion, even if the majority of the leading Croatian companies put their customers first, or at least mention them in that context in their statement of mission and vision, on daily basis they are not treated as such. Therefore, we can say that in Croatia CRM is on a low level of acceptance.

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EXPLORING TOURISTS' PERCEPTIONS TOWARDS SOUVENIRS BY MEANS OF INTERNET MEDIATED RESEARCH (IMR)

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Keywords

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Introduction

Tourism as a classic interdisciplinary field in science has received an impressive research coverage over the last couple of decades. Disciplines as diverse as sociology (i.e. Cushman, Veal and Zuzanek, 1996), geography (i.e. Coppock, 1982), economics (i.e. Gratton and Taylor, 1995), psychology and social psychology (i.e. Pearce and Stringer, 1991), history and anthropology (i.e. Nash and Smith, 1991), political science (i.e. Matthews and Richter, 1991) or philosophy (i.e. Dare, Welton and Coe, 1987) have all addressed tourism issues and applied their idiosyncratic perspectives. Many correlations of behavioural factors have been investigated and a good number of substantiated behavioural patterns led to typologies of major or minor importance (Dann, 1996 ;Ryan, 1997). However, in an environment which is clearly dominated by human beings and their actions, it comes as a surprise to realize that most of the research efforts seem to be trying to keep clear of the corpus delicti: the tourist himself/ herself. Indeed, an overwhelming proportion of the research output limits itself to reducing behaviours to numerical data and to drawing conclusions from this conveniently shaped statistical data. This has resulted in mathematically sound and irrefutable findings but with rather insufficient contribution in terms of deeper understanding of the phenomenon under consideration (Coles, 2004). The complexities of tourists' behaviour with its many facets have been largely overlooked in the past. Only recently, some research has been conducted with the tourist and the many qualitative aspects involved in mind.

Not surprisingly, the situation concerning the partial aspect of souvenirs and the souvenir consumption is in a deplorable state. A number of researchers have tried to generate knowledge based on the application of quantitatively informed methods of investigation (Littrell and Baizerman, 1994). And again, the lack of attention directed towards the centre of gravitation, the tourist, is amazing. In consequence, it was decided to devote the entire scope of a PhD thesis to the exploration and building of knowledge in this field through qualitative methods and techniques. Therefore, this paper is to be seen as one single component in a series of investigations (interview with souvenir buyers, comments collected from souvenir retailers, analysis of situation as seen by local tourism authorities, etc) carried out by the author, ultimately leading to a better grounded understanding of tourists' behaviours in the context of souvenir consumption.

Regardless of the respective investigation strategy adopted, the literature consistently suggests a rather limited number of methods of data collection for the qualitative arena (Burns, 2000 ;Creswell,

2003). Three major streams can be identified: a) observations in its various forms and degrees of interaction, ranging from a fully passive stance to an almost complete integration with the sample under investigation; b) analysis of documents which help to detect categories used and lines of communication; c) qualitative interviews which are probably the most widely used method within qualitative inquiries (Jennings, 2005). The qualitative interview must be seen and understood as a non or partially structured exchange of information between the inquirer and the informant and it stands in sharp contrast to the quantitative interview which primarily serves to efficiently gather informants' responses to a clearly delimited series of mostly closed questions … and answers expressed as a point on some sort of Likert scale. Although the qualitative interview is often used and has received considerable attention in research methodology literature, many users would agree that the most notable disadvantage of this method consists in the fact that interviewer and informant typically need to be present at the same time at the same location which, in turn, leads to planning challenges and high costs for travel.

Internet Mediated Research (IMR)

The world wide web could serve as a viable alternative in that it is able to mitigate the physical distance between researcher and informant to a virtual one and it provides communication features which could emulate a conversation in physical presence. The term 'Internet Mediated Research' (Madge et al., 2008) is often used in discussions against this background. At first sight, one would interpret this term as a signpost guiding the way to a new area of research thanks to the blessings of the internet. This interpretation is vague and misleading though. The real value of the newly created acronym IMR is that it flags out the existence of modified versions of traditional research methods based on the possibilities placed at our disposal by the world wide web. Best and Krueger (2004 p.85) remind us in this context that "balancing the possibilities and pitfalls of internet data collection is neither simple nor straightforward. Scholars cannot merely adopt the practices of traditional communication modes, but must approach the internet as a unique medium that necessitates its own conventions". In the area of Computer Mediated Communication CMC (Opdenakker, 2006), there are actually three modified tools which the author considers worthwhile considering in more detail in the context of souvenir research: a) internet-based questionnaires; b) realtime voice chats; c) synchronous text-based chats. Internet-based questionnaires have quickly gained wide acceptance mostly because they are very quick to set up, easy to administer and they hardly generate any printing and distribution costs. The reason for its popularity is at the same time also the back side of the medal. Because so many researchers benefit from the obvious advantages of this data collection method, potential informants see themselves flooded with requests to fill in online questionnaire forms. Hence, they often outright refuse to devote time to this activity leading to a drastic drop in response rates (Madge et al., 2008). The saturation phase of this method unfortunately seems to be reached already. Real time voice chats are the equivalent to telephone calls over the internet. Skype is probably the most popular application which allows a synchronous conversation over the internet and the addition of real time video signal is possible and indeed helpful in some cases. In terms of scientific research, it is argued that a Skype-based conversation follows the same rules as the classic telephone interview and the reader is referred to the corresponding standard literature for more in-depth information about advantages and challenges faced (for instance Carr and Worth, 2001). From the technological point of view, synchronous text-based chats, also called chat boxes, represent a format of communication which is not really new. Such chat platforms came into existence with the advent of the early internet which was dominated by text-based interfaces. Surprisingly, this type of communication interface has survived so far and it has even gained new admirers.

Synchronous text-based chats as a promising tool in souvenir research

The underlying logic is straightforward and the technology involved is quickly explained. A text-based chat consists of two or more people sitting simultaneously in front of their respective PCs and communicating by typing in messages in an appropriate interface which, in turn, is connected to the other communication partner(s) by means of the internet. The communication is realtime which means that as soon as one participant has finished entering his text and confirmed it by hitting the enter button, the same message appears instantly on the screens of the other participant(s). Text-based chats are indeed very popular in many

online communities because they are easy to use and fully transparent. The typical configuration consists of two people exchanging messages with each other. Although the inclusion of additional chat partners is technically feasible, it is often not desirable to go beyond the two standard partners for two main reasons: a) experience shows that several people hammering in their respective messages often leads to a type of conversation which is hard to structure and difficult to lead to a common goal; b) with many people contributing to the discussion, the airtime of each individual is reduced to an unbearable minimum and this almost automatically leads to a drop in motivation and interest.

Why should a text-based chat be particularly appropriate for souvenir research? After going through a series of nearly a dozen conventional in-depth un- or semi-structured interviews in a face-to-face setting each lasting 60 to 90 minutes, it appeared that the information gained was satisfactory but not more than that. It seemed to the author that social pressures and power relations (Jennings, 2005) biased the flow of information and indeed the outcome of the conversation unduly.

In a recent paper, Opdenakker (2006) presents a research project carried out in the context of virtual teams with members stationed all over Europe. One of the findings and arguably the most influential for this study, culminates in the observation that discussions in a virtual space by means of a synchronous text-based chat often lead "to a higher level of spontaneous self-disclosure" (Opdenakker, 2006 p.7). This appraisal is also supported by Joinson (2001) who points out that visually anonymous participants divulge more details about themselves then informants who are in visual contact with the researcher. And Opdenakker (2006) considerably extends this view by adding his experience in that informants asked about their attitudes most often prefer the interview to take place by means of a chat box over the traditional face-to-face setting. "The chance that the interviewee will give richer and a socially undesirable answer is higher" (p.7). A more direct and less filtered access to souvenir buyers' attitudes and perceptions thus represented the main motivator to explore synchronous text-based chats in connection with this study.

Taking into consideration the current structure of incoming tourists in Zurich on one hand side and the marketing efforts announced by the Zurich Tourist Authorities targeting a considerable increase in the proportion of British travellers visiting this city, the actual sampling frame was defined accordingly. Hence, measures were taken to recruit the needed number of British tourists who had visited Zurich in the last two years. Drawing from this pool of potential informants, six such interviews were conducted in a pilot phase and the insights gained are indeed surprising. In comparison to the traditional face-to-face interview the following advantages emerged: a) direct expression of thoughts; b) time to reflect; c) concentration on message; d) intimacy. Throughout these interviews, the author gained the impression that he was given much closer access to emotions and feelings of the informant. Suddenly, social acceptability and expected behaviour filters seemed to have vanished or at least be greatly reduced in their importance. The interview partners were perceived as worrying much less about defending their position within society or voicing socially undesirable issues, such as liking 'kitsch'. – A text-based chat format offers the real luxury of our times: time. It seemed to the author that informants greatly appreciated the almost complete absence of time pressure. This resulted in more time available for the informant to reflect and to finally write down what is really important to him/her instead of hastily satisfying the interviewer's curiosity by typing in long pre-defined formulas and thoroughly tested behavioural patterns. – In the absence of visual clues or the consideration thereof, the informants were experienced to concentrate much more on the message and its meaning. Since there is no immediate recursive procedure which would allow the informant to validate, temper or fortify his statement retroactively, the message sent must properly capture one's ideas and not let room for speculation or interpretation at the discretion of the message receiver. – Previous research on souvenirs by the author shows that the act of buying souvenirs is indeed a very intimate undertaking and such details are only divulged to close friends … or complete strangers (Colvin and Longueuil, 2001). Surprisingly, with the interviewer who is seen as a stranger on one side and the text-based chat as a communication platform on the other, the combination of the two elements warrants a level of familiarity which favours the release of even the most intimate views and appraisals.

Christians and Chen (2004 p.18) make one important point: "New technologies not only offer fresh opportunities for research but also impose new limitations". Hence, one could reasonably argue

that the lack of physical closeness is also a source of less positive aspects, such as the impossibility to interpret non-verbal language or the insecurity in terms of the flow of communication (why is there no immediate answer?). It has been shown earlier that the absence of non-verbal information in this setting might lead to a more focused and more honest expression of thoughts with a minimum of distraction. However, in certain cases there might be a need to counterbalance the lack of non-verbal signals by the conjoint adaptation of a set of communication conventions, such as the well known range of smilies to illustrate a state of mind or, even more straightforward, the common understanding that non-verbal expressions should consciously and willingly be expressed in a verbal format by adopting 'internet slang' or 'text speak' (*lol*, *rising eyebrows*, …). In a similar vain, the insecurity about the flow of information can be reduced by deciding on a specific textual signal to flag the end of a statement (e.g. * or //).

Conclusion

In the context of attitude and perception research, a text-based chat format can be a helpful addition to the qualitative research toolkit. The method offers closeness and distance at the same time and it supports a higher degree of freedom in exchange of thoughts while warranting the intimacy of the informant. Indeed, the outcome of this investigation is fully consistent with what Spears and Lea (1994 p.435) had alluded to back in 1994: "Under the protective cloak of anonymity users can express the way they truly feel and think". However, a number of usage specific amendments to the format should be considered to make it even more suitable for social research. On the one hand, there should be a visual signalling device which indicates when the informant is actually typing in a message. Skype, for instance, in its short message service features a pen-like icon which starts moving while the informant is keying in a message. Such functionality would ease the flow of information and reduce the level of insecurity. It would even allow to acknowledge and assess idle time and to interpret its occurrence within the context of the conversation. On the other hand, the delete- and return-function should be blocked out to witness the most genuine flow of thoughts possible. This limitation should not be understood as an unfair infringement in respondents' way of expression. It is much more the equivalent of original speech in which it is not possible either to delete or rewind in order to bolster a given statement. Hewson et al. (2003 p.144) summarize the overall situation as follows: "While we believe that internet-mediated primary research has great potential, it is still in its infancy. The technologies and procedures need researching further".

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EFFECTS OF UNIVERSITY NAMING ON PREFERENCES, CREDIBILITY, IMAGE AND ENROLMENT INTENTION OF ITALIAN STUDENTS

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Abstract

This research focused on city-of-location vs. region-of-location naming strategies and showed that university naming is a tool for influencing its perceived credibility, image and enrolment intention. An experimental study was carried out on a sample of 200 students at an untested Italian university, who were recruited as potential users living outside of the tested areas of three different existing Italian universities with a region-of-location-based name (i.e., the University of Insubria, the University of Sannio, and the University of Tuscia). These were paired with as many experimentally manipulated fictitious city-of-location-based university names (i.e., the University of Varese and Como, the University of Benevento, and the University of Viterbo, respectively). A close-ended questionnaire was developed for each university, containing two dichotomic measures regarding the recognition of the university location and the name preference, respectively. For each of the six experimental conditions (three universities x two naming strategies), the questionnaire also contained: a three-item seven-point perceived credibility scale, based on Ohanian's (1990) approach; a ten-item university perceived personality scale, based on the Five-Factor Model (cf. Digman 1990); a composite measure of enrolment intention; and a 12-item seven-point "place-of-origin" image scale, developed from Pisharodi and Parameswaran's (1994) study. Results showed that experimental subjects were more able to recognise investigated universities and their locations when their names integrate the city rather than the corresponding geographical region where such institutions are located. They also showed that potential users prefer a city-of-location-based name to a region-of-location-based one. Perceived credibility levels of the investigated universities were found to be higher when their names integrate the city of location rather than the corresponding geographical region. Results of a repeated measures ANOVA carried out on perceived personality scores showed significant effects of university naming strategy on image profile. Both the "place-of-origin" image and the enrolment intention were also found to be higher when university names integrate the city of location rather than the corresponding regional context. Both theoretical and operational implications are discussed.

Key words. Enrolment intention, Higher education marketing, Naming strategies, University branding, University perceived image

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Introduction

Universities are increasingly making use of branding strategies to market themselves worldwide, due to a growing competition in the higher education sector (Hemsley-Brown and Goonawardan 2007). Universities are organisations which are competing in the international markets for attracting talented students, skilled academics and employess, as

well as better resources in general. Therefore, they are seeking to develop and project a positive and distinctive image to their main audiences (i.e., students, faculty, and technical-administrative staff members) by implementing marketing principles and branding strategies (Lowrie 2007).

This research focused on the effectiveness of university naming strategies as a relevant issue in traditional brand management literature (e.g., Riezebos 2002). Branding research in general has shown that naming strategies are of relevant importance for both products (e.g.,Klink 2001) and organisations (e.g., Koku 1997), as a name may influence their perceived images. A name may be designed to make reference to key characteristics of the object (i.e., a product or an organisation) and to convey its relevant benefits, thereby delivering the "promise" to be kept for satisfying users. A name may also impact on brand awareness and recall to the extent that it is meaningful and memorable, that is, capable of creating strong associations in consumers' memory (cf. Keller, Heckler and Houston 1998). For example, meaningless names, that is, those names which are semantically abstract and do not contain concrete reference to their objects, tend to inhibit the development of these associations and to communicate that the related objects are based on intangible attributes. This implies that a naming strategy contributes to the development of a sustainable competitive advantage of differentiation, by helping its object reach a distinctive position in the marketplace, with respect to its actual and potential competitors.

University names usually make reference to the territory where these institutions are located. More specifically, such names often integrate the city where the university has the head office (for example, the University of Chichester), whereas they sometimes include the corresponding whole region – namely, the geographical region – of location (for example, the University of West Sussex). This clearly results from different naming strategies we refer to as either a city-of-location or a region-of-location university naming. Choosing an appropriate name for a university is a relevant decision for its marketing managers, as this may affect potential users' ability to recognise the institution and its geographical location, as well as its perceived credibility, image and ultimately the users' intention to interact with it (e.g., potential students' enrolment intention). The present research investigated these potential effects deriving from the adoption of either a city-of-location or a region-of-location naming strategy by university management. The attempt to relate specific naming strategies to perceptual variables (such as the university perceived image and credibility), as well as to users' choices and behaviours (such as preferences and intention), is new in this field. The traditional research on higher education marketing has in general focused on other variables which tend to be not directly manageable by university marketers. These are, for example, socio-economic variables such as students' financial situation, as well as university location cost of living, including accommodation and travelling expences, the degree of proximity of campuses' locations to the users' home city or country, and opinions of relevant others, such as family and friends (see Shanka, Quintal and Taylor 2005, for a review).

The remainder of the article is organised as follows: the next section will illustrate the research purpose and objectives; the third section will decribe the methodology and the related procedure followed; the fourth section will report results obtained from an experimental study; whereas the fifth section will discuss theoretical and marketing implications.

Research purpose and objectives

A city-of-location naming strategy has been defined as the choice of integrating the city where a university is located in its name, whereas a region-of-location naming strategy has been defined as the choice of integrating the geographical region where the university is located in its name. The purpose of this research was to examine whether these naming strategies can be adopted as a marketing tool for influencing potential users' (i.e., students') perception of the target institution and its geographical location. This general purpose was articulated in four specific objectives. The first research objective was to investigate the effects of these naming strategies on the ability of potential users residing outside the geographical region of reference to recognise the university and its location. Compared to cities and towns, geographical regions refer to larger areas which are homogeneous from a geographical point of view and, therefore, are delimited by natural boundaries (e.g., a valley, a coastal plain). They often lack administrative boundaries, as the corresponding territory may not be under the exclusive jurisdiction of a local government. Therefore, there is reason to believe that individuals in general tend to recognise

cities and towns better than geographical regions. It is therefore possible to hypothesise that potential users residing outside the target area recognise universities adopting a city-of-location naming strategy better than universities adopting a region-of-location one. By allowing a better recognition of the target institution and its location, a city-of-location-based name could also be preferred to a region-of-location-based one.

The second research objective was to examine the potential effects of these naming strategies on university perceived credibity. Perceived credibility is a construct that has often been referred to individual spokepersons as sources of information. Ohanian (1990) defined perceived credibility as the extent to which a source is deemed to be believable and related this construct to three main subdimensions: (1) expertise, that is, the extent to which a communicator is perceived to be a source of valid assertions about the object and/or the message; (2) trustworthiness, which is the degree of confidence in the communicator's intent to communicate the assertions he/she considers most valid; and (3) attractiveness, which is generally referred to as the pleasant physical appearance of the source and, to a lesser extent, to his/her emotional attractivenss. This approach has been extensively adopted for describing endorsers' perceived credibility in advertising contexts (e.g., Guido and Peluso 2004, 2009), whereas it has been seldom applied to organisations like universities (e.g., Goldsmith, Lafferty and Newell 2000; Newell and Goldsmith 2001). The present research followed Ohanian's (1990) approach in order to address this research objective and, therefore, to show whether different naming strategies influence universities' perceived credibity, to the extent that their names affect their expertise, trustworthiness and attractiveness as perceived by users. Notably, when applied to organisations, the attractiveness dimension must be interpreted at large as users' perception of the extent to which these organisations are capable of attracting and motivating individuals and potential applicants to interact with them.

The third research objective was to verify whether these naming strategies exert an effect on universities' perceived image. The concept of perceived image has been widely investigated in marketing research with respect to branded products. It has been often described through the methaphor of "human personality". Based on this psychological conceptualisation, Aaker (1997) defined brand personality as a multidimensional construct regarding the set of human characteristics consumers tend to ascribe to a branded product. This approach has been recently applied to organisations for describing their perceived image and reputation in general (Davies et al 2001). Slaughter and colleagues (2004) adapted Aaker's (1997) definition and described the construct of organisation personality as the set of human characteristics perceived to be associated with an organisation. In line with this view, the present research applied the personality concept to assess universities' perceived image and verify whether specific naming stragies influence their personality profiles.

Another important aspect dealing with the image concept regards how universities are perceived by individuals residing outside the region where such higher education institutions are located. Both city-of-location and region-of-location university names contain a clear cue to the surrounding territory, namely, a specific city or a larger region of reference. This implies that individuals residing outside the target area perceive universities that are differently named also in relation to the perceived image they hold for the specific territory of university location. In destination branding literature, a place perceived image has been defined as the general schematic representation individuals form of a place, based on their own believes, ideas and impressions deriving from both direct and indirect interaction experiences with that territory (Govers, Go and Kumar 2007; Tasci, Gartner and Cavusgil 2007). On the other hand, the marketing literature has traditionally referred to the influence of a specific place's image on international consumers' perception of products made in its territory as the country-of-origin effect (e.g., Insch and McBride 2004; Li, Murray and Scott 2000; Parameswaran and Pisharodi 1994). This effect has often been explained through the hypothesis that perceivers hold specific stereotypes of single countries and places in general, in terms of values, symbols and social norms, which affect their perception of local products (Verlegh and Steenkamp 1999). The present research sought to verify whether a similar phenomenon also exists for universities, to the extent that their names contain an extrinsic cue to the territory of location. By following the same terminology as used by other researchers in this field, we referred to such a potential effect as either a "city-of-origin" or a "region-of-origin" effect, depending on whether a target university has

adopted a city-of-location or a region-of-location naming strategy.

The fouth research objective was to verify whether these naming strategies affect users' intention to interact with universities. In particular, the study focused on students as a relevant target of users. This effect was therefore assessed with respect to their enrolment intention, as an indirect indicator of behavour (cf. Ajzen 1991).

Methodology

The four research objectives were verified in an experimental study carried out on a sample of 200 students (43% M, 57% F) at an untested Italian university. They were recruited as potential users living outside of the tested areas where three different existing Italian universities were used as experimetanl stimuli. These were universities with actual region-of-location-based names: the "University of Insubria", the "University of Sannio", and the "University of Tuscia". These universities were paired with as many manipulated fictitious city-of-location-based names, in a within-subjects experimental design, respectively: the "University of Varese and Como", the "University of Benevento", and the "University of Viterbo".

A close-ended questionnaire was developed in five parts containing measures of the relevant constructs, which were assessed with respect to the three (tested Italian universities) □ two (naming strategies: an actual region-of-location-based name vs. a fictitious city-of-location-based one) within-subjects experimental conditions. The first part of the questionnaire contained, for each tested region-of-location-based university name, three dichotomic measures to assess subjects' ability to recognise the institution, the administrative region and the province where it is located. Moreover, it also contained, for each experimental condition, a dichotomic scale to directly measure preferences for one of the two proposed names (the actual region-of-location-based name or the fictitious city-of-location-based one). The second part of the questionnaire contained, for each of the six experimental conditions, both a direct and an indirect measure of university perceived credibility on seven-point categorical scales. This latter was based on Ohanian's (1990) approach and contained three items regarding the three main sub-dimensions of the perceived credibility construct (i.e., expertise, trustworthiness and attractiveness).

The third part of the questionnaire contained, for each experimental condition, a measure of university perceived personality. This construct was operationalised according to the Five-Factor Model (cf. Digman 1990, for a review), which was developed in the field of social psychology and adopted in marketing research to assess brand personality (Caprara, Barbaranelli and Guido 2001). It describes perceived personality as a construct consisting of five main dimensions (a.k.a. factors, components or traits): namely, (1) Agreeableness, which refers to the orientation towards compassion and caring about others, and away from antagonism; (2) Conscientiousness, which refers to the preference for goal-oriented activity, and the degree of organisation; (3) Introversion/Extroversion, which is the subjective aversion/predisposition towards social interaction and activity; (4) Neuroticism/Emotional stability, which refers to the subjective inability/ability to respond to external stimuli while keeping emotions and impulses under control; and finally (5) Openness to experience, the degree of tolerance for new ideas and new ways of doing things. This five-factor structure was applied to the university perceived personality construct and measured through a ten-item seven-point semantic differential scale. This was adapted from prior research studies applying the same approach (Gosling, Rentfrow and Swann 2003; Rammstedt and John 2005). Examples of adjectives' pairs that were included in this scale and used to profile university personalities along the five dimensions are, respectively: "dishonest/honest", "careless/careful", "non-competitive/competitive", "old-fashioned/modern", and "tense/quiet". Moreover, perceived images of tested universities were also assessed in relation to the subjective perception of the territory of reference in a way that is similar to the procedure traditionally followed to measure the country-of-origin effect. This was done to verify the existence of a "city-of-origin" vs. a "region-of-origin" effect. For each experimental condition, a 12-item seven-point categorical scale was developed from the Country-of-Origin Image scale as proposed by Parameswaran and Pisharodi (1994). We in particular considered a specific sub-scale of such an instrument regarding the general "country" attributes and adapted its original items to our research context (i.e., "cities" and "geographical regions").

The fourth part of the questionnaire contained, for each experimental condition, two items to assess enrolment intention. These were measured on seven-point categorial scales assessing, respectively, the strength of the intention to enrol at the tested univesities and the subjective probability of effectively engaging in such a behaviour over a specified period of time (cf. Fishbein and Ajzen 1975). Finally, the fifth part of the questionnaire containded two questions to collect socio-demographic data (i.e., gender and age).

Results

Appropriate statistical analyses were carried out on collected data for addressing research objectives. A frequency analysis was in particular carried out on data collected through dichotomic scales included in the first part of the questionnaire. A check of the existence of a basic knowledge of the three tested universities, with their actual region-of-location-based names, was performed by asking subjects to indicate whether they knew (or had ever heard of) them, their administrative regions and province of location. Results reported in Table 1 show that 86% or more of subjects did not know, or were unable to recognise, the tested universities with their actual region-of-location-based names (University of Insubria: $\chi2(1, n = 200) = 144.5$, $p < .001$; University of Sannio: $\chi2(1, n = 200) = 103.68$, $p < .001$; University of Tuscia: $\chi2(1, n = 200) = 134.48$, $p < .001$). They also showed that 90% or more of subjects were unable to indicate their adiministrative regions of location (University of Insubria: $\chi2(1, n = 200) = 176.72$, $p < .001$; University of Sannio: $\chi2(1, n = 200) = 128.00$, $p < .001$; University of Tuscia: $\chi2(1, n = 200) = 158.42$, $p < .001$). In a similar way, 94% or more of subjects were unable to indicate the province where the tested universities are located (University of Insubria: $\chi2(1, n = 200) = 176.72$, $p < .001$; University of Sannio: $\chi2(1, n = 200) = 158.42$, $p < .001$; University of Tuscia: $\chi2(1, n = 200) = 172.98$, $p < .001$).

Table 1: Results on respondents' knowledge and their ability to recognise universities and their locations

Question	Answer	University of Insubria	University of Sannio	University of Tuscia
1) Do you know the University of...?	Yes	7.5%	14%	9%
	No	92.5%	86%	91%
2) Do you know the (adimistrative) region where it is located?	Yes	3%	10%	5.5%
	No	97%	90%	94.5%
3) Do you know the province where it is located?	Yes	3%	5.5%	3.5%
	No	97%	94.5%	96.5%

Notes: n = 200. Based on a Chi-square ($\chi2$) test, differences between frequency proportions corresponding to each question, on each tested university, were significant at a .001 level.

A similar analysis was carried out on data regarding respondents' preferences for the tested universities, each experimentally paired with either its actual region-of-location-based name or a fictitious city-of-location-based one. Results provided evidence that subjects and potential students, in particular, prefer university names incorporating the city where the institution is located to names making explicit reference to a geographical region. More specifically, 84% of subjects declared to prefer the fictitious "University of Varese and Como" name to the actual "University of Insubria" one ($\chi2(1, n = 200) = 92.48$, $p < .001$); 76% declared to prefer the fictitious "University of Benevento" name to the actual "University of Sannio" one ($\chi2(1, n = 200) = 54.08$, $p < .001$); whereas 83% of subjects preferred the fictitious "University of Viterbo" name to the actual "University of Tuscia" one ($\chi2(1, n = 200) = 87.12$, $p < .001$).

To address the second research objective, a difference test was carried out on university perceived credibility data. First of all, a reliable, composite measure of credibility was computed for each tested university, with both the actual region-of-location-based name and the corresponding

fictitious city-of-location-based one. This was done by adding up scores obtained on the three items regarding the three construct's sub-dimensions (i.e., expertise, trustworthiness and attractiveness) (Cronbach's α coefficients ≥ .80). For each tested university, a paired samples t-test was therefore carried out to compare perceived credibility levels as associated with the two naming strategies. Results reported in Table 2 show that subjects perceive universities to be more credible when their names integrate the city rather than the geographical region where such institutions are located. University perceived credibility levels were found to be significantly higher when they are associated with a city-of-location naming strategy compared to a region-of-location one (University of Insubria: $M = 9.38$, $SD = 4.09$, vs. University of Varese and Como: $M = 13.13$, $SD = 3.91$, $t(199) = -10.01$, $p < .001$; University of Sannio: $M = 10.03$, $SD = 4.43$, vs. University of Benevento: $M = 12.45$, $SD = 4.26$, $t(199) = -5.97$, $p < .001$; University of Tuscia: $M = 8.95$, $SD = 4.72$, vs. University of Viterbo: $M = 13.46$, $SD = 4.05$, $t(199) = -10.80$, $p < .001$).

The same pattern of results emerged from a difference analysis carried out on credibility data obtained from the direct measure of the construct. This was found to be an alternative, valid measure of university perceived credibility, as it strongly correlated with the three-item scale ($rs > .7$). A paired samples t-test carried out on these data confirmed that a city-of-location naming strategy is significantly more effective than a region-of-location one in enhancing the level of credibility potential users perceive in a university ($p < .001$).

As for the third research objective, university perceived personality data as collected through the ten-item semantic differential scale were considered. The five sub-dimensions were computed by following an additive procedure. In each experimental condition, an overall score was computed for each personality trait by adding up scores obtained on the two corresponding items. In this way, the five personality dimensions were quantitatively assessed for each tested university associated with a specific name. Notably, our objective was not to find relationships between a specific university name and certain personality traits, but to verify whether significant differences emerge in university perceived personalty profiles as a function of the naming strategy adopted. To this end, a repeated measures analysis of variance (ANOVA) was carried out on university personality traits describing tested universities' images, in relation to the two naming strategies. Results obtained from this analysis, combined with a post-hoc test, revealed that the dominant dimensions of a university perceived personality change with the naming strategy adopted. More specifically, Table 3 shows that the "University of Insubria" main personality dimension is Agreeableness, but both Extroversion and Conscientiuosness become the main personality traits when the same institution is named as "University of Varese and Como" ($p < .001$). Moreover, a further paired samples t-test showed that the adoption of a city-of-location naming strategies significantly increases subjective perception of all personalty dimensions (especially the Extroversion one) ($ps < .05$), with the only exception of Agreeableness ($p = .12$).

Table 2: Paired samples t-test on university perceived credibility

Variable (Indirect measure)	University of Insubria		University of Varese e Como			
	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Perceived credibility	9.38	4.09	13.13	3.91	- 10.01	.000
	University of Sannio		University of Benevento			
	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Perceived credibility	10.03	4.43	12.45	4.26	- 5.97	.000
	University of Tuscia		University of Viterbo			
	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Perceived credibility	8.95	4.72	13.46	4.05	- 10.80	.000

Note: n = 200.

Table 3: Personality traits of University of Insubria vs. University of Varese and Como

	University of Insubria		University of Varese and Como	
Personality traits	Mean	Std. Dev.	Mean	Std. Dev.
Agreeableness	8.37*	2.08	8.70	1.91
Conscientiousness	7.71	2.23	9.06*	2.09
Emotional stability	8.21	2.06	8. 72	2.08
Extroversion	7.54	2.24	9.20*	2.14
Openness	7.71	2.43	8.27	2.03
Repeated measures ANOVA	*F*-ratio	*p*	*F*-ratio	*p*
	7.14	.000	9.76	.000

Notes: n = 200. * = main personality traits based on a LSD post-hoc test significant at a .001 level.

Table 4: Personality traits of University of Sannio vs. University of Benevento

	University of Sannio		University of Benevento	
Personality traits	Mean	Std. Dev.	Mean	Std. Dev.
Agreeableness	8.21*	1.86	8.37	1.88
Conscientiousness	7.86	2.01	8.52	2.20
Emotional stability	7.95	1.73	8.40	2.12
Extroversion	7.94	2.16	8.76**	2.24
Openness	7.80	1.85	8.22	1.98
Repeated measures ANOVA	*F*-ratio	*p*	*F*-ratio	*p*
	2.15	.073	3.28	.011

Notes: n = 200. * = main personality traits based on a LSD post-hoc test significant at a .1 level. ** = main personality traits based on a LSD post-hoc test significant at a .05 level.

The same analyses were carried out on data regarding the University of Sannio and a similar pattern of results was obtained. More specifically, a repeated measures ANOVA, combined with a post-hoc test, showed that the personality profile of this university is marginally dominated by Agreeableness (p = .07). Yet Extroversion becomes the main personality trait when its name integrates the city-of-location (i.e., "University of Benevento") (p = .01) (Table 4, below). Also in this case, a paired samples t-test showed that the adoption of a city-of-location naming strategies increases the perceived levels of all personalty dimensions (especially the Extroversion one) (ps < .05), with the only exception of Agreeableness (p = .38).

For the University of Tuscia, a repeated measures ANOVA and the related post-hoc test showed a personality profile that is marginally dominated by the Emotional stability dimension (p = .1). But Conscientiousness and Extroversion become dominant when a city-of-location naming strategy is adopted (p < .001) (Table 5). Moreover, a paired samples t-test showed that the adoption of a city-of-location naming strategy causes an increase in the perceived levels of all university personality traits (ps < .05).

Results on university perceived personality as obtained from the statistical analyses illustrated above are also summarised in the profile plots reported in Figure 1 (below), thereby allowing an immediate understanding of tested effects.

Table 5: Personality traits of University of Tuscia vs. University of Viterbo

	University of Tuscia		University of Viterbo	
Personality traits	Mean	Dev. Std.	Mean	Dev.Std
Agreeableness	7.83	2.32	8.78	1.87
Conscientiousness	7.74	2.27	8.98**	1.99
Emotional stability	8.07*	1.72	8.63	1.64
Extroversion	7.63	2.48	9.04**	2.13
Openness	7.85	2.37	8.63	1.94
Repeated measures ANOVA	*F*-ratio	*p*	*F*-ratio	*p*
	1.93	.104	7.51	.000

Notes: n = 200. * = main personality traits based on a LSD post-hoc test significant at a .1 level. ** = main personality traits based on a LSD post-hoc test significant at a .001 level.

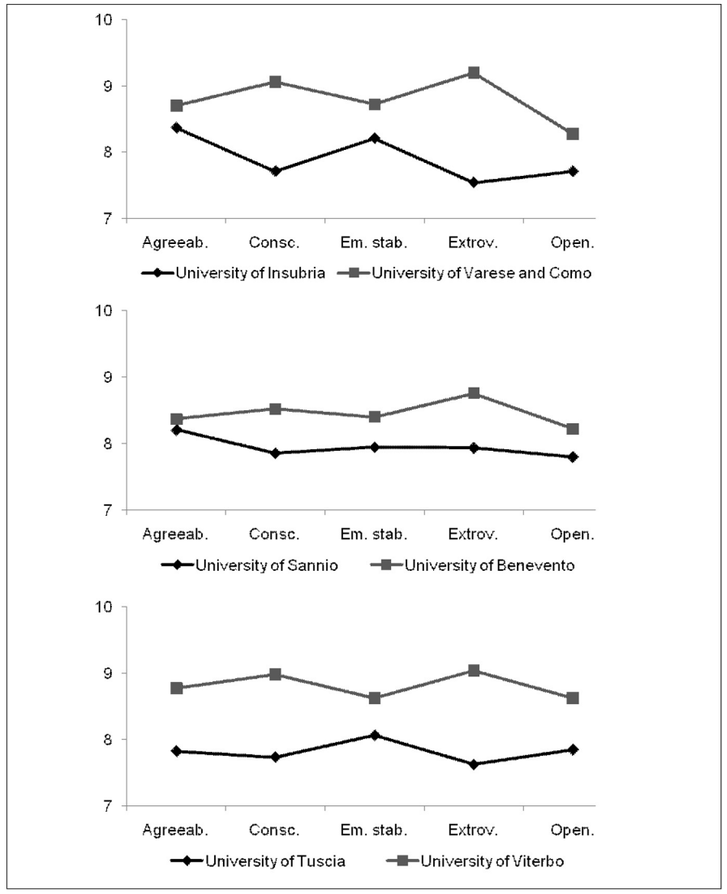
University perceived images were also examined in relation to the individual perception of the specific territory of reference. This was done by adapting a Parameswaran and Pisharodi's (1994) sub-scale to this specific context of research. A paired samples t-test was conducted on scores obtained on this measure, in order to compare general "place-of-origin" effects, as referred to either a specific geographical region (i.e., "region-of-origin") or a city (i.e., "city-of-origin"), depending on the naming strategy adopted. Results reported in Table 6 (below) show that subjects associated a better "place-of-origin" perceived image to a university when its name integrates the city rather than the geographical region where it is located (University of Insubria: M = 3.48, SD = 1.23, vs. University of Varese and Como: M = 4.51, SD = 1.19, t(199) = -9.86, p < .001; University of Sannio: M = 3.43, SD = 1.20, vs. University of Benevento: M = 3.74, SD = 1.30, t(199) = -3.02, p = .003; University of Tuscia: M = 3.34, SD = 1.26, vs. University of Viterbo: M = 4.35, SD = 1.28, t(199) = -8.54, p < .001).

The fourth research objective regarded the effect of university naming strategy on potential users' intention to interact with a higher education institution. In particular, this effect was examined with respect potential students' enrolment intention. A paired samples t-test was carried out on declared behavioural intention data, in order to assess this effect. Obtained results clearly showed that subjects' enrolment intention significantly increases when universities adopt a city-of-location naming strategy (University of Insubria: M = 2.44, SD = 1.53, vs. University of Varese and Como: M = 3.87, SD = 1.91, t(199) = -8.65, p < .001; University of Sannio: M = 2.66, SD = 1.67, vs. University of Benevento: M = 3.54, SD = 1.80, t(199) = -5.46, p < .001; University of Tuscia: M = 2.49, SD = 1.65, vs. University of Viterbo: M = 4.06, SD = 1.75, t(199) = -9.96, p < .001) (Table 7).

Discussion and conclusions

Competition among universities is increasing worldwide. Higher education institutions are more and more seeking to attract the best resources available in the international markets. They are committed, for example, to employ a qualified technical-administrative staff, as well as skilled researchers and academics coming from around the world. Visiting research scholarship and professorship programmes may be seen as an example of this strategy, through which a university provides researchers and young professors with the opportunity to join its faculty for a limited period of time. Universities are also interested in attracting gifted students, who contribute to improve their reputation and competitiveness.

Figure 1: University personality profile plots



This research investigated the role of naming strategy in achieving these goals. Choosing an appropriate name for a university is important, as it can improve recognition, market share, credibility level, image and users' intention to interact. Naming strategies are therefore an effective marketing tool university management can adopt for positioning and persuasive purposes. The present research addressed four specific objectives dealing with the effectiveness of two specific naming options we termed, respectively, city-of-location and region-of-location strategies, depending on whether a university name integrates the city of the geographical region where the institution is located. It was the first study in higher education marketing literature that investigated, in a comparative manner, the persuasive potential of these strategies and their role as a competitive thrust.

Table 6: Paired samples t-test on "region-of-origin" vs. "city-of-origin" effects

	University of Insubria		University of Varese e Como			
Variable	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Place-of-origin image	3.48	1.23	4.51	1.19	-9.86	.000
	University of Sannio		University of Benevento			
	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Place-of-origin image	3.43	1.20	3.74	1.30	-3.02	.003
	University of Tuscia		University of Viterbo			
	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Place-of-origin image	3.34	1.26	4.35	1.28	-8.54	.000

Note: n = 200.

Table 7: Paired samples t-test on enrolment intention

	University of Insubria		University of Varese e Como			
Variable	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Enrolment intention	2.44	1.53	3.87	1.91	-8,65	.000
	University of Sannio		University of Benevento			
	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Enrolment intention	2.66	1.67	3.54	1.80	-5.46	.000
	University of Tuscia		University of Viterbo			
	Mean	Std. Dev.	Mean	Std. Dev.	*t*-value	*p*
Enrolment intention	2.49	1.65	4.06	1.75	-9.96	.000

Note: n = 200.

As for the first research objective, obtained results provided evidence for higher education marketing managers that adopting a city-of-location naming strategy makes a university more recognisable by potential users. This is likely to increase the probability that potential applicants and students in particular include a specific university in their consideration set for a subsequent choice. This reasoning is confirmed by our results, which stressed that – other conditions being equal – universities with a city-of-location-based name are preferred to those with a region-of-location-based one. Familiarity could play a role in explaining this higher recognisability of, and preference for, universities with a name that integrates the specific city of location, rather than the corresponding geographical region. Potential users, in general, and students residing outside of the geographical context of university location, in particular, could be more familiar with a city than with a geographical region.

Perceived familiarity might also explain the effect of naming strategies on university perceived credibility. Results regarding the second research objective showed that universities are perceived as more credible when their names integrate the city rather than the region of location. A region-of-location naming strategy is likely to make a certain university relatively unfamiliar to potential users (i.e., students who reside outside of that region). This in turn is likely to increase their degree of cognitive discomfort and aversion towards the university, which is consequently perceived as less credible.

As for the third research objective, obtained results showed an effect of the naming strategy on university image. Based on the Five-Factor

Model (cf. Digman 1990), they stressed how university perceived personality profile change as a function of the naming strategy adopted. Even with marginal differences, results showed that Agreeableness and Emotional stability are dominant university personality traits when a region-of-location naming strategy is adopted. An interpretation of this finding is that universities tend to be perceived as warm and traditional environments when their names integrate the geographical region of location. On the other hand, Extroversion and Conscientiousness are the main personality dimensions when a city-of-location naming strategy is adopted. This would mean that the same universities tend to be perceived as competitive, high-standard environments, which are based on rigor in teaching and research activity. Moreover, results showed that the adoption of a city-of-location naming strategy causes a significant increase in the perceived levels of all university personality traits. This may be due to a higher distinctiveness or prominence of the image associated with such a name, compared with that associated with a region-of-location-based one. In comparison with cities, geographical regions are less likely to project a clear image to potential users and this might be reflected in a weaker perceived personality of universities whose names integrate their regions of location. In line with this view, results on "region-of-origin" vs. "city-of-origin" effect stressed that perceived images of cities where universities are located are in general more positive than the ones of the corresponding geographical regions.

Universities seem to benefit from the adoption of a city-of-location naming strategy in terms of recognisability, preference, perceived credibility and image. These advantages might ultimately have persuasive effects on potential users and students in particular, who could be more prone to interact with universities whose names incorporate the city, rather than the geographical region of location. Even though we did not test these effects directly, our results on the fourth research objective clearly showed that potential students' enrolment intention is higher when a university adopts a city-of-location naming strategy, rather than a region-of-location one.

In conclusion, this research contributes to the university branding literature. It was the first study to our knowledge that investigated the impact of university naming on potential users' perception. Findings provided clear evidence that in higher education sector a name may serve as a bridge between a mere university image and the place of location one. The two images therefore tend to collapse and merge in a whole university image, whose degrees of strength and distinctiveness depend on the specific naming strategy adopted. Also in a higher education context, the adoption of a naming strategy for a university strongly affects perceptual constructs like recognisability, memorability, attitude, credibility, perceived personality and image. These effects could be examined in future research. Further investigations and analyses could be carried out in other studies, which could be conducted on the field. These should consider larger samples consisting of more than one potential user category, such as technical-administrative staff members, researchers and professors, other than students.

This research has operational implications for university management. University marketers are recommended to consider naming effects on users' perception when they choose a name for their institutions. A city-of-location naming strategy seems to be more appropriate than a region-of-location one when a university management aims at attracting international students and other resources from external areas (e.g., other regions, countries, or continents). University marketers are also recommended to undertake a potential name changing strategy carefully, above all when this implies a change from a city-of-location-based name to region-of-location-based one.

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DIAGNOSTICS AND QUALITY GRADATION OF CAREER POTENTIAL OF GRADUATORS OF HIGHER EDUCATION INSTITUTION (HEI) IN HOSPITALITY SPHERE

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ABSTRACT

In the conditions of transition to market economy, the important value gets the problems of professional employment of HEI graduators. Solution of such problem, first of all depends on career potential degree of graduator. Today the formula "good knowledge" (red diploma, perfect grades on profile courses) doesn't affect employers, there is needed another formula – "good competence" (knowledge + acquirement of their usage). Modern hotel is in need of universal specialists, who have big professional and life experience, who are able to react to new tendencies, who include in oneself logical intellection and ability to find different approach to problem solving.

In the article, the emphasis is made on important commandment of fine career – early starts, that is, in order for graduators to make brilliant career in business, one has to start acting decidedly far before graduating HEI, even better – from the first course. As earlier one gets into business environment, as fast he/she familiarizes corporate of business, its rules of playing, and as better adapts to its' changes.

For the student who wants to get employed, as he/she gets the information about free work places and their exposition (attributes), the employers as well get information about people who want to get employed, especially, the graduators of HEI, their mastering of specialty knowledge, occupational acquirement, psycho-physiologic peculiarities and personal qualities. That is, in here discussion is about "career potential of graduator". In the article author determination of category "career potential of graduator" is offered, its structure is brought and methodic basis of diagnostics of career potential of graduator is defined. "Career potential of graduator" – is the sum of physical, mental, and intellectual potentials for student's position (job, career) improvement.

The following is recommended to be added as student's career potentials' quality indicator: student's specialty potential; student's psycho-physiologic potential, student's personal potential. The appraisal of their quality indicators will be seen explicitly in the article. We offer the formula for calculating career potential of graduator (CPG).

On the basis of degree evaluation of "career potential of graduator", we recommend four qualitative levels of graduator. 1) "Successful". These graduators are requested in the labor market, their rating is highly evaluated (higher then middle), they have own development plans. 2) "Growing". Graduators, trying to become better, also requested in the labor market, their rating is evaluated higher then middle level. 3) "Stabilized". The graduates, having possibility to become successful. 4) "Stopped". Level of professional competence of such graduators doesn't let them make their functional duties at needed level of quality, that's why, their rating level is lower then middle level.

For each category, appropriate sign of quality is recommended. At the diploma giving ceremony, along with the traditional black suit with black hat that graduators wear, we recommend the gold, silver and bronze colored tress on the hat, according to us, this will create basis for healthy

competition among the students for career development potentials at HEI. This can benefit in two ways.

Key words: career readiness, portfolio of the career development, career potential of graduator, diagnostics of career potential, convergent curriculum.

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Introduction

Education possible to consider as multifunctional process, providing formation, development and realization to personalities and need for society in personnel determined to qualifications. Cooperation of the education and labor activity at different history periods had its specifics and different forms of the interaction. In condition of the deficit worker places and increasing of the requirement of the employers toward candidates on vacant workplace becoming actual the research of the career readiness of the graduators of HEI, which is a guarantee of their successful job placement.

Sustained development of the tourism and hospitality is straight defined by preparedness of the personnel, its competitiveness, organizing and professional quality and their correspondence to that expectation, which arise the tourist environment. One of the priority problems is a making the systems of the diagnostics, estimations and analysis of the potential abilities of the graduates (the young specialists), to reveal career potential allowing in step of entering in professional activity, goal-directed build system to motivations of the labor and create the favorable conditions for career management. The purpose of the article is concluded in study of methodological approach to the forming system of the offer on the labor market and are recommended ways of increasing career potential graduates' high schools in sphere of hospitality. It is offered and proved integral notion "career potential" and "career readiness" graduate of the high school and are presented their theoretical model. The methodological base is designed for estimation of the career potential of the graduates of high educational institutions and for forming their career readiness in process of the education.

The modern training must be realized on special, social-professional and individually-professional levels. The first level - special competence - forms the professional directivity and system of the professional knowledge, skills and acquired habits, promoting acquisition of the experience of the decision of the professional tasks. The second level - social-professional - integrates social and special competence and characterizes the ability of the individual to put the problem of professional realization simultaneously in social and personal categories. The third level - individually-professional - is based on astrology paradigm of the education. The primary task of this level is person self-actualization, maximum use of its potential and possibilities.

On base of the estimation degree "career potential of the graduate" by us recommended to classify four qualitative groups of the graduate and for each this categories is recommended corresponding sign quality.

New system of the job placement of high school graduates

At the moment development of the youth labor market reached such level that it's already possible with sufficient degree of certainty to outline the sidebars of the forming new system.

The base of the job placement system of graduates of high schools, working in conditions of free labor market are three interconnected groups: young specialists - a high schools - an employers. Inside of this triangle functions different types of organizations, holding all three groups in interaction - Mass media and Internet as the most efficient for present-day day instruments for graduates to searching the work, services to employment (state and university) and private agency (trained and agency on job placement).

Magic power of this triangle is concluded in interest integration of these three groups for the job placement reason of the graduate of high schools (Figure1).The employers, in the first place, search for their own future employees such qualities, as energy and desire to work in team, skills of the contact, result oriented, ability to creative activity and etc. Often, the set of such quality call the competency set and use as the main criterion when entering to work. The competencies – is that, what mainly must teach practically in high schools

accordance with state educational standard (SES) and with provision for requirements of the employers.

One of the main modern trend of the youth labor market became increase the number of the specific programs of the set of young specialists - Graduate Recruitment Program (GRP).These technologies were brought to Uzbek market by joint-ventures and they are concluded in multilayered system of the selection of talented graduates of the high schools - "stars".

Qualitative level of the career readiness

Career readiness - directed on planning and building personal career expression, including its beliefs, glances, motives, feeling, installations, mood on behavior, which will provide the successful career building and correspondence of the personal expectations to the career environment expectation; this is concentration of power to personalities, directed on creation career plan and its realization, is a premises to goal-directed activity on building career, its control and efficiency.

Career readiness stipulate as external, so as an individual quality of the young person – by the level of his motives, behavior, nature, temperament, ability, experience and knowledge.

So prevent readiness of the career development can not only unfavorable external environments, but also emotional-volitional instability of the person, skills weakness, some undesirable line of his temperament and others.

And vice versa, confidence in success, gained knowledge in high school, skills and acquired habits, experience, received at the time while passing practical lessons, personal example of the teachers and leaders assist to appearing and strengthening career readiness of the graduate.

Career readiness, on our view, presents integral education, which functional structure consists of objective and subjective factors, each of which has their own components and interconnection.

Psychologists usually select 4 following groups with different levels of career readiness.

Group 1 "Perspective". This group is presented by the most successful testers, which are: emotional-stable, sanguine, active, with high life satisfaction, are motivated on achievements and development in different sphere of the life.

Group 2. "Successful". The group is represented by emotional-stable, calm and satisfied life testers, with average motivation to achievements which can prevent their independent professional and career growing without additional stimulation and awareness about possibility of the career advancement, in spite of this, have a desire of the quick career development, on enterprise, which looks enough stable and can provide with privileges, insurance, high salary, confidence in own future.

Group 3. "Few perspective". In suppressing majority situations, in this group get that, who is noted low level of motivations to the achievements i.e. expressed desires professional and career grow (on the strength of different reasons) at the present life step no.

Group 4. "Group of the risk". In given group get that young people, who for a period of examinations are discovered high factors of emotional subjective ill-being.(670)

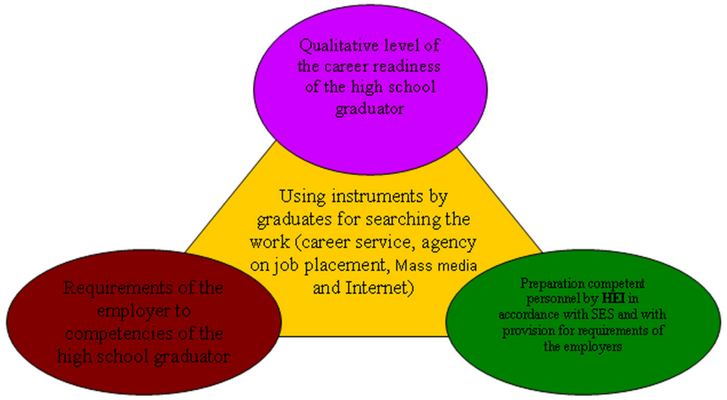
Student's career potentials

Speaking about developing student's position, with respect to the idea of student's working opportunity, the notion of "student's career potentials" will include various features which is necessary for learning person to develop position.

Student's career potentials– is combination of physical, spiritual and intellectual opportunities which is necessary for student's movement toward position.

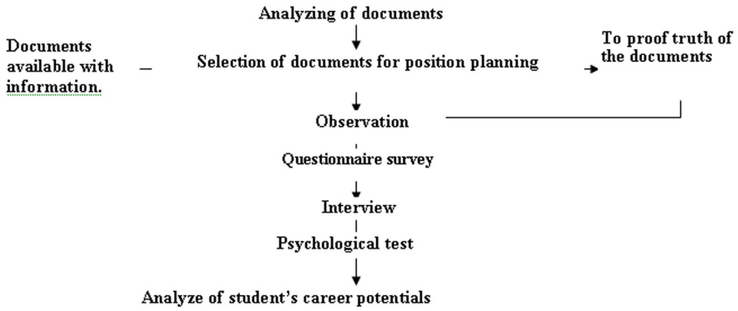
The analyzing of student's position opportunity will help choosing person's correct profession and developing it.

Fig. 1. "Magic triangle" job placement of the high school graduates



This process will be done in by several steps (Figure 2);

Figure 2. Diagnostics of student's career potentials



During analyzing process of student's position opportunity, his level of education and diploma which expresses personal merit, also it's appendix, certificates, work record card, character, testimonial and other documents are important. During position planning, from these documents the main ones will be chosen and analyzed. To check the truth of the student's documents will be done by observation, questionnaire survey, interview and psychological test.

Portfolio as efficient means of diagnostics of the career developments graduator

The important aspect in the career development of the graduating student's, in our opinion is using during self-presentation by young specialists such effective form like portfolio.

Portfolio of the career development (PCD) – it's enough well recommended in Western countries, technology of the professional career planning.

PCD represents a package of documents in papers or in electron version, which describes all the achievements of the student (as academic

– educational and as well personal). Portfolio will make in like key that provide effective cooperation with scientific advisers, teachers and tutors in high schools during academic period, and also with potential employers after graduating high school.

PCD in minimized variant should include the following points:

- Professionally made, responding up-to-date demands abstract:
- List of learning training courses by main part of the activity and part of knowledge connected with it, including additional specialization, trainings, specialized seminars and master-classes of leading teachers.
- List of non educational measures and any positions, where in practice uses leadership skills (for example, senior student of the group, adviser of the student scientific group, tutor of the first or second-year students);
- Description of the career potential and readiness to career in terms of getting skill and experience;
- Recommendations of the leading teachers, managers of the course projects, bachelor thesis, industrial trainings;

PCD has double designation – on the one hand evaluation of the educational progresses and scientific achievements and on the other hand – evaluation of the readiness to professional career.

1.Purpose educational-scientific estimation: PCD in this case serves as instrument of the estimation, changing at time on measure of the documentary confirmed development to readiness to education and professional growing at innings in high school. On measure of the mastering educational portfolio course describes the student acquired skill and competency required for successful and long career.

Since time PCD changes in it is enough complex extended and deepened structure of the abilities and achievements. PCD is an optimum way of totaling educational and scientific achievements of the student after consultation with scientific tutor and professorial-teaching staff of the department and faculty and creates the possibility for the further scientific-research career (for instance, entering to master or graduate school). In connection with the all high schools of the Russia by transition to two-level system of the high professional education - bachelor and master - qualitative made PCD becomes one of the important criterion for entering to magistracy.

2.The Purpose of the estimation to readiness to career. PCD is an important instrument of giving business and personal information on student-graduate of the high school (in the manner of summary and letters of recommendation) potential employers, for arrival on work on the conditions of as partial (as far back as period of the education), so and full employment.

Thereby, career portfolio is an efficient issue of the career development, which contains much more information for understanding, than standard summary. Professional formed PCD can help the graduate to attract attention of the employer and emphasize his competitive advantage in contrast with the other pretenders.

Professional and full PCD allows the employer easy to examine the level of preparation and the whole spectrum of the skills and abilities of the candidate and creates the condition for taking the optimum personnel decision.

Evaluation method of the career potential of graduator

For evaluation career potential of graduator 3 criteria will be used:

1. Professional opportunity of the student (POs);
2. Psycho physiological opportunity of the student (PPOs);
3. Personal opportunity of the student (PEOs);

The main professional indicators are student's education level, length of labor experience and others.

Psycho physiological group include student's physical and spiritual features.

The last personal indicators are person's world outlook, steps of requirements, interests and others. Each indicator will be evaluated by 100 point system.

Student's educational level can be evaluated like this: doctor of science academic degree (for

correspondence department students) – 100 point, candidate of science academic degree (for correspondence department students) – 90 point, master academic degree – 80 point, bachelor academic degree – 70 point, secondary specialized education – 60 point, secondary education – 50 point, incomplete secondary and no education – 40 point.

Dap = (AP/MP)x100;

Here: AP – student's total point in diploma appendix; MP – maximum point in diploma appendix;

Received points from specialty sciences (Drpss) against total points from these sciences will be evaluated as:

Drpss = (RPSS/MPSS)x100;

Here: RPSS - received points from specialty sciences; MPSS – maximum point of specialty sciences.

Labor duration (length of labor experience) or evaluation process of length of labor experience by student's specialty is: 10 points will be given for each year of the length of labor experience, if length of labor experience is 10 year or more, will be evaluated as maximum 100 point. This indicator is as evaluation criteria for correspondence department students or until entering to high school and during academic period like having length of labor experience. The main physiological information is evaluated by 100 point system observing his behavior and personal medical certificate. Using observation method for evaluating student's psycho physiological and personal opportunities, all students will be estimated by maximum 100 point. Using for gathering information questionnaire, test and interview tools for evaluation process of the student's position opportunity, quantity of questions in each tool, and their importance in indicators will be appointed taking into account that maximum point is 100.

After having analyzed the results of the graduators' indicators, career potential of graduator (CPG) will be calculated by the below offered formula:

CPG = (POs+PPOs+PEOs)/3;

Using above evaluation criteria, we analyzed 64 graduators' position opportunity, who is studying in social-economic faculty of Bukhara State University in the field education of profession (Economy branches) in 2007-2008 academic year (Table 1).

According to our research, among graduators, student's position opportunity is equal to .

Qualitative groups of the graduate of the HEI

On base of the estimation degree of "career potential of the graduate" we recommend to classify four qualitative groups of the graduator of the HEI.

1) "Successful". These graduates are claimed on the labor market, their services are high paid (above the average), they have a plans of the own development. The majority of them perceive their work as process of constant self-perfection. They are open to new experience, ready to try unknown, have well developed efficient skills of self-presentation, capable "to sell" their own skills, talent for worthy price. Their career purposes - in equal degree professional recognition and financial welfare. One's own professional future (3-5 years) these graduates see or as exit on qualitative other level, or as change the type to activity. If "native" company will not give such possibilities, they sooner will leave it. "Successful" graduates are maximal oriented on dynamic professional and management career. It is accepted to select four variants of the career development: 1) without change the professions and organizations; 2) with change the professions, but within the framework of the same organizations; 3) without change the professions, but with change the organizations; 4) with change both professions and organizations. From these variants "successful graduators" prefer fourth - with change both professions and organizations that is to say demonstrate maximum career mobility.

Table 1 Quality indicators' evaluation method of the career potential of graduator

Groups	Group indicators	Information sources	Evaluation result (from 0 point till 100 point)
POs	Education level	Diploma, certificate	70
	The share of total point in diploma appendix against maximum point	Diploma appendix	82
	The share of received points from specialty sciences against maximum point from these sciences	Diploma appendix	86
	Length of labor experience (if have)	Work record card	-
	Length of labor experience by personal profession (if have)	Work record card	-
	Average point		79
PPOs	The main physiological features	Medical certificate, observation	100
	Features related to profession	Observation, interview	90
	Psychologic peculiarities	Test	87
	Charismatic features	Observation, interview, test	82
	Average point		90
PEOs	World outlook, intellectual talent	Interview, test	82
	Formulation of "My image"	Interview, questionnaire, test	73
	Step of needs	questionnaire, test, interview	66
	Creative opportunity	Test, certificate, patents	71
	Introducing to meeting	Observation, interview	68
	Interests	Questionnaire	78
	Place in the team	Observation	74
	Average point		73
Total point			81

2) "Growing". The graduates tending become successful, also needed on the labor market, their rating are valued high average level. They try to establish and consolidate professional and personal relationship, will actively try out oneself in new project, new directions to activity. They while lack the experience, level of qualifications and efficient communication skills, they not always capable adequately to value their own professional possibilities. Their career purposes – first of all financial welfare, and only then professional recognition. Ones nearest professional future (3-5 years) they see as the further career and professional growth in their sphere of activity. From four possible variants of career development they prefer the third model (without change the professions, but with change the organizations), that is to say demonstrate enough high career mobility.

3) "Stabilized". The graduates, having possibility to become successful, and as a result of opening own career potential they can be claimed on the labor market, their rating are valued on average level. Ones own nearest professional future (3-5 years) they see as stable career and professional growing in main activity sphere.

In most cases choose second in brought above classification (with change the professions, but within the framework of the same organizations), more stable career model, which distinctive feature is consistency and less variability.

4) "Stopped". The level of professional competence of such graduates does not allow to perform the functional duties on it is enough high quality level so and their rating level is below average indicates. Their professional activity is usually limited in the frame of one company and professional interests - in one sphere. This is indicative of it is enough low

level of professional reflection, and about absence of the motivations to growing in professions. Career goals, as a rule, are limited by financial welfare. “Stopped” in career growing graduates enough fuzzy present their professional future, their career plans are limited by the task of keeping available position. In most cases uniquely choose first in brought above classification (without change the professions and organizations), the least radical career model, distinctive feature is constancy and stability. As a rule, without striving to take executive position, which can be indicative of low leadership qualities or about primary orientation on self-actualization outside of professional sphere. Received results in similar researches can be used by personnel manager on building career plans of workman and making the address systems of the stimulation and motivations of the personnel.

Signs quality for expressing career potential of graduators

This indicator gives chance for employers to choose in vacancies deserving candidates. Taking into account graduators’ position opportunity, we offer 4 quality groups in position opportunity and also symbolic quality sigh belonging to each group

According to the analyze results of the 64 graduators’ position opportunity, who is studying in social-economic faculty of the Bukhara State University, Uzbekistan in the field education of profession (Economy branches) in 2007-2008 academic year, the following result achieved by grouping graduators’ student position opportunity quality group: 11 (17%) successful , 18 (28%) growing, 23 (36%) stabilized, 12 (19%) are at stopped group. Creating black national headwear, bronze and silver color plait headwear for wearing in diploma investiture party, we think, will increase strong competition among students during academic period in institutes of higher education.

Like this measure will be double effective:

At first, employers will get basic info from graduating student’s quality sigh description by position opportunity and will rise the desire of hiring graduators.

At second, among students after having finished institute of higher education will positive influence to be at well work placement and to get higher positions, also increase career development and will link education subjects with practice which encourages students to learn better.

Sociological research of professional career

The important aspect of the job placement of graduates of high schools is to study factors, influencing upon process of the shaping behavioral youth strategy on the labor market.

We have analyzed, as representatives of the groups, realizing different behavioral strategies, plan their professional activity, form their own beliefs about success and life sense.

During sociological research were asked 4th year students of the social-economic faculty of the Bukhara State University in amount 150 persons. In survey took part 39,4 % girls and 60,6 % youth. Respondents’ age is 21-22. Of them 25,8 % are married.

The young people consider that successful professional career - a result goal-directed efforts (56,3 %), but also ingenious concurrence circumstance also plays the significant role (so consider 43,7 %). Nearly half asked (43,1 %) sure that for achievement of the success it is necessary to risk, for gradual however, planned building career allegorize 35,3 % respondents. At building own career only 13 % young people consider that possible to obtain the success at any cost, even overstep through conscience and moral principles, but 58,7 % with them disagree.

Planning own professional career concern with more than 70 % graduates of the high schools as a whole, herewith long-term plans (for 5 years) have only 31,2 % young people. Basically planning is realized for a period of not more one year (40,6 %). The absence of landmark and experience of existence in present not simple situation brings about short-term decision of the problem. Only people, which believe in themselves, their own professional quality, can adequately respond to situation and be adapted to her. The respondents note that work at present must provide the high salary - 59,3 %, promote the achievement professional skill - 40,1 %, bring the confession and respect - 28,1 %. The youth, planning their life, want first of all to provide themselves normal income.

Table 2 Quality groups and sighs of the career potential of graduators

№	Career potential of the graduators rating	Qualitative groups of the career potential of graduator	Signs quality for expressing career potential of graduators	Quality sigh description of the career potential of graduators
1	0-55 point	**Stopped**		Black traditional headwear for wearing in diploma presentation party
2	56-70 point	**Stabilized**		Graduator’s bronze color plait headwear
3	71-85 point	**Growing**		Graduator’s silver color plait headwear
4	86-100 point	**Successful**		Graduator’s gold color plait headwear

At present 36,2 % graduates consider that education, which gives the high school, satisfies them - 36,2 % (this has noted, mainly economists and managers), and 31,3 % consider that it only partly is up to time need. Since life success is more links in consciousness of respondents with new type labor and economic activity in non governmental sector of the economy, quality of the high school preparation, still carried narrow-profile orientation, is less satisfies high school students.

On received professions plan to work 25,6 % graduates. Confidence in job placement on got profession as a whole among graduates very low: hope that are able to job placement on their profession, from 10 % till 21,9 % graduates. As a main reason this possible consider that students low evaluate own professional potential, as well as low level awareness about prospects of own labor activity (34,7 %).

We see that, the possibilities to realization of own professional potential young people estimate low. On this indicate low self-appraisal quality of the received education, and low level awareness about prospect of own labor activity, as well as extreme uncertainty in job placement on received professions. Increasing career potential of the graduators of HIE, in our opinion, necessary has to prepare graduators in accordance with practice-oriented curriculum.

Convergent curriculum in Tourism and Hospitality Studies

The employability of the graduates depends on the capacity to apply their knowledge in practical situations, on their capacity to adapt themselves to new situations. It means that they should be willing to learn on a continuous basis, that they are concerned by quality, that they are able to organize and plan, that they have excellent interpersonal skills. In order to enhance the employability of its graduates, the University aims to provide a range of experience which go beyond its individual academic programmers. For increase the possibilities job placement their own graduates University tries to provide him such experience, which beyond the individual educational programs. One of the additional goals is to up-date the curriculum in function of the professional profiles. Because the latter don’t exist in all involved countries, it was necessary to organize a survey, which is a form of dialogue with the industry. Two major results were obtained: a list of selection criteria for recruitment and a list of graduates’ deficiencies observed by the industry. These results are important: the universities have to adapt their teaching methods and the content of the curriculum. It means: less theory and more accurate transfer of knowledge, active participation of the students in the educational process (inter-activity), more seminars and workshops, introduction of problem based learning. Universities have to stress the development of the

right competences and re-organize the practical component of the curriculum.

Within the framework of Joint European Project TEMPUS “MP-JEP-23027-2003” since September 2003 was commenced cooperation 10 universities of the European Union and Central Asia in the field of education tourism and hospitality. The goal of the present project was concluded in development descending curriculum (convergent curriculum) of preparation bachelors for sphere of the tourism and hospitality.

The important direction of the work on project was a development descending curriculum (convergent curriculum), including in itself developed (common) special courses. The process of the selection of this block of the curriculum was based:

- on SWOT analysis of the curriculums Central-Asian partner universities with separation their advantage, defects, possibilities and threats;
- detection special courses, being uniform for all five Central-Asian universities;

Table 3 Module-profile approach to forming convergent curriculum on profession “Bachelor of Tourism & Hospitality”

Qualifying requirements of the employer to T&H managers	Educational courses, forming competent of the T&H managers	Modules convergent curriculum of preparation "Bachelor T&H"
1. Communicational abilities. 2. The knowledge of English and other foreign languages. 3. The Skills of information-communication technology. 4. The skills to work in group. 5. Operating management of the tours 6. Organizing and business abilities. 7.History knowledge. 8. Interpaging abilities. 9. Marketing abilities. 10. Bachelor or master Diploma.	Marketing, Economy of Tourism & Hospitality, Tourism & Hospitality Marketing, Tourism Marketing Research.	**Module 1. Economy & marketing for tourism**
	Introduction to Tourism, Tourism Planning, Sustainable Tourism policy, Regional tourism, Specific Tourism Product Development.	**Module 2. Sustainable tourism**
	Introduction to Management, Hospitality Operations Management, Tourism Operations Management, Event Management, Entrepreneurship, Destination Management, HR & Office Management, Tourism Attractions Management.	**Module 3. Tourism management.**
	English for Tourism I, II, Business English IV; ICT for Tourism.	**Module 4. English & ICT for tourism.**

- generalization results of the previous project TEMPUSA, realizable in Bukhara (Uzbekistan), Bishkek (Kyrgyzstan) and Orkhon (Mongolia) universities.
- a development Central-Asian educational module on tourism and hospitality, including 4 modules and 19 special courses (tabl.3).
- to include in instructive part again under development special courses of the necessities and request of the labor market in tourism and hospitality sphere.

For this purpose by professor of the Strastklayd university (Great Britain) were designed two questionnaires on subject of the study of the professional profile of the sphere of the tourism and hotel facilities.

As a result of introduction of such innovation in educational process is opened possibility of

preparing the competent personnel for sphere of the tourism and hospitality in Uzbekistan.

Conclusion

Brightly expressed economic nature of tourist activity requires today and corresponding to professional, first of all, economic knowledge. Today tourism and hospitality need the specialists new, economic structure, which can literate orient and make a decision in condition of the change the market conjuncture and, accordingly, obtain the professional success in its career. So competent preparation of the economic literate specialists must become the base element in preparing the personnel for tourist industry. This condition is an important premise of the efficient operation and development of national and regional tourism.

Today one of the most major problems in high professional tourism education is a provision quality preparation of the specialists for hospitality sphere. In this process defining role rightfully conduct to the development a practice- oriented curriculum. Designed by us within the framework of the Tempus project MP-JEP-23027 “Education tourism and hospitality in Central Asia” new curriculum (convergent curriculum), capable to prepare the skilled personnel for sphere of the tourism and hospitality with a glance for necessities and request of the tourism institutions and hotels, as well as taking into account leading experience of the European universities. This allow transition from administrative method to market methods of preparation bachelors in Uzbekistan. As, recommended innovative curriculum is based not on connected with each other special courses, but is based on theorist-practical educational modules. As a result of adoption of such innovation in educational process will open possibility of the mastering the credit system in high schools of our republic. That in turn to allow the integration of Uzbek high schools to European educational system, as well as conversion Uzbek diplomas on international level.

In conclusion want to emphasize that science, education and tourism in modern conditions the notion inseparable from ach other. Only on scientific base in high educational institutions possible to prepare the competent personnel for industry of the tourism and hospitality, but tourism, accordingly, will be able to occupy the worthy place in economy of the country and develop in interest of the prosperity of Uzbekistan and provision of life need of the republic citizens. In high schools should pay close attention to job arrangement of the students, formulate necessary services to get a job and for helping to graduators self development we offer to create a new “Career centre” in Uzbekistan high schools.

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DEVELOPING FIRST YEAR STUDENT LEARNING EXPERIENCE THROUGH IT ASSESSMENT

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Abstract

In modern society to develop and enhance the learning experience of first year students in higher education, it is important to assist and co-ordinate their transition into university environment. Therefore, it is important to have strategic approach for students to develop independent learning skills that are required, in order for them to take interest in learning and benefit from the assessments set by higher education institutions. Over the last decade, higher education institutions has started looking at the approach to enhance the development of student learning in each taught module be more focused for industry and student centred style of learning for each student from first to final year.

This paper looks at the case of Applied Technology and Finance, a module that is studied in the first semester of the first year and that is regarded with trepidation by many of the cohort on the module. The module team started to take approach that is designed an assessment process that fitted in with several aspects of the University environment such as the use of WebCT and the system that helps student to engage with leaning and assessment. The information technology based assessments are being used to develop and attract first students to integrate with individual learning. Information technology is an invaluable tool in support of teaching and learning, it helps the lecturers to communicate with students and provide them with up to date information on time. The Information Technologies are rapidly growing global communication networks ways of sharing and exchanging the information. Technology, and more specifically information technology, has radically changed the way students develop their learning skills for industry and enhancing their knowledge.

This paper will examine an approach to the development first year student learning experience through IT assessment using Computer Aided Assessment (CAA). It will look at the rationale for the assessment of IT skills and the relevance for higher education in general.

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Introduction

The whole issue of information technology is of major interest to the higher education institutions. The new millennium has provided some of the most exciting technological advancements, which has transformed the way higher education institutions are managed, organised and developed. The technology is a phenomenon, and it is dramatically changing the way universities do business with their customers.

In a climate of increased competition, reduced funding, possible drop in university applications, one way of increasing student numbers would be by enhancing student experiences on the internet. It is widely accepted that relationship marketing enhances by positive experience and the Internet is a key relationship building tool.

Technology will essentially bring about a great need for fully automated environments whereby management, planning and everyday administration will be the domain of the technician. Universities will find themselves with students that require further funding to manage and implement

procedures to enable managerial functionalities to operate better and efficiently in the given environment. Van Der Vyver (2009) states that:

> *We live in an era characterized by rapid change and a crucible of that change is the ICT industry. Most ICT professionals find themselves under constant pressure as they strive to deliver ever more complex technologies in the presence of increasingly severe constraints and a paradigm shift in the ICT profession. (P.19)*

Therefore, information technology helps the educational institutions to enhance the students learning by developing courses in IT. In order develop skills and create career opportunities for students to think analytically.

This paper considers the changing nature of information technology and the implications for the higher education institutions. The last decade has witnessed a growing interest in the development of higher education and increasing numbers of students. The paper will also consider the gaps in the research in this sector, in particular, as to how the internet can be used to enhance university student learning by using the IT based assessment, particular focus will be development of first year students experience.

Appreciation for Internet Technology by HE

A lack of recognition of the potential benefits of using the information technology at higher education level is also highlighted as a barrier to progress for students.

> *"Information from the United States suggests that even where people are able to afford access to ICT, particularly the Internet, they will often choose not to use it because they do not perceive that the content or the functionality is meaningful for them".*

http://www.med.govt.nz/pbt/infotech/ictinclusion/ictinclusion-04.html

This is particularly true for students coming from deprived communities, but can extend also to other groups in society. The students from deprived communities are not using the Internet. In the UK the internet is significantly under represented within the ethnic minority communities. By not using the information technology to enhance their learning and knowledge, such groups are missing out on access to information, knowledge, products and services that could enhance their well being and increase their ability to make a greater economic contribution.

The Government must make a greater effort to spread its message to students from ethnic minority and other deprived communities. Communication can be improved dramatically in one step, if the government invested time and money into ensuring that ethnic communities are aware of the benefits of information technology. This would send a clear signal to the ethnic minority community that the government was taking account of their specific needs and concerns.

Castells (1998) highlights the inequality of access to the information technology, which can be found within industrialised countries and less industrially developed countries. Castell (1998, p.162) believes disadvantaged communities are:

> *"Socially and culturally out of communication with the universe of mainstream society"*

In addition, Information Technology has become a powerful tool for enhancing student learning. These developments on innovative technology in community environments have posed the challenging impact in information technology. The utilisation of Information technology, as a part of company's corporate strategy, enhanced customer service and substantial competitive advantages (Boone & Kutz, 1999). Moreover, students need to adopt the information technology as a major communication tool for the future in order to compete and have the competitive edge.

Internet Teaching and Learning

Electronic learning is a generic term for all mechanisms employed to aid learning and disseminate information through an electronic medium. The term e-learning within this paper involves using the Internet as a communication medium. Such a tool has been used extensively with the HE sector as a means to assist in the learning process and at the same time assist with geographic differences associated with distance learning. Whilst not intended to be a replacement for traditional classroom methods, electronic learning does offer alternative teaching methods which must not be disregarded and treated as futuristic, non operational and inappropriate. Throughout

the HE sector it is clear that e-learning does offer all educational stakeholders opportunities, to not only engage with HE environment, but also offers potential resource and cost savings which themselves can be passed on to the student community. In addition to the aforementioned savings, electronic learning does enable HE institutions the potential to further facilitate student retention and therefore impact positively upon student development. (Sajja 2008) argues that the higher education institutions should address the following techniques when developing e-learning programmes:

Table 1: Selected quality parameters with required IT support mechanism

Quality parameter	IT support mechanism for e-Learning
Availability of material and question bank	Database files and tables Document files and rich text files
Availability of teacher/technology and collaboration	Internet and distributed systems
Consistency, regularity, and trustworthiness	Back-ups and manuals
Correct and fast evaluation of examination/homework	Computer programs, scripts, and macros
Efficient information retrieval	Efficient search techniques and filtering
Ease of documentation, cloning, and extensibility	With necessary hardware
Flexibility, Reusability, and frequency of revision	Through programme
Knowledge management and systems learning	Files, database, and knowledge base
Machine independence, portability, and scope of system	Independent programming languages and packages like java
Multimedia support and effective presentation	Multimedia and computer graphics
Performance (cost, time saving, etc.)	High processor ability of computing resources
Safety and security	Hardware locks and software validation in procedures
Specificity (level of content relevance and completeness)	Verification and validation by multiple experts
Support of standards	Software engineering models
Users ease of learning and user friendliness	Through user profile and interface in native language

Common e-learning tools used via the internet include discussion boards, e-mail, chat rooms, video streaming and document transfer. In fact, Bonk (2004) lists thirty different technologies currently used to disseminate e-learning. But what ever e-learning strategy is employed to facilitate student learning they need to be employed in such away that all students are fully embracing of such an approach and that e-learning is not simply employed to replace traditional teaching methods.

The development of IT skills of First Year Student in HE

There is an increasing amount of research in the Higher Education sector regarding students experience during their first year of study. Yorke and Longden (2004) identified four key reasons why students leave programmes of academic study. Two of these reasons can be seen as being within the area of influence of institutions. These are: the students' experiences of their programme and more broadly experiences within the institution of study and, secondly, students' failure to cope with academic demands made by their programme of study. It is for these two reasons that the importance of IT skills to new entrants are worthy of further investigation.

- Students need a set of generic IT skills to satisfactorily undertake their course of study. Student satisfaction and progression are compromised if they do not have these skills. Equally where students are uncertain of a particular skill set formative assessment and the accompanying feedback is important (Yorke and Longden, 2004)
- IT skills are a prerequisite for e-learning – usage of Virtual learning environments has increased substantially in recent times and staffs in institutions are developing increasingly complex learning systems this makes increasing demands on student IT skills.
- Students without a basic set of IT competencies place considerable pressures on support mechanisms within institutions.
- The use of IT applications within a class may be based upon assumptions regarding existing levels of students' IT competency. If these assumptions do not hold, lecturers can unexpectedly find themselves undertaking remedial work with those students in the class who do not have sufficient IT skills.
- There is increasing recognition of the importance of IT skills in benchmarks on key skills, from professional bodies and employers.

Institutions who do not give students the opportunity to improve and update skills may well be compromising these students chance of success.

Student Experience in Higher Education

The debate of regarding students as customers (or consumers) has been evident in the education and marketing literature for several years. (Driscoll and Wicks 1998; and Conway et al. 1994). Over three decades ago Kotler (1971, 1972) and later Kotler and Andreassen (1987) believed that when universities face falling demand they should focus on the customer (i.e. the student) and remarket the product (i.e. education). Conway et al. (1994) from their literature review on the role of students in HE concluded that the student is perceived as the customer and the product is seen as the course/ programme. However, from their own exploratory research of eighty-three HE institutions mission statements they discovered that only half the institutions implied a customer orientation in their planning and only one institution clearly identified the dual role of the student as a product and as a customer. As a result the authors warned that many UK HE institutions were ill-prepared to respond to the increasingly competitive environment in which they have been placed.

In an opposing view Driscoll and Wicks (1998: 59) argue against the use of marketing oriented practices in HE and the use of customer to refer to students. A customer orientation assumes that customers are aware of their needs, and can communicate them to producers or use them as a basis for selecting among competing products. Students do not necessarily possess self-serving tendencies and university faculties are not always best able to know students educational needs. On a similar point Brookes (2003) stated that the marriage of the ideas of consumerism and education seems strange for many academics for they believe that ideas are priceless and that they are free. Thus to make ideas buyable is a new concept and, for most academics theoretically uncomfortable.

The module team also believe that students can not be treated as consumers in the truest sense as in a commercial meaning. For example, in a restaurant a new meal could be given if you are not entirely happy with the one already served but it would be inappropriate to alter grades just because the students may not be satisfied with the grade awarded. However, as students are contributing to their fees resulting in a financial transaction taking place then universities may have to consider adopting some consumer oriented practices to enhance their learning experience. For example, designing courses with student job prospects in mind, improving communication with the students and being sympathetic to their individual needs. E-learning can offer students the flexibility to learn in their own time, the availability of notes and assessment in electronic format to be downloaded at their own convenience, and a platform to communicate with staff and colleagues in real time. All in all, providing a level of service which meets the needs of the customer and produces customer satisfaction. Therefore, we hypothesize that in order to develop relationship with the students in an e-learning environment a customer oriented approach is needed which positively impacts the service quality provided.

Parties involved in a relationship must have positive experiences in order to reach the required overall level of satisfaction over a period of time and develop the relationship further. Negative experiences may, of course, hinder the relationship, or even lead to customer defection. Furthermore, one tends to remember best the last experience. Thus one positive experience may be sufficient to alter perceptions of more than one preceding negative experience, and vice versa. This suggests the important influence experience can have on customer satisfaction and, the more satisfied the customer, the more durable the relationship. Storbacka et al. (1994) believes that customer satisfaction can be experienced at both an episodic and at a more general relationship level.

Therefore it follows that e-learning students must have positive episodic experiences during their course of study in order to develop the relationship with the university. Unfortunately, according to Bonk (2004) currently most online learning tools focus on recording and facilitating student enrolments and reporting progress and completions, not on engaging learners in rich, interactive experiences. Bonk and Dennen (2003) state that there is a need for motivationally engaging content. They continue by pointing out that there is a need to know how to build effective interaction, collaboration, and engagement with online technologies.

Bonk and Dennen (2003) further note that in traditional classrooms, effective instructors create a supportive but challenging environment, project enthusiasm and intensity, provide choice, create short-term goals and offer immediate feedback on performance. Instructors may also create a positive and psychologically safe learning environment. In order to enhance the student's online-learning experience Bonk (2004: 4) suggest that instructors might emulate off-line strategies by having students use or manipulate real world content. Using a problem based learning approach; they may create final products for a real-world entity or solve real world problems. During such a project students could interact with experts and community leaders online or engage in online conflict with their peers in debate or role-activities. Their completed assignments might be displayed in online-gallery or studio. The hope is that students will receive immediate, genuine, and specific feedback on their work from their peers, instructors, and external examiners.

Student Feedback

It is important for module teams and individual lecturer's to obtain student views on modules been taught to students during the academic year. The student views need to be obtained on following key areas.

- Quality of Teaching
- Campus Services
- Provision of Learning
- Programme Design and structure
- Potential or Future Developments

The student views are vital part for any university to carry out future developments. The feedback should always be analysed and responded by the module team and course committee to improve the student experience. It is also important to bear in mind the students should not be assessed in the process of collecting feedback and evaluation exercise. The feedback which is collected by the module team should be in form of anonymously

and some cases it may not be possible, but module team should ensure the responses from students are retained confidential. In addition, the module teams should address the both positive and negative comments in same manner. The negative comments which are obtained at end of the module should be treated as important and make changes for the following year.

In modern education system it is important for lecturers to obtain and provide a good quality feedback to students. Feedback is very crucial for student learning and therefore it is vital to provide comprehensive and timely feedback to students, so they can able to learn from the mistakes they have made in the assessment. Feedback will make students to realise in which areas they have done well and in which areas they need to improve in the future. Holden (2008) states that:

> *Assessment, and expectations of assessment, need to provide feedback to support the learning process – it is another learning tool that student's need to learn to use effectively if they are to succeed at university.*
>
> http://escalate.ac.uk

Therefore, it is vital for teaching staff to provide effective feedback to enhance students learning experience. Feedback helps individual students to improve their learning skills and produce better assignment and reports for assessments. France and Wheeler (2007, pp.9) argued that feedback is key to learning process of individual students.

Providing students with effective feedback is a perennially challenging issue with staff and students alike, and is a vital component of their ongoing learning.

www.gees.ac.uk/planet/p18/df2.pdf

Research design and methodology

The study took place between November and December 2008 at the Leeds Metropolitan University, England. The module team developed an on-line questionnaire that contained both open and closed questions. The questionnaire was send to all level one students doing BA Entertainment, BA Events Management, HND Events Management, BA Tourism Management and HND Tourism Management through the VLE to ask about the learning experience through IT assessment using Computer Aided Assessment (CAA). Saunders, Lewis and Thornhill (2000) acknowledge that business and management research rarely falls neatly into either phenomenology or positivist approaches. This mix of philosophies continues into research approach choice. The research purpose and importance of respondent participation was explained prior to all questionnaires, checks were made to ensure that the respondent was aware of the event and thus able to participate in the study. Appropriate assurances were made regarding confidentiality and anonymity as recommended by Bell (1993) and Blaxter, Hughes and Tight (1996). In order to achieve highest response rate possible, the questions were kept very short and easy to understand efforts were focused on avoiding bias and ambiguous language.

In addition, secondary data were used through the whole study. The secondary research was undertaken in the form of a literature review of key theories and current related research. This took the form of researching books, journals, newspaper articles, online journals and the Internet. This was essential in demonstrating awareness of the current state of knowledge on the subject and how the proposed research would add to what is already known (Gill & Johnson, 1991).

Research procedure and Findings

The module team personally administered the questionnaires to 506 level one undergraduate BA Entertainment, BA Events Management, HND Events Management, BA Tourism Management and HND Tourism Management students at the end of their first semester module Applied Technology and Finance. The students completed the questionnaires in approximately in 5 minutes using SNAP. The data was automatically got recorded and module team conducted a descriptive analyses. A response of 155 students to the survey meant that the response rate was 30.6%. The response was in-line with the demographics of the population of the module.

The following contains analysis and discussion of responses to the survey. Initially it was necessary to establish an idea of the students' confidence of success in a university environment. As can be seen from the following chart 1, most are confident, but around 25% are neutral on this or unconfident.

Chart1

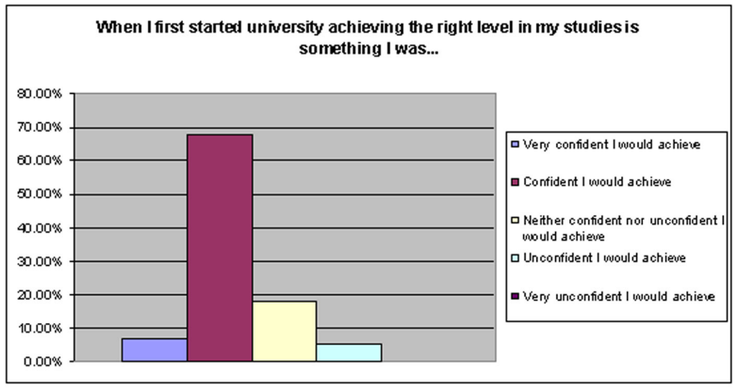
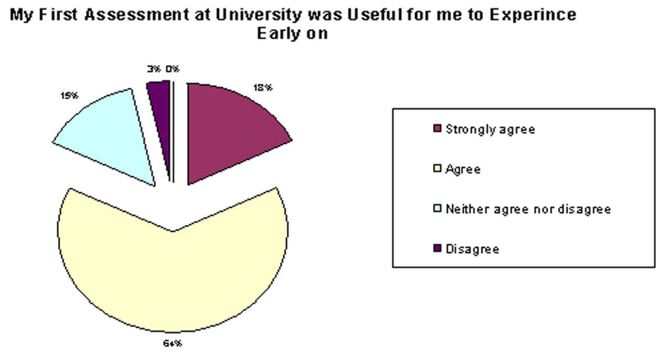


Chart 2



First year experience literature would suggest that for this group and the confident majority, the initial assessment is very important.

Despite this confidence, an enquiry into the importance of the first assessment reveals that the first assessment, chart 2 (provided in week 2 – 3 of this module) was an important milestone for students with 80% finding it a useful experience – perhaps their confidence was tempered by doubts?

Another question was asked to students to make any other comments relating to their experience on assessment. The comments below highlight the student's perception on assessment during the first few weeks in university.

As one respondent commenting on this experience put it

> *"Very daunting at first but the more you do them you can put things into perspective and the actual fear of the exam seems to lessen slightly. I think being able to get a result straight away helps a lot as you can see where you need to improve and can start to do something about it straight away."*

Another commented

> *"the first assessment was a positive experience which gave me some more confidence"*

So what did the use of technology provide the student?

As noted in the literature review above, technology can provide a number of useful areas of support for the students' experience at university. On of the key areas is speed of processing responses. In this case, there was a majority of 87.7% of respondents who found the use of technology useful.

	Strongly agree	*Agree*	*Neither disagree nor agree*	*Disagree*	*Strongly disagree*	*Not applicable*
Computer based assessment was useful to give me an early idea of my level of achievement	24.5%	63.2%	8.4%	1.3%	0.0%	0.0%

When asked about quick return of results the figures were even more in agreement. This indicates results are even more important than the students viewing their overall level of achievement. Perhaps it overcoming a psychological barrier and moving on to the rest of their studies?

	Strongly agree	*Agree*	*Neither disagree nor agree*	*Disagree*	*Strongly disagree*	*Not applicable*
Getting my results back very quickly was useful	62.6%	31.6%	3.2%	0.0%	0.0%	0.0%

Much as been written about the strategic learner and the need to get a mark for work completed. Some of the commentaries have seen the students as then disregarding feedback. Results in this survey show that this is not the case.

	Strongly agree	*Agree*	*Neither disagree nor agree*	*Disagree*	*Strongly disagree*	*Not applicable*
On-line feedback from the tests is useful	23.2%	57.4%	9.7%	3.9%	1.3%	1.9%
Feedback in the classroom by the tutor is useful	21.9%	55.5%	14.2%	3.2%	0.0%	1.9%

The use of technology to provide feedback was useful to over 80% of students. This is immediate but necessarily brief. It is also apparent that many students (77.4%) also found the tutor input useful. Perhaps this is a case of using one to confirm the other?

Please rate your use of the following

	Don't know about this	*Do know but not used*	*Little use*	*Use a lot*	*Use each time*
Resources for the module on X-stream in general	1.9%	3.2%	21.9%	51.0%	20.0%
Each weeks extra materials (through WebCT)	2.6%	13.5%	48.4%	28.4%	4.5%
Hints given on WebCT as to what to study	14.8%	4.5%	32.3%	38.7%	7.1%

Technology can also provide a number of useful benefits over and above those possible in a typical face to face scenario. The blend can often add significant value. A number of these are noted in Table 1. The following indicates students' use of a number of these features.

It can be seen that the resources made by the technology in general are used at least 'a lot' by more than 70% of students. Interestingly, the extra material made available by the technology is used much less – the module team are less clear about why this is. It may well be that students are achieving results and don't feel they need this supplementary resource or just don't recognise the value. The students also don't use the study hints to any great extent. It is something covered in class and is both one of the problems of blended learning and an advantage in that students can access the same thing in more than one way.

Conclusion

The present study found that in modern education system it is vital for universities to use an interactive assessment method which offers students flexibility and enhance their learning. The Electronic learning is a generic term for all mechanisms employed to aid learning and disseminate information through an electronic medium. (Sajja 2008) argues that the higher education institutions should adopt mechanisms which offer the student's opportunity to access the learning material from various different sources.

Information technology has radically changed the way students develop their learning skills for industry and enhancing their knowledge. From the primary research showed that strategic learner feel happier and comfortable with getting a mark for work completed. Some of the commentaries have seen the students as then disregarding feedback.

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CONVERGENCE AND DIVERGENCE OF EDUCATIONAL EXPERIENCE IN EUROPEAN CONTEXTS – A EUROPEAN UNION COMPARATIVE COUNTRY STUDY OF THE STATUS OF THE MARKETING DISCIPLINE.

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Introduction

This paper constitutes an installation work for a project, which has the aim of considering and comparing the nature, form and direction of marketing teaching in a number of European country contexts.

As a broad principle, European Union (EU) policy has, for several decades, sought to develop harmonization and standardisation across a range of social, political and economic spheres. European Union processes are naturally interconnected with a wider global context of internationalisation and globalisation and their attendant inherent propensity to encourage standardization and pan-generic strategic approaches, responses and systems.

Higher education is no exception to these effects of converging standards and patterns. According to Thoben (2008), the Europeanisation or internationalisation of higher education, is a necessary imperative to encourage Europe to grow holistically, or in other words, converge, politically, culturally and economically, resulting in a stronger Europe aware of its shared heritage. For European higher education, this trend towards convergence at the national macro-level has been driven by a number of important initiatives built around, primarily, the Bologna Process (Reichert and Tauch, 2003, 2005).

The Bologna Process has led many universities within Europe to promote the internationalisation of the university system, with a focus on the standardisation of a European Higher Education Area (EHEA) (King and Verbik , 2007). The underlying aim of the EHEA is to develop graduates that are able to succeed in any industry or profession, regardless of the European place of study. The process was launched in 1999 by various national government ministers within Europe rather than the European Union. Twenty-nine countries signed a joint declaration to create the European Higher Education Area (EHEA) by 2010 and to promote a European system of higher education. The workings of this declaration encompass a span of elements, including: common degree structures; quality assurance cooperation; and, schemes for increased transparency and comparability of qualifications. Throughout the literature on the EHAE, there is a large debate surrounding the extent to which convergence is taking place at the national level within European educational systems and the degree to which differences or similarities may exist.

Whilst there is a considerable discussion surrounding the degree of convergence at both the macro and national context of European higher education systems, there are considerably fewer studies on the extent to which convergence or divergence are prevalent in particular disciplinary areas. The present paper identifies this as a gap in

the literature and the argument herein utilises the discipline of marketing in an attempt to investigate the issues that emerge in relation to this gap. The project initiates a comparative study of marketing courses to determine the extent they share, or do not share, generic or varied pedagogic characteristics and practices across a number of European settings.

The study examines this issue by focussing on a range of sample national contexts, namely, France, Italy, Germany and the United Kingdom. However, at this preliminary stage only a pilot study has been conducted in France and the United Kingdom. The construction of the country sample is also planned to assemble a number of representative European generic themes encompassing, for example: northern – southern axes as and East-West axes, Romance cultures in the meridional part of Europe and Norse-Germanic cultures in the northern regions. Therefore, it is possible that following the trial period, the sample initially envisaged for the research may be expanded to embrace data from additional European Union Countries.

Within the sample national settings 'the unit of analysis' for the study will be the 'institution'. A number of institutions will be identified and data collected from them. As such they will form case-studies or vignettes. In addition, a number of variables have been identified for the purposes of the study. These are drawn from a reading of the pedagogic literature combined with observations drawn from empirical practice. Given the discussion nature of the present paper, these are still in formation and process of consolidation but they are likely to include, for example: structure of marketing programmes, the type of delivery methods adopted, teaching styles and the nature of professional relationships held between academic staff and students

From this analysis, the intention is to identify and evaluate a number variables with the aim of understanding the degree to which there is, or not, a move towards disciplinary convergence in teaching approaches to marketing across the sample set against a background of European policy harmonisation. This provides the opportunity to generate a priori comments on the potential interaction and interplay between the macro-contexts of European and national HE policy and micro-level contexts within the area of the marketing discipline.

Conceptual and Practical Convergence and Divergence in Business Schools within the European Union

As a preliminary step to a EU cross-country study of teaching and learning within the status of the marketing discipline, it is perhaps important to highlight some key educational variations that exist on a national macro-level.

The notion of comparative pedagogic analysis across different countries is not novel per se. In the case of the European Union it has been undertaken in relation to a wide range of domains including, for example quality assessment and economics, academic freedom and so on and so forth (Brendan, 1992; Karran, 2007).

Modernization theory states that the economy, social conditions and cultural values of a society are to a large extent structurally and functionally linked and change in relatively predictable ways. According to Kragh & Djursaa (2006) all societies eventually pass through the same stages of development, moving from traditional agrarian to modern industrial society and from there to post-industrial or postmodern forms. This implies that social evolution displays a high degree of homogeneity. However, according to Kragh & Djursaa (ibid.), this does not necessarily imply that societies converge rather that similarities may occur.

Previous wide-ranging studies on organisations, such as those conducted by Hofstede (2001), suggest significant differences in management styles which are symptomatic of the more macro-cultural differences between national societies and cultures. On the other hand, it should be noted that surveys such as Hofstede's have been subjected to strong critique and problematisation (McSweeney, 2002). Nevertheless, such literature addressing international dimensions frequently point towards authority, trust, communication, interaction and overall complexity, varying from organisation to organisation and from country to country.

As a discipline, marketing is typically located in business schools (rather than, for example, alternative social science faculties). There is therefore scope and indeed a need to reflect on the character and energies shaping business school cultures which act as an over-arching influence on the disciplines taught and researched therein. Existing research suggests that business school

teaching and management within organisations tend to enact similar socio-cultural values and thus it seems logical that if such differences have been found within organisations, then differences are also likely to play out within business schools across Europe. While there is little doubt that ongoing efforts of the Bologna Process have encouraged many universities within European higher education systems to promote the internationalisation model of the university system the extent to which this has been operationalised in a homogeneous manner is less clear (Brown and Lauder 1992; Reichert and Tauch, 2005).

In order to identify differences in approaches to teaching and learning that apply to business schools across countries, surveys were conducted by Kragh & Bislev (2003) as cited in Kragh & Djursaa (2006), at Copenhagen Business School, using a sample of foreign exchange students. Themes examined within their survey, which was developed based on twenty-five in-depth interviews, related to firstly, authority and equality. For example the relationship held between professors and students and the degree of control exercised by professors. Secondly, the degree of complexity and democratic participation in teaching. This question mainly addressed issues such as how often business cases were used in class, how often students worked in groups or conversely, the regurgitation of facts and textbook knowledge or critical discussion and individual perspectives. Further factors included, degree of communication flows and epistemology, level of interaction involved with teaching and finally the amount of group work adopted.

According to Kragh and Bislev's (2003) research, there is evidence of clear differences at business schools in a wide range of countries with regards to teaching styles, particularly with regards to the amount of authority and participation exercised. Results from their research indicated that countries such as Sweden, Finland, Great Britain, the USA, amongst others, adopt teaching styles of high empowerment. These countries have the most egalitarian relationships between students and professors and the highest degree of complexity in teaching, including and emphasis on critical discussion and exchange of opinions. Countries such as France, Spain, Germany, Poland and Italy adopt teaching styles which are reflective of low empowerment. These nations adopt more autocratic approaches to teaching at their business schools, with an emphasis on facts and textbook knowledge (ibid). A further example of a nation which follows a more autocratic approach to teaching and learning is China. When Chinese students arrive in the UK to study, many are surprised at what they perceive as a lack of discipline in United Kindgom university lecture theatres. Chinese students are exposed to much longer hours and contact time and more supervision and control within the classroom. According to Wu (2002), there appears to be two poles of pedagogy and most teachers fall at some point between them .At one pole there is the classical pedagogue, familiar to the Chinese. Wu (2002) states "the teacher is remote, strict, highly respected, parental, unforgiving, meticulous, punitive." At the other pole, there is the liberal pedagogue, familiar to the English. Wu (2000) states "the teacher is empathetic, one of the boys/girls, informal..." .

In summary, the above consideration of marketing set within a business school context serves to provide a platform for a more focused examination of marketing as a specific discipline and it is now to that task that the discussion turns.

A Focus on Marketing Pedagogy.

The discussion hitherto underlines the existence of a comparative literature on higher education in various global and European contexts. While there exists this generic literature in which one higher education system is compared to another higher education system, work focusing on international comparisons between specific disciplinary domains are more sporadic.

Indeed, there exists a substantial literature on pedagogic studies in relation to particular disciplines and marketing has generated many pedagogically oriented studies.

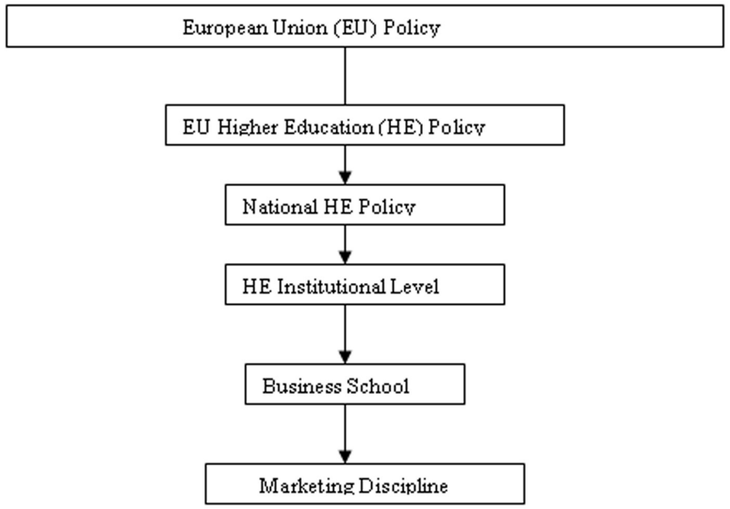
There is, in particular a large body of writing on pedagogy available in relation to different disciplines in various national contexts. For example, the United Kingdom has witnessed a substantial body of writing focused directly on marketing pedagogy (see Centeno, Harker, Ibrahim, Wang, 2008), And, indeed, much of this material may well be valuable to transport into internationally comparative domains. For example, Hackley (2001) offers a somewhat light-hearted marketing pedagogy matrix which produces a typology of a range of teaching styles: the unreconstructed anecdotalist, the intellectual rebel, the scientific managerialist

and the ontologically unstable assimilator. This is offered in a United Kingdom context but it is possible to see how it might be rolled out to an alternative setting.

However, to reiterate, many studies in marketing pedagogy writing tend to be set in a given national, rather than internationally comparative, setting even though a number of studies may involve international authorship (see, for example, Little, Brookes and Palmer, 2008). Equally beyond the European Union, there is evidence of a number of international comparative studies on marketing pedagogy. An illustration is offered by, for example, Kuster and Vila's (2006) comparison of marketing teaching methods in North American and European Universities.

Nevertheless, in direct relation to focus of the present project, there seems to be an important paucity of comparative studies on marketing pedagogy between European Union member countries. It is in order to address this lacuna that the present research turns itself.

Construction of Marketing Pedagogy in Relation to European Union Influences



Methodological Approach

The methodological approach is structured in two phases, a secondary research phase followed by a field research phase.

The secondary phase examines a number of macro-literature aspects: European Union higher education environment; national business and management teaching settings against which marketing will be considered. This is then developed into a focal literature identifying extant commentary on pedagogy of marketing in general and consequently discussing this in relation to the selected national contexts.

Given the lack of secondary data on specific national marketing pedagogies, and in particular comparative national marketing pedagogies, it is clear that there is a need for primary research. The primary research adopts an interpretive methodological stance. This will systemically review the data in order to identify emergent themes and patterns (Bryman and Bell, 2007: 593-5; Crix, 2004; Waddington 2004: 156-7; Weick 1995) Within this broad methodological framework, the research methods include participant observation of teaching sessions accompanied by targeted semi-structured interviews of staff and student samples within the sample institutional settings.

The institutional case studies are not produced with the intention of generalising across entire

national contexts. This is indeed the peril of much international work. However, it is a reasonable assumption that any given group of sample institutions will exhibit characteristics, structures, cultures and processes resonant of the given national context. While adopting this approach it is recognised that cultures, whether, national, organizational or individual are prone to displaying a wide span of variety. The notion of 'institution' in the research is also one that is evolving and will need to be further refined as the study progresses from the pilot phase.

Vignettes of Two Pilot Sample Organizations.

United Kingdom

The United Kingdom institution is located in the English higher education sector and is a post-92 university. This is a large university (greater than 20,000 students) created from the old polytechnic system and as such contrasts with, for example, the grouping of older research–intensive universities founded on Royal Charter collectively known as the Russell Group.

The programmes examined were undergraduate and contained approximately twenty students in each of the three years of the BA in Marketing style programme. The observations have taken place over a three-year period.

France

The French sample consists of two higher education institutions. Firstly, a private higher education university level institution located in the south of France however it has satellite schools located in several other major French cities. Observations were made on two cohorts of approximately 30 students.

Secondly, an Ecole Supérieure de Commerce situated in the north of the country with approximately 50 people in each year group. Students undertake diplomas which last three year degrees.

Two observations took place at the northern institution and one observation took place at the southern institution. In the United Kingdom setting repeated observations were possible with considerable empirical data being gathered.

Limitations

The pilot studies have started a process of discussing and refining the variables that will be relevant to be studied in the work.

Equally, there is a need to generate sufficiently detailed cameos of the contextual settings of institutions in their national settings within the overall European environment. These must be adequate enough to allow the particular factors and character to be drawn out and at the same time there is a limit of space and time to how much detail can be portrayed with a paper.

Moreover, there is a need to better refine the concept of the unit of assessment as the 'institution' in order to recognise and take account of the independent nature of individual organizational cultures.

The work is operating within a number of 'macro' settings including: European Union, Higher Education, national cultures and the concept of the business school. The paper and project will need to develop research instruments and arguments that can demonstrate a respect for nuance in these broad generalised concepts.

Emergent Trends from Data

It is particularly early in the research project to be able to draw conclusions that are advanced or developed. Nevertheless, a number of themes are beginning to emerge. It is important to stress that these are tentative and that the progressing and evolving research may indicate adjustments to them.

Illustrative table of findings

	United Kingdom Institution	***French Institution***
Style of Delivery	Blended Learning, extensive use of seminars	Traditional Learning, lectures to large groups, many hours of contact
Course Content	Standard Models but varied to include sustainability, green issues etc	Standard Models
Epistemological Orientation	Primarily representationalist and managerialist but with some critical management themes and approaches	Completely representationalist and managerialist

Work-in-Progress and Discussion on the Emergent Findings

As announced at the beginning of this paper, the purpose of the presentation is to share in a conference framework the tentative framework for the work and the identification and early description of the problematic.

It seems the case that while the degree, masters, doctorate (or what the French, for example, call the LMD model – licence, maitrise, doctorat) is rolling out and becoming standardised across many European countries there still exist within teaching and learning practice and especially at disciplinary level, such as marketing, significant disparities. The initial indication from the pilot studies is that institutions are responding to the macro forces shaping course structure and length. However, in the micro-context of course content

Perhaps one future direction of the work will be to consider the role and opportunity that emerging literature domains such as critical marketing literature or neuro-marketing may have on the development and convergence or divergence of the marketing discipline across Europe.

Conclusion

This installation paper for the purpose of conference discussion and ideas has a modest ambition to solicit views and feedback. However, the overall and longer term ambition involve and point at significant and extensive projects. The mapping of European marketing practice is no small task and no insignificant matter. The value of such a task completed would be multifarious. For example, a broad understanding of pedagogic practice across a range of countries would allow research and practice-oriented academic and consultancy consortia to undertake multilateral interventions across a range of institutions. With advance knowledge of pedagogic practice and patterns in given national and regional contexts this would facilitate such interventions significantly.

In contrast, for pan-European policy makers, a map of a given discipline such as marketing, would be very helpful in better sensitising policy to the needs of the point of implementation.

Perhaps, most importantly such a mapping would not attempt to suggest that the situation was static. Regular charting and observation would be able to determine the ebb and flow of processes of divergence and convergence in effect within the European Union.

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AN EMPLOYEE SATISFACTION MODEL FOR THE SUCCESSION PROCESS IN SMALL-SIZED FAMILY-OWNED BUSINESSES IN AUSTRIA

BERND SCHWENDINGER

Abstract

This paper should give an overview about a research project on employee satisfaction with the succession process in small-sized family-owned businesses in Austria. The aim of this research is scientifically developing an employee satisfaction model successfully supporting this process. An overview about the family-owned business succession market and the family-owned business survival rate supports the importance of this topic on a large scale. The research methodology is described and implies primary and secondary data. First, secondary data will be gathered through a comprehensive literature review (current project status). For gathering primary data expert interviews and a multiple-case study will be executed. The case study contains in-depth interviews with affected employees out of different small-sized family-owned business in Austria that went through the succession process.

Key words

Business Succession, Family-Owned Business (FOB), Small-Sized Enterprise, Employee Satisfaction

Introduction

Our economy is facing a global crisis. Small-sized FOB are building the backbone of the economy. The succession process is one of the most challenging changes for these companies. This is supported by the low survival rate also caused through employee resistance. Because business succession is a periodical process with a high relevance for the economy the research field is still growing. One of the key factors for a successful succession is the satisfaction of the stakeholders with the process. In small-sized FOB the employees are performance driver number one and the most important stakeholder group. FOB employees are characterized by superior loyalty and strong identification with the company. Satisfied employees are a crucial factor for the business performance in the long term. Especially during the change management of a succession the employee satisfaction could be influenced in a critical way and endanger the whole process. To prevent this risky development, entrepreneurs should understand their people's expectations and ensure employee satisfaction with the succession process.

Research aim

The aim of this research is scientifically developing an employee satisfaction model successfully supporting the succession process in small-sized Austrian FOB. Furthermore guidelines for incumbents and successors how to influence employee satisfaction in the succession process should be developed.

Research objectives

The key objectives of the project are:

- Assessing relevant employee satisfaction factors derived from the literature.
- Identifying crucial factors for the employee satisfaction with the succession process.
- Classifying crucial factors into satisfiers and dissatisfiers.
- Comparing satisfaction factors of blue-collar workers with satisfaction factors of white-collar workers.

Research questions

The overall research question that has to be investigated in this research project is:

- What are crucial factors influencing non-family employee satisfaction with the succession process in small-sized FOB in Austria?

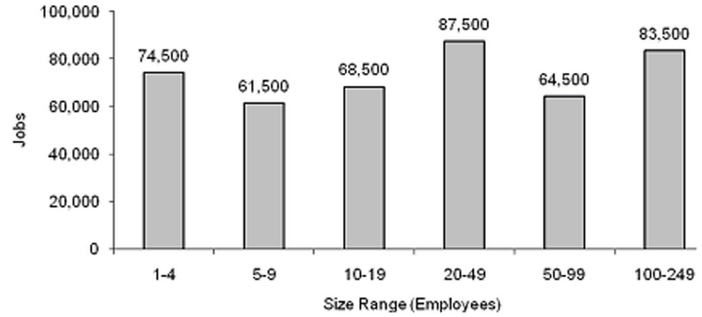
Out of this overall question two sub-questions can be deduced:

- Which factors are satisfiers and which factors are dissatisfiers?
- Are blue-collar workers influenced by other factors than white-collar workers?

FOB succession market

FOB constitute 80%-98% of all businesses in the world's free economies and employ more than 85% of the working population around the world (Poza 2007). Therefore family firms are among the most prevalent forms of business in many countries of the world. Following Kayser, in Europe every year approximately 610,000 small and medium-sized enterprises (SME) with roughly 2.1 million employees are affected by a succession. By order of the European Union (EU), a group of experts has developed an overview about initiatives supporting business successions in the different EU members. The results show that there is no satisfactory solution for this topic in any country. Moreover the amount of successions in Europe will further increase in the next years. Due to a large research of the Austrian Institute for SME research roughly 52,000 SME in Austria will be challenged by successfully executing the succession process during the decade between 2001 and 2010. These companies are employing about 440,000 employees. That is a quarter of all Austrian companies and one-fifth of the job market. All provinces and industries are similarly affected by the succession issue (Gavac et al 2002).

Figure 1: Through succession affected jobs in Austria 2001-2010 (Gavac et al 2002)



This figure points out that small-sized enterprises (size range from ten to 49 employees) are the biggest employer. Especially in Austria there is a preference for the succession through family members (Kayser 2004). Therefore small-sized FOB successions are playing a very important role for the Austrian economy. Also in the EU they employ approximately 22% of all employees and create roughly 20% of the value added (European Commission 2003).

FOB survival rate

Due to Ibrahim et al (2003; quoted in Sambrook 2005, p 582) the survival rate of family firms is very low compared to non-family firms. Aronoff is pointing out that „30% of family businesses make it to the second generation, 10-15% make it to the third and 3-5% make it to the fourth generation" (2001, p 34). The average life span of successful family businesses has never in the past been more than thirty years (Drucker 1999). Given that less than 10% FOB survive into the third generation and 30% of closures may be considered transfer

failures, the issue of FOB succession has received a good deal of attention (Le Breton-Miller et al 2004). Poza (2007) mentions that there are plenty of reasons why organizations fail, but in family-owned and family-controlled companies, the most prevalent reason relates to a failure in succession planning and implementation. The inadequate transfer of leadership and ownership from one generation to the next has been identified as one of the primary reasons for the lack of longevity among small and medium-sized family businesses (Venter & Boshoff 2007). Another very important reason for failing successions is the lack of acceptance trough the employees. A large survey by Baldegger and Pock (2007) has proved that more than 33% of the successions have failed because of this reason. Thus employees are essential for the process.

Literature review

Family businesses play a fundamental role in many countries in the world. Thus a successful succession is important for the economy at large scale. The issues of succession are generally applicable to organisations regardless of size, sector, and geographic location (Ip & Jacobs 2006). It is one of the largest challenges facing family businesses. Kesner & Sebora argue that "...succession is a traumatic event for an organization. It affects not only the members of the organization but the firm's economic and political climate as well" (1994, p 328). Maurer (1995) argues that owners normally wait too long to address succession planning and most families even do not have a plan. "The issues involved in succession are too numerous to leave to chance, and without planning, it is likely the family will not remain involved" (Maurer 1995, p 582). Many authors agree that an effective succession planning should start 5-15 years before the owner is due or likely to leave (Aronoff et al 2003; Sambrook 2005; Ip & Jacobs 2006). Following Chittoor and Das (2007) a succession is a process and not an event.

Figure 2: Succession process stages (Ballinger & Schoorman 2007)

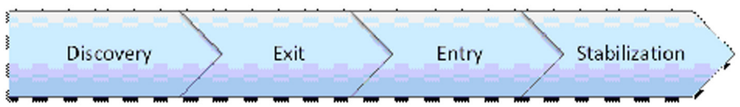


Figure two shows the succession process very simplified out of the employee's perspective. For employees the succession process starts when they discover that the incumbent will leave the business. The exit and entry stage are normally overlapping. During these stages the incumbent is passing the "button" over to the successor. That means the transfer of management and ownership. After the predecessor has left the stabilization phase occurs. The end of this stage means also the end of the succession process out of the employee's perspective. The three key factors for measuring a successful succession are (Le Breton-Miller et al 2004; Chittoor & Das 2007):

- The subsequent positive performance of the FOB.
- The ultimate viability/survival of the business.
- The satisfaction of stakeholders with the succession process.

Focussing on the last factor, Sharma et al reference that "studying satisfaction with the succession process, it is important to distinguish between initial-stage and later-stage or retrospective satisfaction because satisfaction with the process may, over time, be affected by the post-succession performance of the family firm" (2001, p 18). Initial-stage satisfaction is the perceived satisfaction before post succession performance of the family firm is substantially known. Later-stage or retrospective satisfaction is satisfaction after the post-succession performance is known or substantially known. Zellweger and Nason (2008) are pointing out that stakeholder satisfaction causes organizational effectiveness. This is a good reason why family firms should satisfy multiple stakeholders and especially their staff. Following Alquen (2000) without satisfied employees there are no satisfied customers and the overall effectiveness of the company is depending on the acceptance and willingness of employees to

participate in constructive and important changes like a succession process. Different studies are confirming the causality between satisfaction and performance (Comelli & Rosenstiel 2003; Peck 1999). Thus we can conclude that satisfied employees in general have a better performance.

Henkey and Noé argue "… profitable organisations ould not live without outstanding, loyal employees committed to and satisfied with their job. One of the most challenging and attention-consuming tasks of organization leaders is to establish employee satisfaction and excellent job performance" (2004, p 149). There is, of course, some discussion as any succession process means a fundamental change for the employees - especially in small businesses with a flat or even no hierarchy. And it often goes along with fear and resistance within the workforce. Employees have their own expectations about the succession process. If their expectations concerning a special event like a succession are not considered, they will develop a negative attitude towards the event (Comelli & Rosenstiel 2003). Yukl (2002) emphasises that resistance to change is a common phenomenon for employees and organizations. The resistance to change is not only the result of ignorance or inflexibility it is a natural reaction by employees who wants to protect their self-interests and sense of self-determination. Therefore a successful process is often jeopardised and dissatisfaction arises. Dissatisfaction may also cause a decrease in performance. To prevent this development top management should understand the expectations of the employees and try to consider them in the succession planning and implementation. Fulfilling or even better surpassing these expectations could build a good basis for a successful succession process.

Research methodology

This research study uses both primary and secondary data. Secondary data will be gathered through a comprehensive literature review. For gathering primary data expert interviews and a multiple-case study will be applied. All three research stages are intertwined.

In the first stage, literature on FOB succession and employee satisfaction is examined. It is an ongoing process for the entire project duration. A preliminary model with possible factors influencing the employee satisfaction should be developed out of the literature. This model builds the basis for the semi-structured interview guide with the experts.

In the second stage, expert interviews will be executed. "Interviews are a highly efficient way to gather rich, empirical data, especially when the phenomenon of interest is highly episodic and infrequent" (Eisenhardt & Graebner 2007, p 28). The expert interviews will be oral, semi-structured, and with open-ended questions in order to gain in-depth insights. Due to Meuser and Nagel (1991) an expert is somebody who is responsible for the conceptualisation, implementation or the control of a solution for a problem or has a privileged access for decision processes or information about a group of people. The interviews will be done with a minimum of six experts out of the fields of management consultancy, human resource management, and organisational development. These experts will be highly specialized in the field of family business. An adapted model should be the outcome. This model builds the basis for the semi-structured interview guide with the employees out of the case study companies. Furthermore the experts should serve as door openers for the selection of the case study companies.

In the third stage, a multiple-case study will be applied. Research about family businesses is very different from other business research because families have a penchant for privacy that often prevents them from releasing information. "The difficulty in obtaining data may have forced family business research to rely so extensively on case studies" (Sharma et al 1996, p 28). Thus case study research is the dominating strategy in the field of succession. Following Yin (2009) in general cases studies are the preferred method when the focus is on a contemporary phenomenon within a real-life context and the investigator has little control over events. He also points out that for a literal replication two to three cases must be carefully selected for increasing the probability to predict similar results. Thus approximately three small-sized family-owned businesses in Austria - successfully surviving into the next generation - will be investigated. The selected companies should be similar concerning criteria like industrial sector, company age, ownership, and management structure (Aba-Bulgu & Islam 2007). Additionally they must be small-sized FOB at a similar ex post stage of the succession process. The basic data collection method for the multiple-case study is the in-depth interview with affected employees. "The goal of the interview is to deeply

explore the respondent's point of view, feelings and perspectives ..." (Guion 2006, p 1) towards the succession process. The interviews will be oral, semi-structured, and with open-ended questions in order to gain in-depth insights. In each case study company approximately ten in-depth interviews with non-family employees that went through the succession process will be executed. Half of the interviews will be done with blue-collar employees and half with white-collar employees.

Contribution to knowledge

The contribution to knowledge of this research project can be divided into a theoretical and a practical contribution to knowledge. First, the topic of employee satisfaction with the FOB succession process has not yet been addressed in literature, i.e. there is no coherent body of knowledge defining the factors which influence the employee satisfaction in this context. Closing this gap as a theoretical contribution to knowledge is regarded as very important as at this very moment of time our economy is facing a crisis and the survival rate of small-sized enterprises is an important variable. Second, a guideline with recommendations for owners and successors should be deduced. Thus this research should also help to create awareness for the role of the employees in the succession process in a practical way. The model should help incumbents and successors to look through the eyes of their employees and build the basis for a win-win situation for the affected interest groups. Last but not least this qualitative study could build a suitable basis for a continuing quantitative research project testing the developed theory on a large scale.

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PROMOTION AS AN ELEMENT OF PRIVATE BRAND DEVELOPMENT

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Abstract

In recent years, the significance of private brands has grown to such an extent that it can not be ignored. Private brands market share in certain countries in Europe is exceeding 40 per cent and is continuously increasing. Although, retailers have started to develop private brands in order to offer customers a cheaper alternative compared to leading manufacturers' brands, over time their strategy has changed. They have realized that private brands can be a good mean of differentiation and thereby a source of competitive advantage, so they started to focus on improving their quality. However, despite the increase in objective quality, research on customer perception and blind tests have shown that consumers still perceive private brands as inferior compared to manufacturer brands. Those results are not surprising, taking into account the amounts manufacturers are spending on development of all aspects of their brands in order to influence customer perception. Retailers have, in recent years, also started to use this strategy in order to develop strong image of their private brands. Investments in promotion can have positive effects on customer expectations linked to performance and quality assessment of private brands. Nevertheless, it is important to focus private brand promotion on value as an element of product evaluation rather than solely on quality or price because customers tend to have more positive attitude towards private brands when assessing brand value. Positioning and promotion of private brands solely as the cheapest alternative for customers will not result in sustainable competitive advantage for their owners.

Key words: private brand, promotion

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Introduction

Private brands can be defined as brands which are owned by intermediaries who employ producers to produce the products which will be sold under that brand or to whom will the brand be assigned to. Sometimes, especially when the law permits it, producer's name is not even indicated on the packaging because intermediaries, as brand owners, take all the responsibilities for the product and brand management. Retailer's responsibility for private brand begins with development, planning and production of the product and ends with marketing management and promotion of private brands. Taking into account that private brand can be owned by all the members of distribution chain they are also called distributor brand, retail brand, private label, store brand, own label and own brand.

Private Label Manufacturers Association (PLMA) defines private brand as all merchandise sold under a retailer's brand which can have retailer's own name or a name created exclusively by that retailer. In some cases, a retailer may belong to a wholesale group that owns the brands that are available only to the members of the group. According to that definition we can distinguish tri primary categories of private brands which are the most common in Europe:

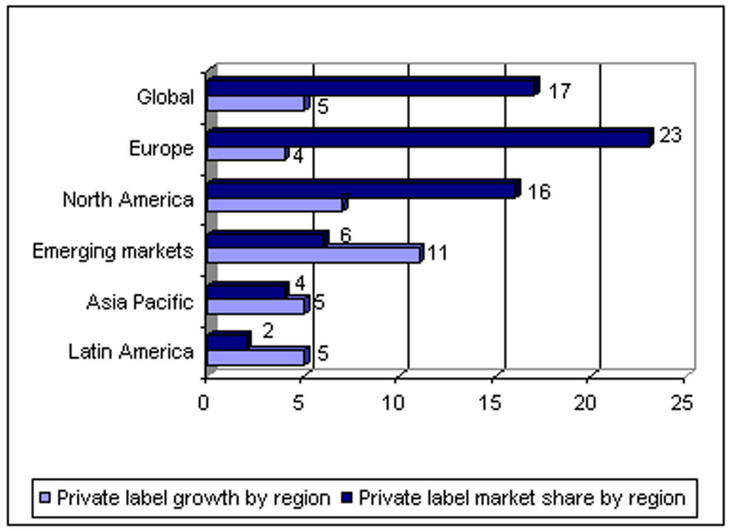
- Brand whose name directly indicates the brand owner

- Higher number of brands with different names, exclusive for specific retailer and most often specific product category, that do not indicate the brand owner
- Private brands of retail association which are owned by more intermediaries.

Private brands development

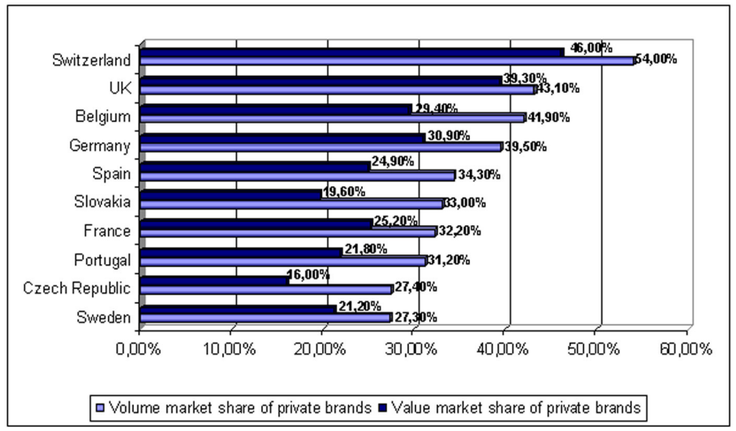
Despite the fact that first written documents on private brands date to the end of 19th century, their intensive expansion has been evident in the last 30 years, as a consequence of harsher competition among retailers who started to use private brands as a means of differentiation on the market. Until recently private brands were considered to be a phenomenon limited to fast moving consumer goods in mature markets of economically developed countries which are characterised by high number of products and therefore high substitution rates. However analysis of data on value shares and private brands growth rates on the global level, indicate that this is no longer the case. According to AcNielsen "The Power of Private Label 2005" report, private brand have in 2005 had the global value share of 17 per cent with growth rate of 5 per cent. Europe is a region with the highest share of private labels of 23 per cent, followed by North America with 16 per cent. Although starting from a smaller base (6 per cent), private brands in the Emerging Markets, which consists of Croatia, Czech Republic, Hungary, Slovakia and South Africa, saw the fastest growth over the 2005, up 11 per cent. This growth was primarily driven by the increasing strength of the modern trade (where private brands are more prevalent), as well as the entry of private brands into new categories. Latin America continues to be a far less developed private brand market than the rest of the world with private brand market share of 2 per cent and private brand growth rate of 5 per cent.

Figure 1 Private brand market share and growth rates by region (based on value sales)



Source: ACNielsen "The Power of Private Label 2005"

Figure 2 Value and Volume share of private brands in overall sales in 2008



Source: Cross C.: „Good private label of great own brand“, PLMA Executive Education Programme Proceedings, October 2008

Importance of private brands in Europe is evident in figure 2 which shows value and volume share in the overall sales of different European countries.

The highest value share of private brands in overall sales of 46 per cent has been recorded in Switzerland, followed by the United Kingdom with 39 per cent. Analysis of volume sales of private brands in overall sales shows that their share has exceeded 50 per cent in Switzerland. The smallest share of private brands of just 16 per cent has been recorded in Czech Republic. Aforementioned data show that private brands and their importance on the market can no longer be ignored. The forecasts predict that the share of private brands will continue to increase in the future, especially in the conditions of current global economic crises.

After realizing all the benefits private brands can offer, retailers have directed their efforts on increase of quality of private brands and that has resulted in a strong increase in their market position. The idea which guided most distributors in the upgrading of their quality was that consumers were willing to pay more to purchase manufacturer brands of better quality, and therefore if they wanted to sell their brands, an attractive price was not enough. It was necessary to improve the quality of the products and make them competitive also to consumers who desired quality. Besides that, strategy based on low price and low quality has turned out to be very dangerous for the reputation and image of the brand owner so most of the retailers have started to emphasise good value which private brands offer to the customer as their main differentiation element. Value is traditionally defined as the ratio of perceived product quality (or expected utility) to price. It can be concluded, from aforementioned definition, that perceived quality is often more important than real quality for the success of private brands. It is becoming all the more clear that the “battle of the brands” is a war fought over consumer perceptions. Results of the research conducted in this area show that despite the fact that the objective laboratory comparison among the quality of private brands and manufacturer brands does not show any differences, discrepancies exists when we measure subjective quality through consumer perception. This finding was confirmed by Richardson et al. who have conducted experiment by placing private brand products in the manufacturer brand packaging and vice versa. Results have shown that regardless of the real quality customers prefer products in the manufacturer brand packaging. Those results are not surprising when we consider that owners of manufacturer brand spend, in comparison to private brand, considerably higher resources in order to develop all brand aspects so they are in turn more familiar and well known to the consumers. As such their prominence in the market leads to the declaration that manufacturer

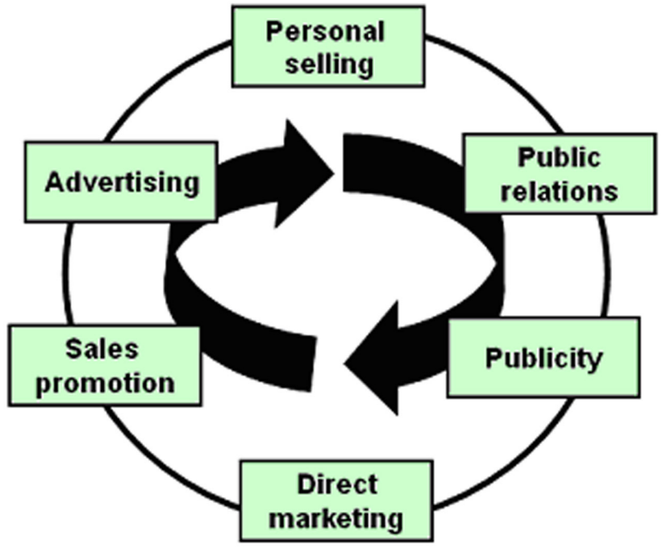
brands rather than private brands are likely to be recognized as leading brands.

Private brands, with their new marketing focused strategy, have also helped retailers to realize the importance of developing their own image. For that reason retailers have started developing sophisticated private brands packaging aligned with their own identity and applying it across all product categories. That has, in turn, induced strong private brands development in the recent period. Instead of relying solely on imitations of leading brands on the market, retailers have started to introduce private brands variations and innovations in all segments with a goal to overmatch manufacturer brands. At his point, most of retailers in Europe have in their assortment private brands with clear brand identity. Transformation of private brands into respectable brands was intensified with their increased promotion on web sites, in-store brochures, in-store ads and all the more on TV advertisements. Increase of promotional investment of private brands is the second most frequent strategic trend in private brand management, following their focus on product quality improvement.

Promotional mix

Promotion can be defined as management of integrated program of communication activities and materials created for representing the company and its activities (product and service) to the target segment of clients and the public, with the objective of establishing and maintaining relations. To simplify promotion is coordination of all seller initiated efforts to set up channels of information and persuasion in order to sell goods and services or promote an idea. Advertising is an element of promotional mix, often the most visible part of a firm’s promotional program, so that is why people often mix these two terms. Except advertising promotional mix includes sales promotion, publicity, public relations, and personal selling, but this traditional elements are widened in new, modern-days with direct marketing. (Figure 3). Each element of the promotional mix may take variety of forms and each has its own unique characteristics, costs, certain advantages and disadvantages.

Figure 3 Promotional mix



Source: Kotler, P., Wong, V, Saunders, J., Armstrong, G., Osnove marketinga, Mate, Zagreb, 2006., page, 727, custom by authors

Advertising is "any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor." The paid aspect means that the space and time on chosen media must be bought and nonpersonal aspect means that advertising involves mass media, or that the message is intended for the huge number of people. Because advertising is intended for the large audience, advertiser must consider how will the audience interpret and respond to it, so from that we can explain three main aim of advertising, and they are: to inform, to persuade and to remind. Advertiser must inform their target market about new products, services and so on, they need to persuade other consumer to use their products and services because they are better than other competitive companies, and at the end advertiser needs to remind consumers that they are still here. The most important thing for the company is to choose the best message for their target market and when they choose it they need to choose the media that will carry the message to consumer. Selection of media means that we need to find the most cost-effective media to deliver desired message to the target audience. The steps for choosing media are deciding on desired reach (the number of different persons or households that are exposed to a particular media schedule at least once during a specified time period), frequency (the number of times within the specified time period that an average person or household is exposed to the message), and impact (the qualitative value of an exposure through a given medium).

Another element of promotional mix is sales promotion. Sales promotion is defined as those marketing activities that provide extra value or incentives to the sales force, the distributors, or the ultimate consumer and can stimulate immediate sales. Those activities are interactive tools designed to stimulate sale of products and services by consumer or trade. From those two approaches there are two main categories or two tools. First is consumer promotion, or consumer-oriented sales promotion which is targeted to the ultimate user of a product or service and it encourage consumers to make an immediate purchase and thus can stimulate short term sales. This type of sales promotion includes samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations. Another category is trade promotion or trade-oriented sales promotion and it is targeted toward marketing intermediaries such as wholesalers, distributors, and retailers and it includes prices off, advertising and display allowances, and free goods. Sales promotion tools can be used to achieve a variety of objectives. Sellers use incentive-type promotions to attract new trials, to reward loyal customers, and to increase the repurchase rates of occasional users and to gain market share. To achieve all of those goals or just some of them sales promotion should be combined with advertising and other elements of promotional mix.

Next element of promotional mix is public relations. Public relations are defined as the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance. The goal or better to say the purpose of public relations is to establish and maintain a positive image of the company among its various publics and also to protect a company image or its products. Kotler emphasize five functions that public relations perform, and they are: (1) press relations (presenting news and information about the organization in the most positive light); (2) product publicity (publicizing specific products); (3) corporate communication (promoting understanding of the organization through internal and external communications); (4) lobbying (dealing with legislators and government officials to promote or defeat legislation and regulation); and (5) counselling (advising management about public issues and company positions and image). People often mix public relations and publicity, so we need to differentiate those two elements. Publicity is defined as nonpersonal communications regarding an organization, product, service, or idea not directly paid for or run under identified sponsorship. It usually comes in the form of a news story, editorial, or announcement about an organization and/or its products and services. Using news, press conferences, feature articles, photographs, films, and videotapes company can gain publicity, but publicity can be positive or negative, depending of their actions and the story that is written in the media. Connection between those two elements is big because public relations use publicity to maintain image of a company so that is why those two elements are very hard to separate.

The final element of traditional promotion mix is personal selling. Personal selling is a selling activity that involves the sales person and the

potential buyer at the same place and at the same time. Personal selling involves person-to-person communication, direct contact between buyer and seller. In personal selling, seller attempts to persuade buyer to buy company's products or services. Exactly this interaction between buyers and sellers, gives marketer flexibility in communication. Personal selling is very effective because seller gets immediate feedback from potential buyer and also he can see customer's reactions and assimilate se to specific situation. Personal selling has three distinctive qualities: (1) personal confrontation (it involves an immediate and interactive relationship between buyer and seller); (2) cultivation (it permits all kinds of relationships); and (3) response (buyer feels obligated to buy products or services that seller sales).

In new, busy and electronic world direct marketing becomes more important so it is explained as new element of promotional mix. According to the Direct Marketing Association (DMA), direct marketing is defined as an interactive marketing system that uses one or more advertising media to effect a measurable response and/or transaction at any location. Characteristics of direct marketing are: (1) nonpublic (the message is normally addressed to a specific person); (2) customized (the message can be prepared to appeal to the addressed individual); (3) up-to-date (a message can be prepared very quickly); and (4) interactive (two-way communication, the message can be changed depending on the person's response). Main characteristic of direct marketing is that organizations communicate directly with target customers to generate a response and/or a transaction. Media which direct marketing uses (direct mail, catalogues, printed media, telephone (telemarketing), electronic mail, etc.) grow rapidly and are becoming very important tools for companies to gain more potential costumers and to keep ordinary ones.

Promotion of private brands

In the beginning of private brands development retailers did not use promotion because they wanted to achieve competitive advantage through lower prices. But the change in private brands strategy has also led to increase in use of different promotional activities. The main reason for private brands promotion is the fact that customers, in spite of significant investment in their quality, still perceive private brands as inferior in comparison to manufacturer brands. According to aforementioned finding that perceived quality is in most cases more significant than real quality of a product, retailers must invest in promotion of private brands in order to increase their perceived quality and decrease perceived risk associated with purchase of private brands.

Development of strong brand image through investments in advertising and other promotional elements can have positive effects on customer expectations regarding product quality and performance. However it is important to direct private label promotion towards emphasising their value as a main element of product evaluation rather than solely on price or quality. Researches have shown that customers have more positive attitudes towards private brands when they evaluate them on the basis of their value. Positioning and advertising of private brands simply as the cheapest alternative compared to manufacturer brands, will most likely not result in sustainable competitive advantage.

Advertising can also help private brands to be more recognizable and therefore more attractive to customers. Research conducted by Baltas has shown that familiarity with the brand has a positive effect on propensity to buy private brands. In order to increase private brand familiarity retailers can also use different promotional elements such as binding private brands to their loyalty programmes. Retailers can for example give coupons for discount on private brands to the customers who use their loyalty card or give them private brand products as a reward for participation in loyalty programmes.

In order to decrease perceived risk during purchase of private brands retailers should give to their customers more information on product ingredients and quality on the packaging itself. Furthermore decrease in perceived risk can be achieved by acquiring the right to use different quality symbols. Although, objective quality of private brands is, as we have stated before, comparable to quality of manufacturer brands retailers need to convey that information to the customers before and during product selection. Information on the packaging should increase perceived quality of private brands, decrease purchasing risk and have positive effects on private brands purchase.

Another way in which retailers can increase perceived quality of their private brands are

product tasting, giving free product samples to the potential customers and use of other sales promotion elements. Research done by Beldona & Wysong has shown an increase in perception of private brand quality after the research participants have had the opportunity to experience and taste the product. The same research has shown that customers consider the brands with their own personality as brands with higher quality and that is another reason why retailers should besides brand name also develop other brand elements like slogan, logo, appropriate packaging etc. for their private brands.

Conclusion

Private brands have come a long way since the days of generics and poor quality and low priced products with an unattractive packaging. Today, quality of private brand products is constantly increasing what in turn leads to decrease in quality gap between the private brand and manufacturer brand products. However customers still do not perceive quality of private brands as comparable to quality of manufacturer brand products. In order to increase perceived quality of private brands and decrease purchasing risk, which is higher for private compared to manufacturer brands, retailers are starting to use different promotional elements such as advertising, sales promotion in stores, integration of private brands into store loyalty program etc. In the time of global economic crisis private brands have big opportunity to reach even higher growth rates but retailers must not sit and wait for the economic conditions to all the work for them. It is very important that retailers realize the opportunity that lies in front of them and direct their efforts in appropriate private brands management strategies which consist of continual quality improvements, private brand's assortment diversification and investments in private brands promotion.

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TRAINING SOFT SKILLS IN RETAIL ORGANIZATIONS - CONSTRUCTIONS OF INDIVIDUAL AGENCY AS BARRIERS TO CHANGE?

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Abstract:

Within the increasing fashion of "training soft skills" in organizations, the individualistic agency isn't questioned. This study shows how the individualistic discourse hinders rather than facilitates change in organizations.

The study is grounded in a social constructionist approach (Gergen, 1994), using discourse analysis as methodology (Grant et al., 2004). For gathering text, 21 problem-centred interviews (Witzel, 2000) and 13 group discussions (Steyaert and Bouwen, 2004) with altogether 106 participants were carried out in two large retail-organizations.

The following analysis showed, that one of the main discourses constructing social relations is, that only one person renders responsible for the quality of the social relation, thus ignoring the feature of the 'in between' of the social situation.

Here soft skills get constructed as part of a person's 'character' rather than his or her 'abilities'. This 'character' is seen as originating in upbringing and school. When the person enters the organizations (s)he is constructed as 'finished', thus the organization hardly gets any agency to train or change the social realities.

Consequences of these results for organizations are to closely consider how they stage their training and education regarding 'soft skills' or 'team building'. In a second step discourses from the study which de-focus from the individual and thus offer a more flexible approach for changing realities of social relations within organizations will be offered.

Key words: Soft skills, retail organizations, change, discourse analysis

Introduction

One increasingly popular and widely discussed issue within organizations these days seems to be "social competence" . E.g. during trainings for future young professionals, being asked which topics caused them the most trouble, more than 70 percent of the answers made allusions to the social . On the other hand, when trainings in social competences were evaluated with regard to change of behaviour in the organization, hardly any pre-post differences could be reported.

These tentative examples tell why the theme of social competence seemed worth while exploring in some depth. The initial interest was thereby mostly directed to questions such as "why is social competence rendered an important issue in organizations?", "what are expectations if such a thing as ultimate social competence could be realized?", "could social competence be conceptualized solely as an individual quality - or which role would organizational norms and values play?", and last but not least "how could this rather divers, yet cloudy, theme be tackled as a whole?"

As revealed in these questions, I was intending to approach "social competences" as a holistic concept whose meaning is contingent on the way it gets actually used in the everyday conversation in organizations. The curiosity was mainly directed towards the meaning, the process of production

and understandings of the concept in the practical, not academic, realm, I considered a combination of discursive and social constructionist approach, hence grounded on a relational understanding of social reality, imperative for the conduct of the study.

While the interest in "soft skills" initially built the springboard of the project, to research "the social" in organizations may seem as a rather grand aspiration and may be a bit preposterous, but it hopefully will sound less grand if it is specified that the main interest lay in the ways in which people refer to the "social" when using the "soft skills" discourse – and thus in the individualistic repertoire being the first layer of constructing it. This will be described in the first section. Thereafter I will depict the discursive levels of the social in relation to the understanding of the organization as these offer a possible route of escape from the stability of the individualistic discourse.

Social competence in organizations – a trend and its story

Social competence is an increasingly popular concept used in organizations on the theme of how people relate with each other. In recent years an increasing number of publications has dealt with the subject, though largely addressed to and written by practitioners (e.g. Donnert, 2003, Faix and Laier, 1991, Heidloff and Langosch, 1998, Hinsch and Wittmann, 2003, Huck-Schade, 2003, Jetter and Skrotzki, 2001, Schiffer and von der Linde, 2002).

When the topic of "social competence" was treated by the academic discipline of Organization Studies, it is either boiled down to represent certain competencies such as "communication" (Karkoschka, 1998) and thus often combined with issues such as diagnostics (Kanning, 2003) or training (Hinsch and Wittmann, 2003). Most concepts of social competence training follow a normative logic being grounded in a cognitive conceptualization of training and which go back to the idea that "handicapped groups", such as people who have spent some time in psychiatric hospitals or children with developmental difficulties, need help and training to "adjust" and find their way back to society (e.g. Hubbard and Coie, 1994). Evidently, early articles on "social competence" can be located in this field of psychology.

With the growing popularity of the concept in the realm of organizations, it was increasingly seen as a required completion of the professional skills and competencies. These are the area's most training and education focuses on. Thus, in recent years "social competence" often became an integral part of professional curricula at universities (e.g. University of St. Gallen , University of Linz). This reflects the demand of such competencies in organizations that even universities are urged to add it to their curricula. When having a look at job adverts there is frequently a request for social skills such as "team spirit", "sociableness" or "keen sense for interculturality" . Also, when asked what is important for their life in an organization, people do mention issues connected to one or another form of relating and togetherness.

Taken together, it follows that, in the everyday life of organizations, "social competence" can be seen as an umbrella term that encompasses many so called "soft" and "relational" issues.

Research question and context of the study

As mentioned above, "social competence" is a broadly used term in organizations and thus should also receive attention in the context of Organizational Psychology research. However, the literature in this field has as yet not dealt with a holistic conceptualization of the term. In concrete terms, most scientific publications concentrate on certain aspects of social competence, mainly applying a cognitive understanding of the concept (Euler, 2002a). The main interest of these studies is to find out "what" social competence "really is" and, consequently, how it could be trained (Euler and Reemtsma-Theis, 1999, Euler, 2002b, Karkoschka, 1998, Stangl, 2001, Frieling et al., 2001). As exemplarily illustrated by the literature cited above, the "what" of social competence in organizations is on the one hand manifold in all of its "accurate ascertainment". On the other hand social competence is often claimed by HR-professionals and other members of organizations as one of the most delicate themes; delicate since conceived as a personal attribute that is very resistant to change and thus a source of manifold "problems" within organizations. This being said, we have arguably run into an implied contradiction: If one pretends to know what social competence really consists of, why then are there still so many problems? Within this logic one explanation of this gap between

accurate conceptualization and life in organizations is revealed, for instance, in the perpetual repetition of the problematic of transferring "the knowledge" from science to practice, or from training to every day organizational life. The other explanation could be that the descriptions of social competence are yet not sufficiently accurate to capture the phenomenon. The available studies and research projects address either of those angles and investigate further to fill those gaps.

The focal interest of this study is a different one, however. It tries to pinpoint how the topic of "social competence" itself is anchored in organizations, respectively in the talk of organizations members, and how its meaning is constructed in different contexts. The research questions tackled in the study were: How do organizations make sense of social competence? What are possible functions of the various constructions of the social in organizations? Obviously then, the focus of the subject shifts away from asking "what social competence truly is", which would require a post-positivistic stance (Denzin and Lincoln, 1998), towards asking "how social competence emerges from its use in everyday language use".

To inquire this later question, I relied on the data material from two large retail companies in Switzerland, Tradis and Produkta . Produkta is part of a worldwide company, which produces goods and sells them to further retailers. The Swiss unit thereby is mainly responsible for the distribution and sales of the goods to retailers. Altogether, the Swiss unit employs about 150 employees. Tradis is a retail organization with more than 10000 employees in Switzerland. In order to get a broad variety of accounts on "social competence" I tried to talk with people from different hierarchical levels and departments, different levels of seniority and both sexes. The final selection of interview and discussion partners was carried out within both organizations by the HR department. 106 people took part in interviews and discussion groups, whereby 23 problem-centred interviews (Witzel, 2000, Fontana and Frey, 2003) and 13 group discussions (Bohnsack and Schäffer, 2001, Steyaert and Bouwen, 2004, Potter and Puchta, 2004) were conducted. Full transcripts of all interviews and discussions were performed upon which a discourse analysis was carried out (Potter and Wetherell, 1987, Grant et al., 2004, Wood and Kroger, 2000, Phillips and Hardy, 2002).

Rather than describing the process of analysis in detail, I would like to "plunge" right into the description of the discourses of "the social" within Produkta and Tradis and appoint more space to reflections of the functions of the discourse within organizations and their implications for HRM practice and change.

Discourses of the Social

When carrying out the analysis, it became clear that the employees at both Produkta and Tradis mainly referred to three discourses while constructing "the social". The most prominent account – very much in relation to every day commonsense – was relying on the individualistic discourse. The striking story here is not the use of the individualistic discourse as such, but rather its functions within the organizations.

That is to say that the individualistic discourse stresses the potential for stability of social relations in the context of organizations – which implies for HRM, among other things, that soft skills can hardly be trained or altered at all. The analysis of the individualistic discourses offers insights into how this also hinders, if not prevents, change of social relations rather than enabling it.

In the following paragraph I will thus briefly outline the aforementioned individualistic discourse in order then to discuss how the particular understanding of the two organizations co-constructed the meanings of the social. While the literature, and thereby especially management handbooks, disregards the organizational perspective, this is the discourse which could offer material for a critical discussion of HRM practices. This aspect will be used at the end of this paper as a cursory outlook on the more societal grounding of meaning that are – not surprisingly – also involved when employees construct their meanings of "a social" within their organizations.

Individualistic Discourses of the Social

When looking up definitions of the social one gets aware not only that there is a myriad of meanings and uses of the terms but that the social, in one way or another, refers to the arena "in between" people. This is arguably one reason why it is often used interchangeably with the term "social relations". The paradox, however, is that, due to the connection of the term "social" with "competence", the descriptive

area "in between" usually gets reassigned to the individual. One effect of this reassignment is that the responsibility for respectively successful or unsuccessful social relations gets attributed to the individual, not the collective. In both organizations the individualization of "the social" was one of the more prominent discourses on the social. Assigning responsibility to the individual can be illustrated on the basis of the following extract :

MA: "I would just quickly like to add, within this type of culture, everything is dependent on each individual. I can see that with my boss […] at some stage success or failure depends on each person with his character, whether one can deal with people or not […]. (Group discussion 1, Produkta) .

Within the above extract it is not the culture, type of relations, received training or guidelines for organizational behaviour which is high lightened. Rather, the individual with his or her "character" or traits is rendered the single most influential element for "the social". "Culture" in this account is set as a meta-category which accounts for the prominent situation of the individual. The ability "to deal" with others is put in co-function with "character" as a fairly stable assignment, which is rather depicted as a trait instead of, for instance, a competence which is learnable. Depicting social skills as some sort of "character" would also explain why training in this area is steadily accompanied by difficulties and failures.

When the social is equalled with "character" it can, by definition, not be trained, only formed or altered. As concluded from the analysis "characters" are built, they develop, and they evolve through life experience and education but are never "trained" by organization.

At this point, one might ask if the investigated organizations represent themselves as institutions for character building. As revealed through several group discussions in both organizations, my investigation showed that "the family" and "school", i.e. institutions standing outside the respective organizations, were deemed responsible for people's sociableness . This gets even more pronounced as the participants of my study depicted "the social" as some sort of stable personality trait. While family and school were seen as the institutions for early education and the building of personalities, it became clear throughout the analysis that personality was conceived of as being fixed at early age. To put it in other words: if "the social" continues to get constructed along individualistic repertoires, i.e. depicted as a personality trait, finished when grown up, all efforts of HRM departments for offering training in this area are rendered useless if one takes the implication of the analysis seriously.

The consequence of this representation is that HRM departments would have to stress the hiring of the right people, that is to say people who fit with the team, with the company as this "social personality" cannot be altered after entering the company. This consequence actually gets addressed in some accounts where interviewees emphasized that applicants are quite able to acquire needed professional skills after entering the company, but not soft skills.

Interestingly, this focus of the company is associated with a positive connotation as it is treated as a sign of the company's care for the human aspect of their labour. On the other hand, it is implied for the HRM-departments that they would need to concentrate on "proper" selection processes, as it would be wasted money to offer any kind of training on soft skills. Admittedly, such a consequence would not be welcomed by either HRM departments or the training business, not to speak of the employees, because it would undermine part of their core activities. After this brief glimpse into the construction of the social as individuality I will now continue with the organizational level, thus showing how the construction of the social relates with organization theory.

Co-construction by organizational metaphor - inside / outside the machine

In the previously depicted repertoires the analytic focus was on how the social gets connected to individual attributes. In the following discourse the focus will be guided towards how the conceptualization of the organization implies particular understandings of the social. The guiding question here embraces how the construction of "what the organization is about" also tangents and thus co-constructs the representation of the social. When sorting through the myriads of interviewees´ accounts, it occurred that there was one particularly prominent pattern that constructed the organization along one of Morgan's metaphors (Morgan, 1997), the machine metaphor. This wasn't "expected" in any way at the outset of the analysis; rather

the difference between the constructions of the organizations and the associated differences in the constructions of the social itself could be very well related to and explained through Morgan's well-known metaphors .

Produkta

Both organizations, Produkta and Tradis, could be well appointed to the machine-metaphor. The difference between the two representations of the organizations was how the social was positioned in relation to the organization. In the context of Produkta the social was placed "outside" the organization, meaning that it was not seen as a relevant part of the organization. The wellbeing of the organization was described without the social, it was depicted as "all professional" – as opposed to the social, or rather "irrational social", was depicted as a source of potential disturbance. Thus the main interest at Produkta was not in the social, but rather in better "regulation" and "problem solving", as can been seen in the account below:

B: That so many stuff in the processes is not absolutely a c c u r a t e l y ehm regulated, and then again there will be eeeehm, well, disagreements, like, why have you done that without informing us and, we don't like that, and, well, it's more some information-deficit we have among us. (Produkta, Interview, Ms. Lutz)

The focus on how the organization is working is depicted in this section as "regulation", "process" and "information-deficit". The vocabulary used here clearly alludes to non-functionalities within the organization. No relational vocabulary is used, neither in the above extract nor in the continuation of this account. The reasons for dysfunction in this organization are solely located in the technicalities of the process, like an "information-deficit". Thus the picture drawn on how the organizations work is a mechanistic one.

Scenarios for optimization of perceived "disagreements" are envisioned through designing appropriate "processes" by dint of which they achieve to work more efficiently. Within a mechanistic or machine-metaphoric understanding of the organization, there seems to be no space for the social. Morgan describes the logic of the machine metaphor as follows: "We talk about organizations as if they were machines, and as a consequence we tend to expect them to operate as machines: in a routinized, efficient, reliable, and predictable way." (Morgan, 1997, p. 13).

The picture of Produkta is drawn very much along the same lines. Within this construction of organization, "the social" gets delineated as being outside the machine. It is not part of, and thus not important for, routinized operations of the organization. The efficient working of the machine-like organization is granted by optimization of "regulation".

The social in this frame of reasoning, if assessed positively by the interviewees, is conceived as a diversion from the monotony of everyday organizational life. When conceptualized in a positive way, accounts are made such as "People really do appreciate little presents from the HR department at easter time". This is put as "nice", but not important for the operation of the machine.

If "the social" is assessed negatively, it is delineated as a hindrance for the effective functioning of the organization. In the latter conceptualization, i.e. when depicted as hindrance, accounts as "if he's repairing my computer, there's no need of also telling me a joke" are made. Still, the social remains an extra, a supplement, to the organization and therefore as something which is not necessary for organizational functioning or even as a source of distraction for the efficient workflow.

If in this repertoire one imagines success of training in soft skills it becomes obvious that these could only be another "nice to have" option rather than seen as important to know for "functioning" of an organization. This repertoire illustrates quite nicely how trainings in the "soft sector" - if assessed positively - are seen as gratification if they are pleasurable enough and situated in a nice location. But they won't be seen as improvement for work in the organization and thus the effect can be seen as negligent. Incidentally if assessed negatively (e.g. not in a nice hotel, too demanding, etc.) these trainings will be seen from the very beginning as a waste of time. In both cases, positive and negative assessment, the trainings will have hardly any effect on changing social relations in organizations, as social relations are simply not seen as part of the professional organization.

Tradis

A different picture gets drawn at Tradis. Whereas Tradis also relies on a mechanistic understanding

of the organization, the social is not constructed as standing outside but rather inside the organization. Accounts on the social at Tradis took the form of the following extract.

"[…] one has said "We will look after you. What would you like to do?" - On the job discussions with employees, folders were filled, wishes were taken into account, was on the lookout where one could plant people in a new function, down to the last co-worker". (Tradis, Interview Mr. Sieber, Logistics)

The organization gets depicted as caring for and being responsible to its employees. The actions the company has undertaken to look after them are described at length in the interview. It is thus revealed that the organization considers the social as an important issue for the effective operation of the company. This construct entails that the organization is also an active creator of the social. However, the social is still part of a machine-like picture of the organization as it is pinpointed as just another element that must be governed for reasons of organizational effectiveness. What is required is that the right tools get provided by the HR and training departments.

Acting responsibly at Tradis thus means designing tools and processes to influence the social processes and also uses those in its advertisement materials. In most accounts at Tradis people stress the positive social climate while mentioning that the organization puts a lot of energy into it. In conjunction thereto, the good climate gets embodied through the person of the CEO who in many accounts is described as someone who never forgets a name of an employee. Then in a next meeting with him/her he would address the person by name. In this way, a heroic picture of the CEO is produced, which too presents another image of the social as individualized competence. When problems within the relational realm arise within Tradis, social workers are employed and take care of the issue at hand .

The flip side of "the social as organizational responsibility" unfolds within the question of where non-functional sides of the social get assigned to. Within Tradis the dominant rhetoric is that "we support individuals who have the potential but not yet the ability, but we do not support people who have the ability but not the proper motivation". Thus the non-functionality, if in question, would be assigned to the individual who does not exhibit the requisite enthusiasm or work ethos ("not wanting"). With the link to individual volition "the social" acts as a trigger for assessing whether the person "fits" the organization. In other words, the organization is entitled to define who is willing and who is not, who deserves being supported and who not. Consequently, those who do not perform in accordance with the standards of the company might be positioned as just not "wanting", thus can be expelled without putting the company in any bad light. The organization retains its positive stance since it still cares for people and offer help, at least for those who try to hold up to the established standards.

For training social skills in this type of organization it means that training will have effects on social relations in organizations as long as everything goes well. If employees do not conform with the organizational discourse here the social discourse gets used for making people redundant. Here the question arises if training of soft skills gets a rather perverted means for labelling people as not willing to learn socially and thus any kind of diversity would get abolished.

I do not think this consequence of social skills trainings was intended by people designing those training. The reflection here is though to be beware of potential abuse of humanistic ideals in functionalistic discourse of organizations.

After having given some insight into the analysis of the social in these two organizations.

Reflections of the Construction of the Social as enabling or hindering change

The initial question of this paper was related to the meaning of the nowadays ubiquitous and fashionable quest for soft skills in organizations. Within two organizations interviews and group discussions were conducted and discourse analysis carried out. The first important discursive level being discussed was that of individualistic agency, prevailing since modern age.

Most interesting here was that the construction of the social as individualistic agency, rather than enabling change of social relations and situations, was about to hinder it. This was not least due to the construction relying on the assumption that the "education" of the social was finished when people had grown up. The social thus turned out to be a stable trait of character.

As discussed in more detail above, the individualistic discourse was used differently in Produkta, as interviewees constructed the social as being "outside" the organization. Interestingly, "the social" did still happen at Produkta, only outside the organization. Employees would meet during leisure time where they would continue talking about the organization while having a drink and would afterwards take all the praise for the good social relations, which they accomplished all by themselves in their time off, leaving the bad situations to the organization to be blamed for.

The logic of the social as not belonging to the machine corresponds very much with the critique that takes issue with the "absence of the human factor" in classic conceptions of organization. Morgan utters this critique as follows: "The whole thrust of classical management theory and its modern application is to suggest that organizations can or should be rational systems that operate in as efficient manner as possible. […] In this regard it is significant that the classical theorists gave relatively little attention to the human aspects of organization." (Morgan, 1997, p. 21). In Morgan's account "the human" is set in opposition to the "rational system", thus depicting it as the "irrational element" which hinders the efficient operation of the organization.

If depicted as the "irrational element" rather hindering than enabling organizational functioning following this logic it might even be very useful, that training of soft skills does not enable too much change in this realm of an organization. It might bring even more unwanted disturbance into the organization.

Very much the same happens with the construction of the social as revealed in the data since it is negatively assessed as "disturbance" of the otherwise efficient workflow. Again, the pitfall here is, according to analysis, that one doesn't respect Schein's (1980) idea of man. Though it is indisputable that "the human" can even be accorded to theories such as Taylorism, where it is, of course, conceived differently from, for instance, humanism or Schein's "social man" (Schein, 1980), it is also evident that by putting the social outside the machine it again obtains the condition of the non-functional. Yet, this particular construction could at the same time offer just this space for non-efficiency, thus opening up for an escape-route away from the coercions of efficiency and ordering so typical for modern type organizations kept in the machine logic: "Patterns of authority serve as points of resistance and coordinate activities by restricting activity in certain directions while encouraging it in others" (Morgan, 1997, p. 18). Especially in light of Foucault's conception of the machine's disciplinary power one might reconsider the positioning of the social as being outside the machine not as a shortcoming but rather as a route of understanding that opens up for a greater variety of relations. Thus, the social that takes place outside the machine could entail some emancipatory potential, something that escapes the disciplinary influence, the clutch so to speak, of the machine.

With Tradis "the social" was positioned as an integral part of the machine. As a result thereof, it became part of the efficiency-logic of the machine metaphor. The social no longer remained the irrational element but was depicted as that which is "to be handled" with the "right" instruments, provided by the HR-departments. In connection with the individuality-discourse of the social the construction of the social as part of the machine (Tradis) this gets further (ab)used as the individual is only ascribed responsibility when the social goes wrong. If it goes well, all the praise goes to the organization that "cares" for its co-workers.

What is partly reflected in this construction of the social as functional element is the logic of Human Relations as they were "the first" who transferred human properties into the organization (Kieser, 2002). However, applying the Human Relations account for reflection is contestable as Morgan associates it not with the machinist, but the organism metaphor (Morgan, 1997, p. 34-39). It might be argued by doing this he too much conceals the functionalistic side of human relations, thus putting too much emphasis upon positive features such as flexibility and potential for variation. That the functionality aspect was – at least in the beginning – very much in the foreground of the Human Relations Research can be illustrated by the fact that even Taylor welcomed Mayo's experiments, as: "Taylor in fact suggested Mayos's project explicitly, for he called for a "scientific investigation … [into] the motives which influence man" (Taylor, 1911: 129-130)" (O'Connor, 1999, p. 224). O'Conner calls this "adjustment-integration" through which "the motives" of the workers should be adjusted and then integrated into the organization.

Thus, the idea that the "human" or "social" can be integrated into the organization isn't a "new"

idea in any way. In fact, O"Connor convincingly argues: This idea of mentally, emotionally, psychologically, and morally linking the worker to the organization is picked up in HRM in various forms: by Lawrence (1985), as "mutuality"; by Beer et al. (1985) as "commitment" and "congruence"; and by Guest (1987) as "integration" (O'Connor, 1999, p. 242). What these theories have in common is the conviction that the integration of "social competences" into the organization leads to a win-win situation; meaning that it will lead to positive outcomes both for the individual as for the organizations.

This seems to be one of the most prominent allures of the Human Relations idea; an idea which today is revitalised by the soft-skills fashion. The relational or "human needs" of people are taken into account by the "caring" organization and by doing this; the organization operates even more efficiently.

What is usually left out in this story are the consequences which derive from "the social" not materializing in the way it is expected by the organization; i.e. when it acquires a state of non-functionality. Yet, it is precisely under those circumstances that the logic of functionality gets most visible. When this case happened at Tradis, the individuality discourse was applied; the individual was blamed and in the end sacked, because s/he didn't "want" to learn.

To me cases like this open up the question how a social can be conceived in relation to the organization outside of the functionality logic. The whole plot still rests on the idea of the efficient functioning of the machine, the absence of friction losses, meaning that as long that everything is neatly ordered and in its place it will be a success for everything involved. What must be overcome in the first place is the idea of "ordering", a principle upon which many modern societies rest. :"Industrial society rests on order. Order means everything in its place… a society bent on order should put the body into order by putting order in the body; society gains order by "training"." (Schoenwald 1973, S. 674 in Chia, 2003, S. 103). Everything is ordered and the left outs turn out to be areas of taboo.

With this in mind, the question can be posed how can –even in organizations – the social be lived (and not trained) not just as resistance to the organization as in Produkta or as just another element to be ordered as in Tradis? One rather obvious connection would be to link the social to, and hence understand it through other organizational metaphors. Another idea would be to put less weight on individuality, and instead stress the quality of the relation itself. This, as I believe, would have, among other things, the advantage of cautioning HRM practitioners not to unreflectedly adopt the "soft skills" approach as this would simply repeat the pitfalls already practiced in the Human Relations "era".

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THE IMPACT OF BUREAUCRACY ON THE EMPLOYEE MOTIVATION WITHIN MULTINATIONAL ENTERPRISES

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Abstract:

Efficiency is a topic which – especially in these turbulent economic times – gains more and more importance. Concerning efficiency, small organizations often can deal better with the requirements of changing situations than big multinational enterprises. This lack of flexibility normally has to do with the organizational structure and the massive bureaucracy within such enterprises. But this is not the only negative influence of bureaucracy. Even more important are the waste of time, which costs money, and the possible de-motivation of employees, which costs much more money and has a direct impact on the efficiency / success of a company.

To evaluate this impact of bureaucracy on the employee motivation or satisfaction is the goal of this research. The cultural difference between Austria and Great Britain will also be taken into consideration as well as the variances between different hierarchical levels.

As a certain effort in administration and reporting is necessary to manage a company and especially multinational enterprises, a further goal – beside evaluating the impact on employee motivation - is to give recommendations how to strike a balance between both, necessary reporting and unnecessary bureaucracy.

The first part of the research is a literature review to get a detailed overview about the topic in general, about certain aspects in detail and to have clear definitions for the major terms used in the research.

Key-words:

Multinational Enterprises

Employee motivation / Employee satisfaction

Bureaucracy / Efficiency through lean management

Cultural Differences Austria / UK

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"Bureaucracy is the death of any achievement." (Albert Einstein, 1934) - This is a very provocative statement but may summarize what a lot of people think about bureaucracy. Of course, it might be not that dramatic but there are probably few people who have a positive emotion about bureaucracy. What first comes in mind when asked about bureaucracy is often the following: slow, long winded, complicated and, of course, public authorities.

Nevertheless, although the term "bureaucracy" is mostly used in combination with the government or the public sector, it became also stronger and stronger in the private sector, especially within multinational enterprises. The bigger the multinational enterprises are, so Henzler, the higher is the tendency to bureaucracy: "With disastrous results: Loss of information, misunderstandings and fall apart of knowhow and management skills." (Henzler, 2006) - "The proposition is simple and straightforward: operating more like a democracy than a bureaucracy can make an organization more cost-effective, more agile and a whole lot more fun to work in." (Ware, 2003, p.1; Gratton, 2003)

Hence, working within a bureaucratic organization not only generates an enormous workload but also tasks, which the employees probably feel as unnecessary or of no use. This causes frustration and de-motivation.

To get a fundamental basis for the whole research project, first of all an in-depth literature review including definitions of basic terms was done. The

results of this literature review will be summarized in this article. But also a short outlook about the further research steps (qualitative & quantitative research, consolidation, etc.) will be given.

The following goals have been defined for the literature review:

- Get a detailed overview of the existing literature
- Prove the significance of the research topic
- Prove the relevance of the chosen topics to the research
- Find definitions for the major terms used in the research
- Compare different scientific approaches
- Find a gap in the literature to define the contribution to knowledge
- Find the right methodology for the research

Significance / Relevance

The significance of a topic is key for a research project. From a scientific point of view, this significance is linked to the contribution of knowledge. A gap within the existing literature shall be closed through the actual research.

From an economical point of view, the significance goes one step further. Of course, the contribution to knowledge is important, but it is even more important, if the outcome concerns not only a few people worldwide but a broader group of people. This makes the research more significant.

Especially nowadays - with the existing information overload - it is also important to define, which topics are really relevant to the research. Normally the more literature is analyzed the more aspects of the topic show up. Therefore, the clear goal of the literature review was to first get a broad overview but then focus only on the things, which are directly linked to the research topic.

The following topics shall proof the significance and relevance of the research.

Multinational Enterprises

First of all it has to be mentioned, that there are many different terms for what will be called "Multinational Enterprises (MNEs)" within this research:

- Multinational Corporations (MNCs)
- Transnational Corporations (TNCs)
- Transnational Enterprises (TNEs)
- Multinational Group of Companies
- Multinationals, etc.

Although there might be some slight differences between these terms, the differences are not consistently used within the literature. Thus, it makes more sense to take the aspects of all the above mentioned terms into account when defining "Multinational Enterprises (MNEs)" for this research project.

The reason for not taking an existing definition is that there is no clear, consistent explanation for Multinational Enterprises (MNEs) available in the literature. Not even the OECD in its "Guidelines for Multinational Enterprises" mentions a classification. In fact it is declared that "a precise definition of multinational enterprises is not required for the purposes of the guidelines" (OECD, 2001, p.8).

However, there are various efforts to describe what could be understood under the term "Multinational Enterprises". "These usually comprise companies or other entities established in more than one country and so linked that they may co-ordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another. Ownership may be private, state or mixed." (OECD, 2001, p.9)

According to Brazinskas (2008) a Multinational Enterprise (MNE) is defined as a firm with some foreign sales and some foreign production (usually 10% or more), where the foreign production takes place in a wholly-owned foreign subsidiary and having such foreign subsidiaries in several countries. Root (1994) and Choi (2008) defined a MNE as a parent company that engages in foreign production through its affiliates located in several countries, exercises direct control over the policies of its affiliates, implements business strategies in

production, marketing, finance and staffing that transcend national boundaries.

Although there are a lot more definitions trying to describe MNEs the core can be summarized as follows and will be used in this context for the present research:

Definition:

Multinational Enterprises (MNEs) are companies established in more than one country and linked to each other through various ownership relationships (parent companies, sister companies, etc.). They work under one umbrella, with similar strategies and guidelines (e.g. in finance, marketing, production, etc.) to achieve the group goals (the group counts more than the individual company).

The relevance of Multinational Enterprises is undeniable.

Even in The New Encyclopaedia Britannica (2006, p.374) the topic is mentioned under Modern Trends within Business Organizations: "The sheer size of the largest limited-liability companies or corporations – especially "multinationals," with holdings across the world – has been a subject of discussions and public concern since the end of the 19th century. For with this rise has come market and political power".

Or even more impressive: "Currently the world's largest 500 MNEs dominate world trade and investment. In terms of foreign direct investment (FDI) the world's largest firms account for 90% of the world total. In terms of trade they account for approximately half of world trade as they often have a hundred or more foreign subsidiaries around the world." (Brazinskas, 2008).

When we look for example at the Top 50 American companies, none of them is an exclusively US domestic company. All of them are multinationals, as this global, international approach was for many years a guarantor for success. (CNN, 2008)

Nevertheless, as times became harder, being a multinational enterprise (with all its synergies and advantages through diversification) is not anymore enough to be successful.

Lean Management

Although the first steps into Lean Management go back into the 1930s or shortly after World War II – where Kiichiro Toyoda, Taiichi Ohno and other persons at Toyota already tried to optimize their production (Toyota Production System) – the trend towards Lean Management probably first started with the book "The Machine That Changed the World" by James P. Womack, Daniel Roos, and Daniel T. Jones (1990). With there second book "Lean Thinking" (1996), James P. Womack and Daniel T. Jones distilled the lean principles even further. (Lean Enterprise Institute, 2008)

James P. Womack and Daniel T. Jones (2003) summarized in their 4th edition of "Lean Thinking: Banish Waste and Create Wealth in Your Corporation" the principles of lean management to 5 and thus have defined the core of all lean management efforts:

Specify value

- Identify the value stream
- Flow - Establish a product flow with value-added steps
- Pull - Create a customer pull (not supplier push) process
- Perfection - Work towards perfection

Although the mentioned books can be seen as the pillars of lean management, bureaucracy is not at all a topic in them. Of course, the reason for this may be that lean management originated from the production side and only some years later took also the administration part of the business into account.

Like I. Laqua (2005) mentions: Competitive cost structures were the motivation of many companies to optimize the efficiency of their production resources, but today the main cost problems are caused by administrative departments. Thus, lean management methods were adapted to increase also the efficiency of internal administrative processes.

With this background, the definition for lean management and lean administration is quite clear:

Definition:

Lean Management is the effort to optimize processes within a company by specifying customer value, identifying the value stream, establishing a product flow according to the value-added steps, create a customer pull process and work towards perfection. With this, waste (of time, resources, space, etc.) should be minimized and efficiency as well as quality should be improved.

Lean Administration uses the methods of lean management to optimize the internal, administrative processes towards efficiency improvement and higher quality.

Bureaucracy

Although, lean management and bureaucracy seem to be somehow linked, a clear description of this relationship is missing within the literature. To be able to define this linkage, it is necessary to evaluate what the term bureaucracy means.

The Oxford Dictionary of English (2006, p.230) describes bureaucracy as "a system of government in which most of the important decisions are taken by state officials rather than by elected representatives" or "a state or organization governed or managed according to such a system" as well as "the officials in such a systems, considered as a group or hierarchy." Furthermore, bureaucracy is also described as "excessively complicated administrative procedure (the unnecessary bureaucracy)".

The New Encyclopaedia Britannica identifies the same aspects of bureaucracy but in a broader context. "A professional corps of officials organized in a pyramidal hierarchy and functioning under impersonal, uniform rules and procedures. In the social sciences, the term usually does not carry the pejorative associations of popular usage" (The New Encyclopaedia Britannica, 2006, p.642). But of course this "popular usage" is what counts when people are asked about their opinion to a certain topic (research with human participants).

Having a further look on the characteristics of bureaucracy, the following aspects are also mentioned within The New Encyclopaedia Britannica (2006):

- Administrative, rational and impersonal regulations
- Inferior-superior (hierarchical) relationships
- Authority is legitimized by a belief in the correctness of the process by which administrative rules were enacted
- All power is concentrated on the top
- Inefficiency and lack of flexibility
- Goal displacement: The instrumental and formalistic aspects of the bureaucratic role become more important than the achievement of the main organizational goals

For Schneider (2002) bureaucracy is the proliferation of rules and regulations as well as the growth of the therefore needed infrastructure. Also Thomas & Schenk (2001) describe bureaucracy with distinctive hierarchical levels, inflexible, a lot of formalities and an enormous administrative effort.

Rackow (2007) even describes a bureaucrat as a „file-person" and mentions furthermore that the word "bureaucracy" itself is immediately linked with a negative connotation and stands for a narrow-minded interpretation of regulations.

This all confirms the statement: "In any bureaucracy, paper work increases as you spend more and more time reporting on the less and less you are doing". (Think exist, n.n.)

As a clear definition for bureaucracy within private organizations is almost entirely missing, the following summary describes best, how bureaucracy shall be understood in this research project.

Definition:

Bureaucracy (in terms of administrative processes, not governmental structures) or better Unnecessary Bureaucracy in organizations could be defined as hierarchical structures, where regulations, uniform rules and administrative procedures count more than persons and in the last consequence also more than actual achievements. Furthermore, Unnecessary Bureaucracy causes inefficiency (including waste of time and resources) and lack of flexibility. Another indication for bureaucracy is an increasing paper work, which results from the formalities and the narrow-minded interpretation of regulations.

Of course, that does not mean that hierarchical structures in general are bad or that no regulations

are necessary to manage a company, but it should be on an adequate level.

Coming back to the question, if and how unnecessary bureaucracy is linked with lean management, it can be said, that with lean management unnecessary bureaucracy could be avoided. Lean management or lean administration focuses directly on the inefficiency and waste of resources of bureaucracy.

But, as John Seddon (2005) mentions: "This waste is just the tip of the iceberg. The costs of demoralisation are incalculable. People are demoralised because so much of what they do has little bearing on the purpose of their work."

Employee Satisfaction / Employee Motivation

Assuming that work not only serves to secure the material livelihood but also contributes significantly to meet personal, social and cultural needs as well as it influences also other parts of live, employee satisfaction is a central precondition for a general live satisfaction and last but not least also physical and psychical health. Thus, the topic employee satisfaction has a high economic and social relevance. (Hauser et al, 2005)

Lately executed analyses confirm that there is a significant correlation between the experienced general satisfaction and the success of the company. Furthermore, a meaningful and significant correlation between employee motivation and the success of a company can also be seen. (Hauser et al, 2005)

Here the questions of the difference between employee motivation as "a reason for acting or behaving in a particular way; desire or willingness to do something; enthusiasm." (The Oxford Dictionary of English, 2006, p. 1145) and employee satisfaction as the "fulfilment of one's wishes, expectations, or needs, or the pleasure derived from this." (The Oxford Dictionary of English, 2006, p.1568)

arises. Thus, both terms have to do with needs or wishes, but motivation deals more with the reasons for acting whereas satisfaction has to do with the fulfilment of desires.

Within this research project the following definitions shall be valid:

Definition:

The employee satisfaction indicates if and to which extend the wishes, expectations or needs of an employee are met within the organization he/she is working for (passive approach).

The employee motivation has two aspects. One is the "motivated" behaviour or acting itself and the other aspect is the extrinsic inspiration of the employees to have the willingness to do something (active approach).

Given the already mentioned economic and social relevance of employee satisfaction and employee motivation, it is important to evaluate which factors influence the employee satisfaction / motivation most.

The following influence factors have already been evaluated (Hauser et al, 2005):

- Identification with the company
- Team orientation
- Encouragement of personal development within the company
- Ability to change
- Culture within the organization

Now it has to be found out, if bureaucracy also belongs to these influence factors of employee satisfaction / motivation.

Cultural differences

Dealing with multinational enterprises, one more aspect has to be taken into consideration – cultural differences. "For those who work in international business, it is sometimes amazing how different people in other cultures behave. We tend to have a human instinct that 'deep inside' all people are the same - but they are not. Therefore, if we go into another country and make decisions based on how we operate in our own home country - the chances are we'll make some very bad decisions." (Hofstede, 2008)

Knowing this, it is essential to be well aware of the cultural differences. Geert Hofstede (2008) describes 5 cultural dimensions, which could have an impact on the research (Power Distance Index,

Individualism, Masculinity, Uncertainty Avoidance Index, Long-Term Orientation).

Lewis (2003) classifies the world's cultures in 3 rough categories: Linear-actives (people who plan, schedule, organise, etc.), Multi-actives (lively, loquacious people) and Reactives (people who prioritise courtesy and respect, listening quietly and calmly, reacting carefully). He furthermore analyzed the different cultures in terms of gather information, use of space and time, different types of leadership, communication patterns, listening habits and body language.

The cultural differences have to be taken into considerations as some aspects of the research may vary with certain cultural backgrounds. It could be that one culture can cope better with hierarchical differences than another or that for example the communication style is different. These diversities could have an impact on the outcome of the research and will therefore be integrated.

Research Gaps and Contribution to knowledge

Summarizing this literature review it is clear that a lot of research has already been done concerning multinational enterprises (although a clear definition for this term is almost entirely missing) as well as on lean management. Nevertheless, a clear focus on bureaucracy within multinational enterprises does not exist.

Furthermore, although the employee satisfaction / motivation is proved to have a high influence on the success of a company, the impact of bureaucracy on this employee satisfaction / motivation has not been evaluated at all.

As satisfaction and motivation as well as coping with bureaucracy may differ from country to country, this aspect will also be to be taken into consideration for the further research.

Bureaucracy - to what extend however - includes somehow a hierarchical structure. Therefore, it could also be important to evaluate, if one hierarchical level is more influenced by the bureaucracy of a multinational enterprise than another.

Given this gap in the literature, the following objectives concerning the contribution to knowledge have been defined:

- Find out if and to which extend bureaucracy within multinational enterprises has an impact on employee motivation / employee satisfaction
- Analyze if there are also cultural as well as hierarchical differences
- Develop guidelines for multinational enterprises how to handle bureaucracy in terms of employee motivation and / or employee satisfaction.

Outlook

After the literature review proved the significance and relevance of the topic, the basement for the next research steps is given. The first step is the detailed definition of the methodological approach. Researchers and practitioners alike recognized that all conceptual analyses of groups, no matter how intellectually alluring, must be tested with procedures that meet the field's scientific standards. (Seligman, 1996) - Therefore, it is important to find the right research design and methods to get reliable and valid results.

Given the current topic – especially with the aspect that a common understanding of the term "bureaucracy" is required - it is important to include the real-live context into the research. Therefore, as "Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships" (Soy, 1997), this research method is regarded as the most suitable.

A key strength of the case study method involves using multiple sources and techniques to gather the data. This is normally largely done qualitative, but it may also be quantitative. Tools to collect data can include surveys, interviews, documentation review, observation, etc. (Soy, 1997). This will be reflected in the methodological approach.

As a next step the research design will be defined. Using methods from both research paradigms, the question arises with which approach to start. Before this can be answered, it has to be analysed, if triangulation would make sense or not.

After that the decision for adequate research methods has to be made. For the qualitative

research, Denzin & Lincoln (2005) describe different kinds of interviews, observations and group discussions. For a quantitative research surveys, correlation analysis and experiments can be used. (Murray, 2003) – After the decision is made, the primary research will be executed as well as the results analyzed and interpreted.

Finally, guidelines for multinational enterprises shall be developed to support them in avoiding bureaucracy and improving employee motivation / satisfaction. With this multinational enterprises should be prepared for the upcoming challenging times.

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AUSTRIAN HIGH-END QUALITY EMBROIDERIES AS INTEGRAL PART OF WEST AFRICAN CULTURES

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ALEXANDER SARLAY

Key words - Embroideries, West Africa, Europe, African Diaspora, tradition, cultural aspects

Figure 1: Looking into Africa from the top of the Kilimanjaro

Project Introduction

In an environment in which the globalization affects numerous people in a direct way, in which quality decides over rapid business and in which individual partnerships are more important and long-lasting than narrow-minded price discussions, the strategy for specified high quality Austrian Embroideries is becoming more and more important.

The motivation for this project is based on learning from history of more than 500 years of trading with textiles between West Africa and Europe. Still today, there are the same factors and mechanisms used for doing business. New things are as well absorbed instantly and transformed into the existing tradition. Also fashion is a typical western phenomenon; the things which are counting at the end in the African world are the traditional ones. Traditional clothing still is a symbol of status, reputation, wealth, etc.. Furthermore money for high qualitative and valuable products is and will be available in the future. But the product itself must be developed, marketed and sold in a 100%

true-package to the customer and end-customer. Therefore, copied, cheap, low quality and second-hand textiles are only a way to be "decorated" in the correct cultural way even for people with little money. One of the only existing USPs of Europe is the richness of creativity. In this project, creativity is the main driver for staying in front of the competitors in the high-end African embroidery market.

The project objectives therefore are the exploration of the niche for Austrian Embroideries, to recognize the key factors of designing embroideries for different African cultures and to identify the key factors for trading in West Africa.

This documentation is done for the first time and is financed by the country Vorarlberg and the "Vorarlberger Stickereiwirtschaft". The methodology is divided into three levels: Yesterday – Today – Tomorrow. The "Yesterday" part is developed based on existing literature in the fields of ethnography, cultural aspects, religion, art, strategy and marketing. This is followed by the "Today" part, which is a concentration on the actual situation in Vorarlberg/Europe and Africa done in a qualitative way (e.g. observation, interviews, and photo documentation) directly in West Africa. Finally, the "Tomorrow" part consists of the combination of specific challenges for the Austrian Embroideries in West Africa as well as international best practices which lead to a positioning for the Austrian Embroideries and thereof important project propositions.

This project can contribute to new knowledge by developing a research model in the future for specific high-end products. The conclusions derived from this model could be the recognizing of the importance of the eye-level, the awareness of the customers´ background in nation, religion, tradition, and the usage of the customers language to market the niche of the product successfully with different marketing activities.

Part 1 Yesterday

History

Looking at the history of Africa and Europe, the first knowledge about key textiles factors in West Africa could be found because the „societies throughout sub-Saharan Africa have preserved knowledge about the past through verbal, visual, and written art forms. Often, the responsibility of recording historical information was consigned to professional historians, trusted individuals whose superior wisdom and training equipped them to remember and interpret vast stores of information for the benefit of the community. In centralized states and chiefdoms, historians were often religious or political advisors who regulated royal power, supporting or checking it as necessary" (Bortolot 2003). Turning the light more into the direction of West Africa, these part of Africa „first comes clearly into the light of history in the 8th century of the Christian era. Writing in AD 773-4, shortly after the first Muslim conquest of North Africa, the Arabic author al-Fazari mentioned that across the Sahara from Morocco lay a country called Ghana, „the land of gold" (Fage 1969, p. 1).

Trade & Markets

Trading was always done between the different societies, even before the European conquests. The trade through the Sahara played therefore a major role not only for trading goods also for spreading religion. "The western Sudan is crisscrossed with trade routes linking this interior region of West Africa to the Atlantic coast and ultimately to cities across the Sahara. The western Sudan is the first area of sub-Saharan Africa to be reached by Muslim traders, and the influx of wealth, goods, and cultural and religious influences contributes to the dynamic artistic production. Nok, in the eastern part of the region, is one of the earliest African centres of ironworking and terracotta figure production. Jenne-jeno, populated as early as 250 BC, is the oldest known city of sub-Saharan Africa (...) Several other significant political and commercial centres emerged during this period, including Timbuktu, an important site of Islamic religion and scholarship as well as trade" (Metropolitan Museum of Art 2001). „Some measure of trans-Saharan trade is probably as old as the Sahara, documentary evidence is only available in the writings of Islamic writers from the 8th century AD onwards" (Picton 1995, p. 20). As Gillow (2003, p. 19) states „from the 11th century on, Islam was adopted via merchants from the caravan routes from North Africa, often for the practical reason that it made trade easier if both parties conformed to the same moral, religious and ethical code".

Connected with the trading routes through the continent are many markets, from small to big sizes, which grew in the countries. „Markets were ubiquitous in West Africa (…) The markets served as local exchange points or nodes, and trade was the vascular system unifying all of West Africa, moving products to and from local markets, larger market centres, and still larger centres (…) Nothing much is known, however, about the early markets in this region until they appeared full-blown with the manilla currencies during the height of the slave trade" (Diké in Skinner 1973, p. 215). According to Nadel (in Skinner 1973, p. 215) there is knowledge available that "Nupe traders brought goods from Kano and points north to Onitsha in exchange for such forest products as palm oil".

Yoruba & Hausa

Trading and market life is part of the African mentality. Especially two people are relevant for the Austrian embroidery market today. These are Yoruba and Hausa people, rooted from Nigeria. „Yoruba is a word that identifies a language spoken by millions of people; and it also identifies a history, an inheritance of tradition and social practice, and a contemporary sense of cultural identity" (Picton 1995, p. 14). Furthermore, "the term "Yoruba" originated during the 19th century, applied not by the Yoruba themselves but by outsiders to describe a series of city-states where variations of the same language were spoken. Nevertheless, a sense of identity came in other ways, notably through analogous political and social institutions, through the existence of a central language, and through the sharing of common religious beliefs" (July 1974, p. 136).

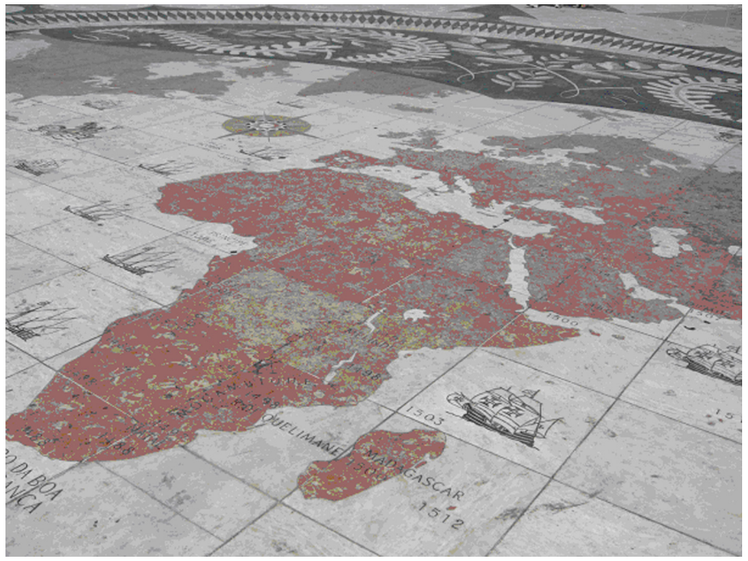
Beside the huge Yoruba community, the Hausa are playing an essential role in the African trade. "The introduction of the Hausa to international trade had quite remarkable results. Their new access to markets stimulated a great development of their agriculture, and industries like weaving, leather manufacture, and metal working. By the 17th century at least, Hausa merchants were developing trade routes of their own to the south and south west which, in the region of modern Ghana, competed effectively with those developed by the Mande" (Fage 1969, p. 34). Fage additionally explained, that "in the first place, although the Hausa are today certainly regarded as a West African Negro people, the Hausa language is not a West African Negro language; it unquestionably belongs to the "Hamitic" family of languages" (1969, p. 31).

European conquests

The first European people who conquered Africa were the Portuguese. „The Portuguese traded along the coast for ivory, gold, spices, cloth, and slaves. They established coastal forts and missions, as well as sugar plantations and a cloth-dyeing centre (using African dyeing methods) on offshore islands. There were some inland penetrations" (Etienne 1997, p. 518). They "came around the coast of West Africa in the latter half of the 15th century, and in Sierra Leone, Benin and Kongo they purchased and commissioned ivory sculptures, the first African art works known to have entered European collections. In 1485 they visited Benin City soon establishing a monopoly of trade that lasted until the 1530s" (Picton 2000, p. 51).

"Due to several technological and cultural advantages, Portugal dominated world trade for nearly 200 years, from the 15th to the 16th centuries. While, in the 15th century, the rest of Europe was decimated by the Black Plague, Portugal was protected by its physical isolation. Additionally, Portugal had an unusually strong national identity, due to its natural geographic borders, allowing the pooling of the considerable economic resources necessary to fund these ambitious explorations. Portugal's extended contact with Islam, and therefore with its superior mathematical knowledge and sailing technologies, including sail shapes, hull designs, and maritime weaponry, resulted in a Portuguese fleet capable of negotiating the high Atlantic seas" (Ross 2002).

Figure 2: Captures of Portugal



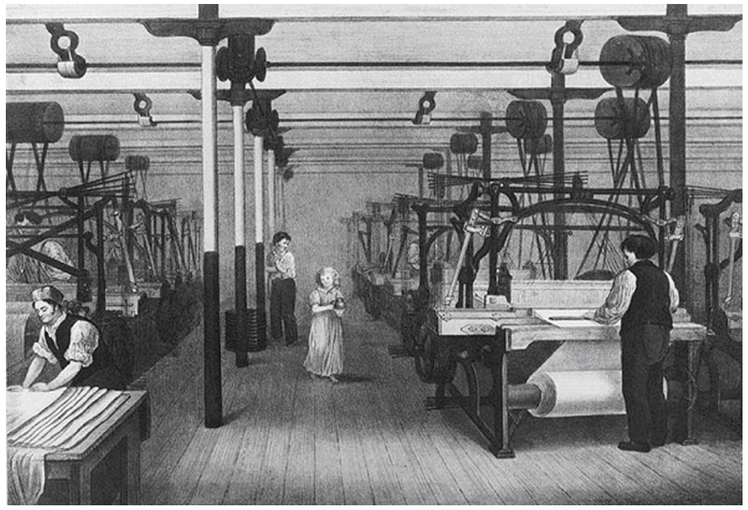
After the first successes in Africa, the Portuguese were imitated by Spain, France, United Kingdom, Germany, Italy and Holland. Between 1550 and 1900 the exploitation of Africa was ongoing, not only with gold, silver, sugar, ivory, also with men. The fundament for the so called colonialisation "was based on the idea that Africans were unable to rule themselves (…) The system works in two ways: it made money from African labour, and it reduced Africans to the position of permanent servants" (Davidson 1965, p. 96-97). In detail, this means that "the principal incentive to colonisation in all ages has been the acquisition of wealth, and that wealth, as a rule, has only at first been obtainable by the opening out of trade channels previously barred. Occasionally the founding of a colony resulted from other motives: the desire to enjoy freedom of thought and in the exercise of religious observance" (Root 1901, p. 40). And "because of scientific advances, the industries of Europe needed more raw materials than ever before" (Davidson 1965, p. 92).

Textiles

Textiles were always included in the African trade mechanism . "The earliest evidence for woven textiles in West Africa is provided by fragments of bast-fibre cloth in 9th century Igbo-Ukwu" (Picton 2000, p. 49). In addition, „cotton in Ghana was already cultivated before the arrival of the Europeans in the 13th century. In the Ashanti kingdom, the art of cotton weaving was brought to perfection with Kente products, colourful woven strips that are put together to one piece of cloth" (Hoefter 2001, p. 154).

Figure 3: Kente cloth

Figure 4: Weaving mill in Manchester ca. 1850 (Vignali 2009)



Before the arriving of the Europeans textiles came from various African regions and from the Arabian Peninsula. Afterwards a tight was made between Africa and Europe concerning textiles and cloth which still ongoing. „Interest in imported textiles dates back to early West African empires which encouraged trade with foreign markets long before the Europeans arrived on the coast. In the pre-colonial era, trade routes from the Mediterranean ports of Africa extended across the Sahara and through the rain forest to the West coast. Fabrics were transported on the backs of donkeys and camels, on the heads of porters, and in the holds of riverboats" (Gerlich 2004, p. 13). "The influx of European traders to this area from the 16th century onward increased this trade of cloth items; thus, the network of trade in cloth was indeed a wide and complex one. The Ijebu people of the Southeast Yoruba kingdom, referred to as the "Jaboo" in the early literature, appear to have been at the forefront in the distribution of cloth. Cloth of their own manufacture and from elsewhere in Yoruba land, was easily carried by the Ijebu to other parts of the delta by way of the network of creeks. By the 17th century, Ijebus were largely responsible for supplying cloths to the Benin area as far as Arbo on the Lower Niger; this flow of cloth trading continued for 300 years into the present century. Itsekiri elder's recall, in their youth, seeing Ijebu cloth sellers approaching their village by boat, selling Yoruba cloths. Indeed, by the 19th century, an extensive and varied production of cloth existed among the Yoruba, with the areas of concentration being Ilorin, Iseyin, Abeokuta and Ijebu-Ode" (Perani/Aronson 1979, p. 11).

Especially with cotton textiles, the history of trading between Africa and Europe is observable. „Indian hand-painted cottons came to Europe in the late 16th and early 17th centuries, along with other cargoes such as spices, perfumes and embroideries" (Storey 1974, p. 20). „From 1720 to 1750 a trade struggle took place between the exporters of Indian prints and the dealers in Manchester cloth. At first Manchester printers provided coarse linen cloth in dull colours, but these did not satisfy Africans who preferred the lighter all-cotton India prints in bright colours. The Manchester cloth, therefore, was modified to suit the African taste, and by 1750 it had acquired a quality comparable to that of the Indian textiles" (Nielsen in Gerlich 2004, p. 18). „By the 1870s, European manufacturers were well aware of regional preferences (…) to which they paid careful attention. As the Times of London reported: Many people believe that the African is a person of very simple tastes who is ready to accept all sorts of second quality goods and clearing lines, and crude designs and garish colours, which the more fashionable nations reject. This is far from the truth. It has been the life´s work of many merchant converters in Manchester to produce speciality African prints for the people, men and women, "on the Coast"" (Steiner 1985, p. 92).

Cloth in West Africa

Body

In Africa the decoration of the body has a different status than in the Western world societies. „Apart from the use of clothes for decoration of the body, the body was equally adorned with painting, tattooing or by the wise use of jewellery" (Kalu 2007). In more detail, this circumstance leads to "dress, as Barnes and Eicher define it, is a comprehensive term for direct body changes such as tattoos and hairstyles, and items added to the body such as clothing and jewellery. Among the Yoruba, clothing and its accessories constitute most important form of aesthetic expression. Dress did not merely cover the body, it indicated one's gender, character, wealth, and status, and it determined and negotiated social relationships: Yoruba popular thought often expressed the relationship between dress and social interaction, as in saying "irj ni si ni isonilojo" - one's appearance determines the degree of respect one receives" (Byfield 2004, p. 32). For this project, "clothing and other treatments of the body surface are primary symbols in the performances through which modernity - and therefore history - have been conceived, constructed, and challenged in Africa" (Hendrickson 1996, p. 13). Especially, "cultures are a key aspect of African designer's practice, either as markers of personal identity or as symbols of the past against which to measure their innovations" (Rovine 2004, p. 190).

Not only in these days, the "image-centered notion of bodily styles is important, because the images that surround us in the print and electronic media certainly do influence our notion of "proper" body presentation" (Bastian 1996, p. 97).

Figure 5: West African Lifestyle magazines

Status

Very common in West Africa is that, "when people see you (wearing African fabric), they appreciate you are of a certain class" (Orla 2006). This means that cloth and textiles are a status symbol. „What one wears is an indication of socioeconomic status, age, education, and marital status" (Salm/ Falola 2002 in Gerlich 2004, p. 2). „When a cloth is manufactured by a member of a different society expressly for use by a member of a different society, then the textile ought to be interpreted as a visual symbol of representing a delicate stylistic and functional balance struck at a particular historical moment between two cultures in contact (Steiner 1985, p. 104). In this case, cloths as status symbol always include art. "The arts of a people offer an illuminating view of its culture, and hence of its thought processes, attitudes, beliefs, and values. The art of a particular culture can reveal ever-changing human images and attitudes. So awareness of a people's indigenous art, visual and cultural symbols can become an important medium for cross-cultural understanding. Just as written documents [that utilize phonographs] materialize history in literate communities, (…) so in traditional societies, art forms make the intangible past more real" (Kojo 2001, p. 10).

In these days, tradition and fashion are intertwined in Africa. "Dress and fashion have been centrally implicated in the forging of a distinct African modernity, through slavery and freedom, colonialism and conversion, ethnicity and nation, gender and generation, hybridity and cosmopolitanism, state-building and state authority, subject hood and citizenship" (Allman 2004, p. 5).

Figure 6: African society (Entertainer 2008, p. 10)

Figure 7: Tailors in Kumasi, Ghana

Tradition

Speaking with Picton´s words (2000, p. 60) "tradition is thus by definition not a brake working against creativity or innovation but the framework within which each is possible". In Africa, "traditional clothing hardly expresses individual personality as it indicates group membership and is timeless. So, it separates social classes and regional groups. The costumes symbolize a community and constancy" (Kalu 2007). „A tradition, therefore, is a cybernetic hierarchy of conceptual and institutional commitments, and thus an essentially historical phenomenon, not so much a continuously communicated body of lore as an ongoing social practice that relies on, produces, and modifies the knowledge that it needs" (MacGaffey in Picton 2000, p. 20).

Furthermore, it is "no longer acceptable as a representation of social practice to contrast the 'traditional' with the 'con-temporary'. The

reality is that traditions entail histories, whereas traditionality closes off the recognition thereof; and that in art as in politics, religion, and so forth, all manner of traditions are contemporary with each other, coexisting, often mutually reflexive, each with its particular temporal status and functional locus" (Picton 1995, p. 11). "Clothing, is a highly visible marker of cultural identity and provides one illustration of this conception of tradition" (Rovine 2004, p. 192). „Whether we convince cloth as symbol or as metaphor, what is important to keep in mind is the notion that cloth, whatever else it may be, is a document which records, when considered in its proper social setting or cultural context, the historical, ethnographic, and aesthetic qualities of an individual, group of individuals, or nation as a whole" (Steiner 1985, p. 103). „The African is a person of sophisticated tastes, not ready to accept any kind of inferior fabric, crude design or garish colour. Whereas the East and South Africans tended to accept the Western-style clothing originally introduced by missionaries, the West African held to more traditional styles" (Gerlich 2004, p. 26).

Fashion

What is fashion? What is fashion in Africa? „Its many manifestations include the elite, high fashion garments shown on Paris runways as well as the mass-produced clothing that follows high fashion trends or that emerges from the streets. Both at "high" and "low" ends of the market, fashion is distinguished by the creative use of clothing to produce styles that differ from available precedents, whether subtly or radically. Because recognition of sartorial innovation requires familiarity with those precedents, fashion is particularly difficult to define in a global context. Non-Western dress practices have long been referred to as attire, clothing, costume, and garb, while the term fashion has been closely associated with modern Western cultures" (Rovine 2005, p. 130).

Besides the traditional roots, "fashion is closer to personal identity than other material objects. It reveals significant social change at several levels, and subtle links between changes in individual and historical processes, especially regard to gender ideologies" (Allman 2004, p. 5). Furthermore, "Fashion cannot be separated from our daily lives; even those who refuse to follow fashion, it is argued, do so in order not to partake in trends" (Kalu 2007).

So, also "imported cloths have been an important source of inspiration (...) foreign pictorial elements including the written word, have invaded both the dyeing and the weaving industries" (Perani/ Aronson 1979, p. 11). Accordingly to Rovine (2004, p. 190) "the garments that have emerged out of Africa's engagement with fashion are extraordinarily varied, reflecting the many Africa's that exist both in reality and in the imaginations of designers". „The manner in which fabrics are combined in garment design and construction is a very important consideration for consumer satisfaction. In addition to a well-selected fabric, a garment must have proper cutting and good sewing if it is to be satisfactory in use" (American Home Economics Association 1966, p. 9).

Cloth types

In West Africa two types of cloth dominate the picture of the daily life: the Boubou (also called agbada or riga) and the Pagne (also called wrapper). Austrian embroideries are used mainly for these types of cloth beside the fashion dresses and accessories.

In Nigeria the Boubou got famous due to political activities. This type of cloth is still widely spread all over West Africa today. "By the time of the 1970s Second Republic, their generational style settled on the agbada - modifying it to suit the general expansiveness of that era by bringing in new, rich fabrics, fabulous embroideries, and adding extensive accessories" (Bastian 1996, p. 113). Additionally, Bastian (1996, p. 110) mentioned that "young women were also using the agbada to establish some connection between their persons and the ethnically, regionally, and religiously based politics of the wider Nigerian context". Overall, it can be said, that the practice of dressing in a Boubou is associated with power and high life.

"In pre-colonial Northern Nigeria, political leaders wore large, costly embroidered robes to communicate the quality of girma, bigness or grandeur, to their followers, whose loyalty and standing were enhanced through gifts of robes of varying degrees of quality and size" (Renne 2004, p. 137). "Expensive, elaborately embroidered robes were made with costly materials used by the political elite to distinguish themselves" (ibid, p. 127).

Figure 8: Embroidery poster published by Krobia Services

Figure 9: Boubou for men (Dupsies 2008a)

The pagne, as one of the dominating types of cloth in West Africa, is mostly worn by women. The pagne itself differs according to the wearers status, personality and creativity. “In the case of wealthy women’s richest finery, the latter might consist of a “lace” (broderie anglaise) blouse and two bottom wrappers made of “george” (an expensive, embroidered and/ or printed cloth from South India) (…) blouse and wrapper tended to emphasize the body’s midsection with its low-cut bodice and purposeful thickness between the waist and hip” (Bastian 1996, p. 106).

Austrian Embroideries in West Africa

To be able to understand the textile context of this project, a definition for embroidery is important. Prussin (2006, p. 341) defines embroidery in the following way: “like the written word, embroidery is a system of visual communication, and it could be considered a logical extension of script, just as weaving is associated with “the word” in West African mythology and lore”. Other researchers expand the definition, that “embroidery is ornamental needlework done on the fabric itself“ (Wingate/Mohler 1984, p. 522) and “embroidery, the application of yarn, thread, or floss is a very old method of decorating fabric” (Joseph 1975, p. 339).

Figure 10: Pagne (Dupsies 2008b)

In the West African embroidery market, the word lace is also used for describing embroidery. “Lace has been defined in many ways, and authorities differ about what really constitutes lace. Specific characteristics are associated with specific laces” (Joseph 1975, p. 251). “Lace is an open-work cloth with a design formed by a network of threads made by hand or on special lace machinery, with bobbins, needles, or hooks” (ibid, p. 386-387). “Lace is a fabric created by looping, interlacing, braiding, or twisting threads. It is used for tablecloths, curtains, handkerchiefs, dresses, and underwear. Lace consists of two elements: first, the pattern, flower, or group, which forms the clower-worked and more solid portions, and second the ground or filling, which serves to hold the pattern together. The two main types of laces are “real”, or handmade, and machine made. Linen thread is usually used for real lace, but cotton, rayon, nylon, or silk may be used for machine lace” (Wingate/ Mohler 1984, p. 523). “Lace is truly the aristocrat of textile fabrics. No other material is so difficult to make yet so delicate, requires so much proficiency in manufacturing, or is so demanding or creative ability. Everything about lace is different. It is a product of yarn twisting, and the machinery for lace making is among the most complicated known” (Joseph 1975, p. 251). “There are many different kinds of machine-made laces used for all-over garment designs, insertions, flouncing, and

beadings. Their distinctive feature is their bobbin construction of knotted, twisted, or looped yarns, varying from very simple and fine constructions to very coarse and complicated constructions" (American Home Economics Association 1966, p. 67).

Nowadays, "most of the embroidered fabrics on consumer market are produced by machines, much like those used in making lace, which duplicate the fine stitches in one or several colours. In fact, embroidery techniques can also be adapted to lace making" (Joseph 1975, p. 339). The main used machine is the so called "Schiffli" machine. "This machine can embroider almost any design on either woven cloth or net (…) It is equipped with boat-shaped shuttles (schiffli means "little boat") and needles, and it operates somewhat like a sewing machine" (Wingate/Mohler 1984, p. 522).

The history of embroideries in Africa is old. „Conversion to Islam or Christianity had a profound effect on the clothing of sub-Saharan Africa. The Muslim faith has strict requirements of modest for men and, especially, women (…) Men who converted to the Islamic faith were often rich traders of political leaders within their own societies, and they in turn inspired imitation by others who may have not wished to adhere to the new religion, but who wanted to be associated with its prestige" (Gillow 2003, p. 11). "The earliest embroidery in Hausa land must have been imported but by the 15th century there would be very probably have been some local embroiderers in the larger towns and cities such as Kano (…) Not only music and dancing but also clothing would for a time has been affected so that the more elaborate embroidered embellishment of Hausa dress may be a comparatively recent development. This style of embroidery perhaps developed from two distinct sources of inspiration. One is interlacing forms, which Heathcote considers Oriental in character, while the other is composed of angular and spiral shapes which he considers more indigenous because they are more like the kinds of embellishment found on Hausa pottery, wooden food bowls, body decoration and basketry" (Picton/Mack 1989, p. 189). "Another style of embroidery found in Hausa land is the elaborate floral and interlacing patterns used on hooded cloaks. On the most luxurious examples gold- or silver-wrapped thread is used, together with sequins in a style which is quite unlike anything described above. It probably derives from North African or Middle Eastern work of Ottoman period. This kind of work is now being done by local craftsmen although many of these cloaks may have been imported from Arabia or North Africa" (ibid, p. 192). As a consequence, „an elaborate trade network developed, with both Nupe and Yoruba weavers and embroiderers, along with specialist tailors, cloth beaters, and dyers, serving the main emirates. Centres of excellence in embroidery grew up in Bida, Kano, Katsina, Dikwa, Daura and Ilorin (and continue to this day)" (Weate 2005, p. 2).

Based on the evidence of the Yoruba and Hausa cloth trade, "we can only speculate the extent to which Yoruba cloth design spread to other areas. Boser, in this case, is referring to the spread of technology or the basic know-how of weaving cloth; such an occurrence could only take place via displacement and intermingling of people. Through the trade of cloth, a different type of diffusion also occurred - the transmission of surface decoration" (Perani/Aronson 1979, p. 8). "In the 1970s, the governments of Nigeria and Zaire banned citizens from importing, buying, or wearing Western styles of dress. The ban was intended to instil national pride, but also to bolster the national economy by supporting local industries and blocking the outflow of money to Europe and India for the purchase of clothing and textiles" (Akou 2004, p. 51). "Rumours were circulating wildly relating to entrepreneurial involvement in smuggling other banned import goods. The consumption of luxurious brocade fabrics, the use of a (male) designer from the same social stratum as his patrons, and the wearing of gold chains and extensive wristwatches all pointed to a dangerous and unrestrained accumulation of young men's wealth" (Bastian 1996, p. 120).

Figure 11: High-end Austrian embroideries (Alboe 2009)

Part 2 Today

Based on the historical fundaments of tradition, culture, trade and fashion, the following chapter is focusing on the actual business of Austrian high-end embroideries.

Austria

In the western part of Austria, directly on the boarder to Switzerland, a highly specialised textile industry developed in the last 250 years in Vorarlberg. The first documentation for the embroidery technique in this region is made in 1751 when Swiss merchants went to Lyon to search for business innovations. They came home to St. Gallen in Switzerland (25 km away from Vorarlberg) with a Turkish lady, who then presented how to embroider by hand (cf. Gerter 1981). From this moment, embroideries were produced nearly everywhere around this area, in Switzerland and Austria. The embroidery business was a needed sideline besides the farming. To embroider was and mainly still is a family business. It was done at home by young and old, women, men and children, day and night.

In the first phase, the "Vorarlberger" produced embroideries only orders from Swiss export companies. At this time, the Swiss exporters exported to France, United Kingdom, Italy, etc. With the successfully running embroidery business, the people in the region could improve their wealth. In the meantime, the embroidery technique developed from pure handcraft to a machine supported industry. With the "Schiffli" machine the industry changed mainly to fabric work beside the already existing home work. The machine producers are still situated in the region of St. Gallen.

Figure 12: Schiffli machine around 1910 (WKV 2009b)

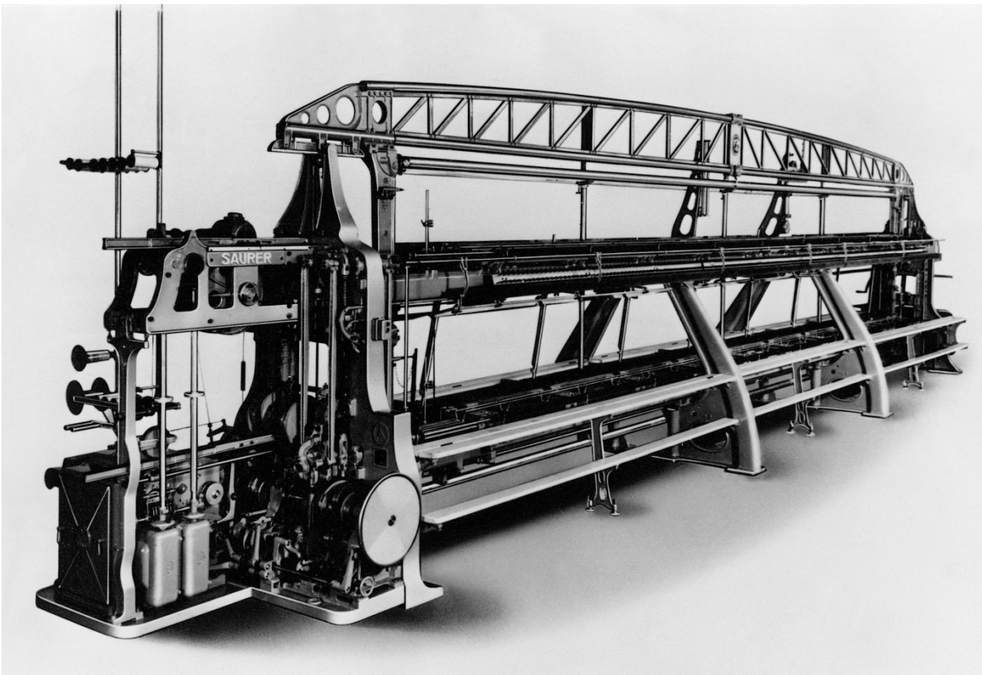


Figure 13: Nigerian bride train (Ovation 2008, p. 45)

Figure 14: Map Lustenau – St. Gallen (Google maps 2009)

Table 1: Numbers of Schiffli machines (Wikipedia 2009)

Year	St. Gallen	Appenzell	Thurgau	Other	CH Total	Vorarlberg	Total
1890	341	88	113	0	542	0	542
1900	1391	138	642	92	2263	365	2628
1917	3217	184	1903	315	5619	1378	6997

In the beginning of the 19th century, the embroidery business in Vorarlberg lived from pure business orders for Swiss exporters but were also establishing own export houses. Most embroidery producers are located around the village of Lustenau. As a consequence, the region has two embroidery centres, one in St. Gallen, Switzerland and one in Lustenau, Austria. This concentration of embroidery activities directed to constant comparisons of designs, products, distribution channels, innovations and techniques.

Nowadays, the constant competition in the region is the fundament for the industry, where quality of an embroidery product is seen as “a matter of fabric character, in terms of its weight, its fibre content and how well it is made; its wear of fit; its performance; and appearance, especially after

multiple washings" (Agbadudu/Ogunrin 2006, p. 99). In this specialized textile industry a split of quality levels happened over the time. The long established traditional embroidery companies are mainly part of the quality class, whereas the younger and smaller companies are part of the price focusing class. The price focusing class is in constant competition with cheap embroidery producers like companies in Asia (China, Korea, Thailand). This leads to a misunderstanding of the real market competition due to the exclusion of the top quality competitors and their products.

Historically, the main market for embroideries was Europe. This is the reason why the products, like lingerie, bordure, home textiles, etc., of this market are called "Europe market". Some exporters had earlier distribution houses in Paris, London, Vienna, etc. The Swiss embroidery industry is mainly producing for this market, with "Haute Couture" houses as prominent customers.

Beside the "Europe market" there is a second market in Vorarlberg, the "Africa market". This market was developed in the beginning of the 1960s. Since this time, the Austrian embroidery producers are trading with West Africa and many personal relationships with customers from West Africa emerged and lead to constantly increasing embroidery volumes. At the beginning of the trade, they were in steadily contact with countries like Senegal, Cote d´Ivoire, Ghana, Sudan, Benin, Togo and Nigeria. Nowadays, most of the exports are going into Nigeria via different distribution ways. The major peak was at the beginning of the 1980s where everyone was in the embroidery business. Between 1982 and 1983 the African market crashed, mainly due to a crisis in Nigeria. This brought big reorganizations to the Austrian embroidery industry. Fortunately, in the last 15 years an increase of exports to Africa occurred.

Overall the African market of the Austrian embroidery industry is focusing not only on African people also on customers of the African Diaspora. "The African Diaspora consists of peoples of African origin living outside the continent, irrespective of their citizenship and nationality and who are willing to contribute to the development of the continent and the building of the African Union" (African Union 2005, p. 7). The customers of the Austrian embroidery producers are at the moment mainly wholesaler from Nigeria. In the meantime, beside the wholesaler also retailers are becoming a bigger customer group. Due to the reason that the end customer of the Austrian embroidery industry is part of the African Elite, the embroideries are handled as status symbols.

The Austrian embroidery producers invested nearly nothing into their marketing because until now the business was a personal business. The marketing activities are mostly based on viral marketing issues, e.g. "word-of-mouth". The digital world like a homepage, blog, etc. is seldom used due to the anxiety of being copied. This marketing philosophy is a risk because the main customer and the end customer are not analyzed, documented and personally known. So, main competence knowledge about the customers, their needs, their problems, etc. are not available. „Although the clothes worn are traditional in shape, size and manufacture, colours can change from season to season and such non-traditional fibres' as Lurex can be introduced into stripwoven cloth" (Gillow 2003, p. 54). Innovations still come from outside due to a missing market and trend research system.

West Africa

How is the situation for high-end Austrian embroideries in West Africa? Before focusing more into this topic, a main principle of living and working together in Africa has to be explained: „In comparing European neo-traditions with the customary in Africa the whites were certainly comparing unlike with unlike. European invented traditions were marked by their inflexibility. They involved sets of recorded rules and procedures – like modern coronation rites (…) The assertion by whites that African society was profoundly conservative – living with age-old rules which did not change; living with an ideology based on the absence of change; living within a framework of clearly defined hierarchical status – was by no means always intended as an indictment of African backwardness or reluctance to modernize" (Ranger 1997, p. 602).

Figure 15: Austrian embroideries for the African market by HoH

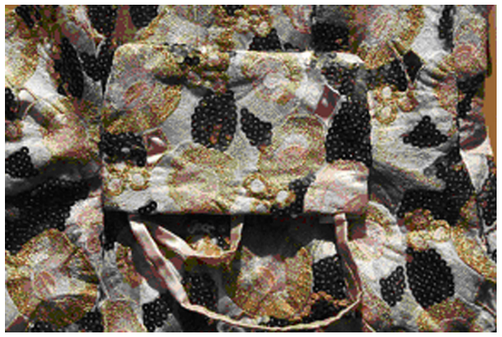


Table 2: Austrian embroidery exports in kg (Statistik Austria 2008)

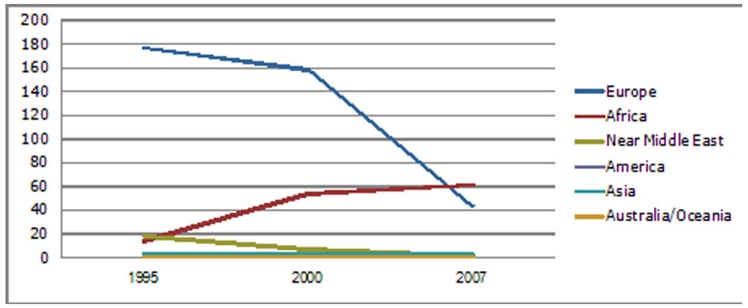


Figure 16: Embroidery as status symbol (Entertainer 2007b, S. 8; The Entertainer 2007a, S. 46)

As mentioned before, Austrian embroideries are part of the African textile market since 1960. The reasons for the success is that "consumers have argued that although the locally produced finished fabrics are relatively better in terms of quality, the market for imported products has increased because the products have attractive colours, new designs, a softer and glossier finish" (Quartey 2006, p. 139). "In Africa women traders give indigenous names to the imported European factory cloths which they sell in local markets. The name establishes group-specific meanings and metaphors which transform a foreign commodity into an item of local production" (Steiner 1990, p. 60). In the case of the biggest customer group for Austrian embroideries, the customers from Nigeria, this leads to the following statement: "Nigerians are known for their taste for luxury fabrics and ceremonial purposes (...) and for buying clothes to keep them cheerful in tough times (…) striving to always be well presented; and purchasing new apparel as means of maintaining morale and making a statement of confidence to their neighbors" (Agbadudu/Ogunrin 2006, p. 98). Furthermore, "given Nigeria's huge population, there are basic requirements of citizens for fabric which must be met. Some of these are provision of uniforms for pupils and students of various institutions from nursery, primary to secondary level, uniforms for professionals such as the military, paramilitary organizations, medical workers, industrial garments, corporate wear, under wear, t-shirts, baby dresses, beddings, sportswear, etc. (…) Nigerian industrialists have not made investments that will ensure that local industry produces enough fabrics to meet the needs of our growing population. In such a situation, smuggling is used to fill the gap between demand and supply" (Hajiya 2008). An example to understand which dimensions of textiles had to be fulfilled only in Nigeria: "Kano has a population of 10 Mio. and assuming that every member of a household will require three sets of clothing in a year and each set is 10 meters, the average annual requirement will be 30 meters per person. Thirty meters for 10 Mio. people comes to 300 Mio. meters. With a population of 140 Mio. Nigeria will need 4.4 billion meters of fabric. This makes smuggling attractive and profitable because the unmet need exists" (Hajiya 2008).

Figure 17: Market in Lagos

Beside the textile smuggling into Nigeria, "many European and American firms struggle to compete with the Chinese manufacturing machine" (Orla 2006). The range of offers increases at the markets, and textiles which were unaffordable some time ago are now available for a cheaper price and lower quality. This market flooding, including the second-hand clothes from Europe and America, changes the traditional distribution channels, the customer habits, the traditional clothing practices, etc.. For the textile companies the biggest problem is to be copied and in the following to lose sales due to cheap and fake products.

Nevertheless, the omen for tradition in Africa is good. Tradition will go with the time and adapt to it. Also, status symbols in form of textiles/embroideries will be kept in the tradition. Now, it is the time for the textile and especially the embroidery producers to act based on their long-lasting experiences. "One need not to be a king, a chief, a member of royal family, a statesmen, a rich person or a VIP to wear embroidery" (Asamoah-Yaw 1994).

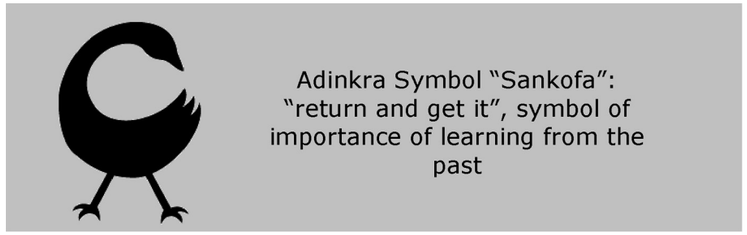
Part 3 Future

Martin Leuthold, Creative Director of Jacob Schlaepfer in St. Gallen, said in an interview: ""there will always be a place for the highest-quality fabrics that we produce". The high end of fashion may go elsewhere. It may go by a different name. It may not be called Haute Couture, but rather luxury ready-to-wear. But there will be a place for the top of the top" (Murphy 2004, S. 8). The strategy to stay at the top lays in learning from the history, adapt it for today and prepare the future. In West Africa such a strategy is communicated via a visual symbol. In this case it is the symbol "Sankofa", which means „Go back and retrieve" and „there is nothing wrong with learning from hindsight". It is derived from the words san (return), ko (go), fa (look, seek and take). This symbolizes the Akan´s quest for knowledge with the implication that the quest is based on critical examination, and the intelligent and patient investigation (…) The Akans believe that there must be a movement with the times but as the forward match proceeds, the gems must be picked from behind and carried forward on the match. In the Akan military system, this symbol signified the reargaurd, the section on which the survival of the society and the defence of its heritage depended" (Kojo 2001, S. 181).

In the case of the Austrian embroidery industry, especially the producers for the African market, a strategic decision for the positioning is needed. If the positioning is not done, the danger to lose more market share is growing day by day. Included in the positioning strategy is to build up a brand for top quality Austrian embroideries. „A brand starts life as a statement or guarantee about a single product. As the reputation of that product grows, the brand may be used as a promise of assurance in relation to products launched under the same umbrella. The brand has also developed a third and more subtle role, in which it says something both about the product and about its users and lifestyles" (The British Brands Group in von Stamm 2008, p. 119).

In summary, the purpose of this research project was to observe and develop key influencing factors for Austrian embroideries which are sold into African markets. The results support an underlying focus of the research project that the key factors of the embroideries for the African market have an important impact on the customer relationship. At a general level, this project showes that there clearly could be some effects of personal characteristics on the trading relationships with the customer and end-customer. These differences between customer and end-customer could have a significant bearing on the outcome of satisfaction and personal behavior.

Figure 18: Sankofa – modern Version (Agbo 2006; Glover 1992)



The first phase of this research project is made including the documentation. Main key factors like tradition, status symbols, metaphors, culture, distribution channels and marketing activities could be derived and can lead to a research model in future. This is a contribution to new knowledge and provides a starting point for further research. The key factors suggest that different implications have significant influences on the way of trading Austrian high-end quality embroideries in West Africa. "The textile and garment industry does not benefit from research institutes in the areas of marketing, design or product development" (Hoefter 2001, p. 158).

To truly benefit from the African relationships, it is important for the Austrian embroidery industry, that parallel strategies are in place to ensure continuity of production. Not that the event of an embroidery producer demise occurs. The quality of Austrian embroidery production should in no way be compromised. At present the region of Vorarlberg is the recipient of much valued business in terms of commerce and trade with customers from West Africa. For this relationship to continue Austrian embroidery industry must ensure that stronger bonds are fostered with African customers and end-customers and that the benefits of business are a win-win situation. With the main decision new ways of creativity, distribution, cooperation, products and innovations this can be done. This could be a demonstration of the still existing creativity in Europe. Furthermore, the marketing "basic principles of marketing still apply, but their applications, complexity, and intensity vary substantially" (Czinkota/Ronkainen, 1998, p. 5).

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THE DIMENSIONS OF ALBANIAN CULTURE IN INTEGRATION SETTING. AN EMPIRIC STUDY AND A COMPARATIVE ANALYSIS BETWEEN ALBANIA AND MACEDONIA

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Abstract

In the framework of this developing background this paper tries to present theoretical aspects of five cultural dimensions of Geert Hofstede, well known for his researches on cultural variability and its consequences. On the other hand, this paper presents some empirical facts about the cultural dimensions of the Albanian reality as an important step toward explanation of organizational development in specific and those economic in general.

The objectives of my paper are:

1. To present the reason why we must to study the culture.

2. To present some theoretical aspects of models of cultural dimensions of Hoffstede.

3. To present the cultural dimensions of the Albanian reality and to compare these between two or more regions or countries.

The used tool is Values Survey Module 1994-VSM 94), an questionnaire including 26 questions, created to compare the values that determine the culture of people of two or more regions or countries.

The actual Albanian developments are a harmonic integration of lots of economics, politics, social and cultural problems, in the continuous effort for integration, first regional and then European. Now days some depreciate problems are becoming more perceptive and more indispensable to be studied. The social-economic developments incriminate the entrance of new studies and their deepening in the improvement service of these developments. In function of this developmental necessity and under the steps of the well-known researchers of these fields, this article tends to present theoretic the cultural dimensions from Hosted, "well-known for his work in the cultural variability and its consequences".

Today we no as well that we are a country not only localized in Europe, because of our antic origin, but we also require to be part of this Europe in its developments. This require at first, to know our-self, so are cultural inherit. The developments show that we aren't only geographical part of Europe.

Key words: culture dimensions, Hoffstedes' framework, cultural dimensions, Albanian and Macedonian students

Why We Must Study The Culture?

The culture is a incessant declinable term from a lot of sciences as: anthropology, sociology, philosophy and the organizational one. Its determination is not seen as impossible but diversified and in continuous evolution. Theoretical frameworks of cultural dimensions have been developed to explain differences, among which Hofstede's framework has taken a dominant position. However, these authors have hypothesized how culture influences management and organization

without testing these hypotheses. Thus, confusion still remains, as numerous studies are conducted without sound research methodologies, in which theoretical frameworks for explaining cross-cultural differences are either not applied, or in which differences in attitudes are hypothesized to be related to theoretical frameworks of culture, without testing and confirming that this is so.

Factors that have helped in the profile of Albanian culture

Brief history

Albania is located on the shores of the Adriatic and Ionian seas on the western side of the Balkan peninsula. The geographic location has had a major impact on the development of Albanian culture over the centuries.

The Balkan peninsula is used as a connecting bridge between east and west, Europe and Asia. Albanian culture developed under the influence of other cultures, notably Greek, Latin, and Turkish influences.

A factor that has influenced the growth of Albanian culture has been the various invasions of Albania over the centuries. Albania had been under the influence of the Roman empire for over 12 centuries. In the 14th century, the Ottoman empire invaded and its influence was felt for over 500 years. Albania declared its independence in 1912. Following this, two World wars occurred with repeated invasions of the lands of Albania.

At the end of World War 2, Albania once again declared its freedom. After 1944 started a new period of isolation under one of the toughest regimes that turned Albania into a communist country and isolating it from the rest of the world.

Characteristic to this was a centralized and planned economy. The dominant ideology was an adapted version of communism which is still reflected greatly in the national culture.

In the beginning of the 1990s, the winds of change in Eastern Europe overtook Albania and brought an end to the period of isolation. A new era started for Albanians which was accompanied by a period of confusion during this time of long and hurtful transition.

The period that followed was accompanied by large demographic movements. Large movements were illegal with populations moving to neighboring countries. But large-scale movements were seen with population shifts from the north of Albania to the southern part of the country and from the suburbs to the cities proper.

The development of Albanian society from the cultural aspect during the 1990s appears very confused. Political, legal and economic changes during these years lead to the emergence of Albanians finding their place in the world and to start building a new set of norms and values more appropriate to the new conditions of their lives.

This is a very critical moment in the life of a country as it transitions from a broken past without a hope for the future and so it started to adapt quickly to the new conditions. It is very interesting from the cultural perspective to follow the reasons for these changes and the processes that follow.

Albanian Society

The purpose of this section is to study the characteristics of the Albanian society culture as a function of the purpose of this thesis, study of the characteristics of the business culture and the changes with whom this culture is headed.

Stakeholders of the organization are members of the society which means the culture of this society will reflect in the stakeholders of the organizations.

This comeback may not be physical but in term of investments , were accompanied with attributes of new cultures with which Albanian culture was not familiar. We were going to say hybrid, which has the attributes of the native culture and the new culture, attributes gained during their living time as emigrants in the other countries where they have lived an active life and have assimilated to the new culture.

The traditional Albanian family is characterized by a strong connection between the members of the family. In traditional Albanian families, there exists a hierarchy of relations between the family members that represents the manner in which members behave towards one another.

Members of the family are used to respect and the ranking and to accept distances and inequalities which exist amongst members.

The younger members are encouraged to express their opinions but are expected to listen to the oldest member of the family.

This phenomenon broadens the boundaries by generalization in the education system where there exists a similar system. The young are expected to listen, obey and respect the teacher.

Since there exists an informal structure, society tends to be flexible during the change of different circumstances by bringing in the highest adaptive capability in new circumstances.

Equality amongst the Citizens

During the 50 years of the communist regime, Albanian society was taught with little difference existed amongst social classes if not to say that during this period different social classes did not exist. This means that attributes of Albanian culture represent a low level of acceptance of social inequality which means a low level of distance from power.

Avoidance of uncertainty

The troubled history of Albania has led Albanians to be leery of the unknown for long periods of time. For centuries, Albanian society has tried to minimize insecurity by expanding social relationships between families with the purpose of avoiding unforeseen risks and threats. Conversely, 50 years of isolation created life conditions full of unforeseen and high avoidance of uncertainty.

Collective Society

The idea of the group plays a great role in the lives of Albanians. This is seen in the way they arrange their lives. Traditional is the fact that Albanian families have a lot of needs. So the youngest stay home until they get married and start their own family. But they also stay connected to the bigger family.

This means the family has a big influence over the individual. In the last decades, especially in the larger cities, there has been a tendency towards individualization by changing the family model to from one with many needs to in family with only one need.

Oriented towards Relationships, not Rules

The typical business is a family business and often operates based on an informal agreement, on the faith and word of honor that traditionally it is respected by Albanians. This situation has changed with the adaptation of the practices from the modern business, contracts, legal agreements, but the given word still is considered important in Albanian society. So, social relationships still play an important role in the life of todays businesses .

Masculine Society

Traditionally roles between the genders have been easily noticeable but situations have changes during the years of communist rule. The increase of the role of women in society and the improvement of her social status was one of the intentions of the communist regime.

With the fall of the communist regime and the movement to a market-based economy many activities that were classified as “non rentable” and were closed down by bring unemployed females that worked there. This increase in unemployment among Albanian female began in the early 1990s.

In the following years as a result of the changes in social customs, improvement of society and the control of the methods of birth control, Albanian females have become professionally ambitious and have increased their number in the work force by becoming owners, increasing their role in decision making, increasing their

The Hoffsted Cultural Dimensions Model

Geert Hoffsted was the first one that extended the cultural study sphere in organizational frame. He has identified 5 independent dimensions of national culture. The result of this study was yet another model of universal cultural dimensions, which is still today considered to be the most

comprehensive, and its methodology the most sound.

Power Distance, which is the extension that the members less stronger of one organization and institutions (as family) accept and wait that the force is extended equally.

1. Individualism/Collectivism, which is the measure of the integrity of persons in groups.
2. Masculine/Feminist, is referred to the disperse of the roles between the genders at a society.
3. The insecurity elude, implicates the society tolerance for insecurity and equivoque.
4. Long-term orientation against the short-term one. The values accompanied with the long-term orientation are the prudence and the insistence; the values accompanied with the short-term orientation are the respect for the tradition, the social obligation performance.

Methodology Of Study

The Used Observation Model

Type of used survey: the basic method used to achieve the empiric study is the stratified

The essential method used for the empiric studying realization is the Observation with stratified selection, based on the indispensable standards for being respected in the representative example. The Used Instrument is Values Survey Module, a questionnaire with 26 questions, developed for the comparison of the individual cultural values from two or more countries or regions.

It allows the calculation of results based on the five national or regional cultural dimensions, based on four questions for each dimension. So it contains 20 questions necessary to calculate these dimensions. The other questions in the questionnaire, that are six, principally belong to some of the individual-s datum such as the questions about the gender, the age, education level, kind of job, the actual nationality and the birth nationality.

The answers of the 20 questions can also be influenced from other characteristics of the answerers as the gender, age, education level, the occupation, kind of job and the year when has studied. So the countries or regions comparisons must be as much as possible be based in answerer population that agrees in all other characteristics, expect the nationality or region.

The 5*4 division of the questions is not made a priori, but because when the geminate populations from diverse countries have been compared, the results of the countries average in the four questions regarding the same dimension usually varied together, so if one were high, the other was high too. In statistic terms the countries averages are in a deeply correlation. While the countries' averages results for the questions regarding the different dimensions usually don't vary together. So the twenty questions form 5 classes with 4 questions each of them. The five classes correspond to five culture dimensions identified by Hofstede and Bond.

When is done the comparison of the populations not any more from different nations, but with different professions and different employers, there aren't found the same dimensions. The questionnaire questions are chosen to compare the countries, so the questionnaire intends its using in comparable levels of countries (and can also be used in local and regional level inside the same country).

Respecting the recommended minimum for the data exactness of the study, the number of the questionnaires dispersed in both countries is 50 (that represent the ideal customer answerers). It is also stored the same representative structure according to the gender, age, profession, kind of job, education and the same questionnaire dispersing time and collecting data.

The Calculation Indexes Formulas

As we said above the contents of the 20 questionnaire questions allows the results calculation of the indexes in five dimensions o the national values system as national cultural components. All the questions are accompanied with a five scale (1-2-3-4-5) collecting answers. The index results derive from the calculated averages about the chosen regional or national populations of the answerers.

The results are extracted based on below formulas for the five dimensions.

Table 1. Five dimensions of culture, index and edges

Dimension	Index	Edges
Power Distance (DF)	DF6= -35m(03) + 35m(06) +25m(14) -20m(17)-20	0 (small DF) and 100 (high DF)
Individualism / Collectivism	IIK7 = -50m(01)+30m(02)+ 20m(04)-25m(08)+130	0 (very collectivist) and 100 (very individualist)
Masculinity/ Femininity	IMF8=60m(05)- 20m(07)+20m(15)- 70m(20)+100	0 (very feminist) and 100 (very masculine)
Insecurity Elude	IEP9= +25m(13)+20m(16)- 50m(18)-15m(19)+120	0 (weak insecurity elude) and 100 (strong insecurity elude)
The Long-term orientation against the Short-term one.	IOF10 = +45m(09)-30m(10)- 35m(11)+15m(12)+67	0 (a short-term orientation) and 100 (a long-term orientation)

The Empiric Studying

The limitations of studied examples have not permit the evidence of the results in concrete numbers of dimensions, but only comments and conclusions about the answers averages of two observed groups. Eliminating the deficiency and respecting the validity use of this questionnaire conditions, now the study involves students university population of Korca (Albania) and Bitola (Macedonia).

Positively has been distributed 100 questionnaire to Albanian students of Korca University, and 100 questionnaires to Macedonian students of University of Bitola. The handover measure is 100% (so have been taken 100 questionnaires from 100 distributed) for the Albanian case, for the Macedonian one and, where from 100 have been handovered 82 completed questionnaires. To avoid the other factors action except the cultural one, the case studies are in accordance with the age-groups, study field, education level, the time to complete the questionnaires, and the gender representation.

Since one of cultural dimensions take in consideration the dominion or not of masculine features against the feminine one at a certain society, is aimed that the two genders report inside of the same case study don't be very distinctly.

From the data analysis we note that the cultural profiles of the two countries are represented below with the help of the Graphic 1.

So the Albanian society is a society with a little DF, in the borders between the Collectivism and Individualism, much masculine, with a medium level of the uncertainty elude and between the short-term and long-term orientation.

The Macedonian society doesn't have any cultural view very different from the Albanian one, but again presents a society with a smaller DF than the Albanian one, more individualism, more masculine, that has a uncertainty elude bigger and that is nearer the long-term orientation than the Albanian society.

Referring on the Hoffstede results (1984:214) for 40 countries in the dimension combination of DF and EP, we note that Serbia & Monte Negro is a country with a big DF and a strong EP. So there is a cultural dimensions displacement in time because Monte Negro, now are presented with a stressed difference in DF (this is very small, only 9.7, 9.0 and 9.3) and have not lot of difference at EP (that is 66.3, 60.5, 62.0). Also from a category of feminist country, in the actual study is presented a stressed masculine society.

The actual phenomenon in the Albanian society to minimize the disparity, to blame the system when it doesn't functions, for the social system change via the redistribution of the force, the demand for equal rights, that subordinates and superiors are all people like us, that see the hierarchy as the base of the roles disparity, and the solidarity between the powerful and the poor are correspondent with the features of a Society with a small DF profiled by Hofstede (1984: 94).

Graphic 1: The cultural profiles of Albania and Macedonia

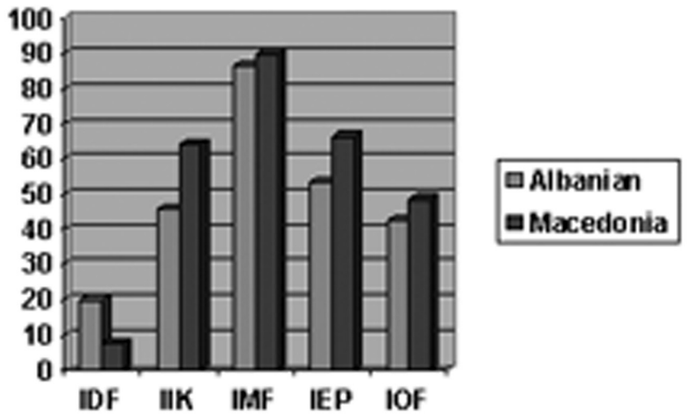

Table 2. Cultural Dimensions

Albanian	20	45.8	86.4	53.2	42.5
Macedonian	7.67	64.15	90.1	66.3	48.75

The low levels presentation of this cultural dimension have the origin in the difficult history of Albanians. The shocking historical events in all of the existence periods, a small number of persons, survival in hard climate and geographical conditions, the necessity to interfere in the nature as a survival condition, the war for the independence and the desire to be independent, are a clear origin of such a dimension. According to the analysis of this dimension and the religious faith, most than being consequent of each others, both are seen as consequence of the same cause.

By Hofstede refered Crozier (1984:73), "the force in the relationships between groups and organizations is not a really replication of the force between persons inside a group or organization", that signifies that it is possible to have different force distances inside a group and inside groups of the same society. Despite of this, and other differences of this dimension accepted according to the education, profession, gender, etc, in the societies with small DF the relationships superior-subordinate are centralized in interdependence and consultative decision-making. The social norms influence the personal image of the desired manager, but also the emotional distance between the superior and the subordinate, and the consideration that subordinates find to their superiors. All these differences conduce to a bigger disparity in high DF countries against them with small DF.

It is specific that this force is not only kept from the strongest but is also desired from who is less stronger. These are models accepted by the organization. The fact that we are a society with a low DF, shows also our inadmissibility in authority stiles or duties and competencies centralizations in hand of a runner minority during the communist power and the fail of this model to achieve a high performance in the society developments as whole and specific organizations. So if in the countries where the DF is high, these leading styles conduce at a high performance., in Albania this didn't happen reinforcing the result of the low value presence of this dimension. So working with Albanian people is important to know that:

- Find employees less frightened to disobey their superiors; employees that ask cooperation; employees that require consideration from their managers; informal consultation without a formal presence of the employees;
- The managers are more satisfied with participant superiors; they like to see theirself as systematic and practical; managers with mixed thoughts according to the dispersal of the leadership capacity and initiative.

We note that the two countries represent masculine society. By Hofstede (1984; 205-207) the most part of social differences feminism/masculine must be determined historically and traditionally as the anthropologist report the differences in the distinctiveness of the gender role that can have only historical origin. The family is very important for the transmission of the gender roles, where the children model their own conception of the gender role according to the used values that they observe at the adults of the two genders, which are in continuous contact. So this feature is related with the differences between the parents in the family or the female /masculine adults, widely in society. In total accordance with some other factors given by Hofstede, in Albania this dimension has the origin: the uncontrolled measures of the family (historically and generally very big, feature of poor countries); weak position of the mother in family; fathers used as models for boys and mothers for girls; and the tradition that turn back in generations, reinforced by historical events. The consequences are seen in a specific way for the society and in a more specific for the organization.

Table3. The consequences for whole society and organization

For the whole society There are awards in material forms or status for the successful persons; Education system oriented by the performance; Some jobs considered only for men and only for women; The economic growth is considered more important that the environment. *For the organization* The men are more inclined on career. The organizational interests are considered legal to influence the private life of the people. Less women in more qualified jobs and more paid jobs.

Are There Such As Consequences In The Albanian Society And Organizations?

The history, the facts and the daily life shows as better as possible the view of the society. But the communistic government has tried to change this view via the party propaganda, asking between other things "equality" for men and women in all the fields. There have been tendencies to eliminate the jobs only for men or only for women, but this very forced; the material awards or in status form was only based on party achievements and no others; economic developments in directions totally unstudied damaging the environment brought disaster and no growth, etc.

So the interference in this dimension was only sup erficial because nothing has changed in Albanian families where the roles between the genders were totally the same. Also, the chosen manner tended a dispersion of masculine features to the feminist, when the feminist cultures tend the growth of the feminist features in the society.

According to the three other cultural dimensions, the common thing is that are almost at a medium level, that makes the Albanian society owner of the middle features between the two extremes for every dimension. This may be also sign of the changes of our cultures in years and mostly the entrance of totally new elements after 90' of XX century.

IIK measured 45.8 shows a society in borders between collectivist and individuals, that presents the signs of a tendency from first to second. This based in the social and historical developments of our country where the view is shown below in the phenomenon origin and its consequences in the borders between two poles.

The same situation belongs to IEP with the value 53.2, so in a medium level. This shows also the

fact that Albanian society has presented elements of social norms of both poles of the dimension.

The mix social norms or in optimal levels

The inherited of uncertainty sometimes is accepted but sometimes is treated as a threat that must be fight:

- the stress presence;
- there is a value growth of the time concept;
- a more opened presentation of emotions;
- moderate nationalizations;
- different attitudes towards the younger;
- less conservatory
- the desire for risk undertaking is being substituted by the preoccupation for a safe life;
- every day is present the necessary for written rules and regulators;
- confidence in experts and their know ledges;
- The authorities are serving citizens.

By the origin of this factor, in difference by IDF for which the origins are clear, for it is very unclear. The organization consequences, taking in consideration the medium position of this dimension, according to Albania can be described as below:

- more activity structures;
- more written rules;
- managers more involved in details than only in strategies;
- More oriented managers by the duties and less preoccupied about the interpersonal relationships.
- Managers that desire to take individual and risk decisions;
- Tendency for a decisive bigger move of the labor force.

IOF is the dimension that measures the scale that the people actions are directed by the aims and long-terms results more than the short terms one and the necessity for an immediate satisfaction. The value 42.5 of this dimension in the Albanian culture shows a bigger trendy of the orientation by the aims and short –term or medium-term objectives more than the long-term one. I think this is evident because no rarely we face the presence of the activity and plans composition that don't think more than for 2-3 years. In a lot of cases this because of the hate created from five yare plans practiced during dictator period. This created handicap is reflected in different levels of governance, beginning from the Civic Centre, Commune, etc, for the strategies composition and is expanded widely in different organizations where is clear to have a short specter of their actions. This not a priori but also by their observations and their opinions tests, rarely undertake or aim to action thinking far away. According to a tourism study, essentially for the human capacities level in the hotel and restaurants management "are noted efforts from them to plan the business development but from the conservations, it results that this plan is not based on long-term and is not based on two decisive factors as sesonality and the trend in years. Taking decisions is based in actual facts unrelated with the development trends of the future.

Conclusions And Recommendations

The national culture dimension is now a well-known process and proved empirically. The most used model is the model of 5 dimensions of Hofstede, took by the biggest studying realized in this field.

The Albanian culture, not treated yet in this sense, present a culture profile with a small DF, IIK, IEP and IOF of a level near the average and a high IMF, results taken by an empirical study with a student population of economics Albanian, and Macedonia faculties, under observation.

The studying has used the Macedonian results also as a reference point to make possible the comparison with the studies done before, where Macedonia was involved (as parts of ex-Jugoslavia). It is noted that there are displacements of cultural dimensions during years.

The new of the study besides the Albanian culture dimensions is also in the interpretation of these factors widely for the organizations. More concrete the study shows for them who want to work or cooperate with Albanians that:

- A society with masculine features stressed regardless of the effort presence to change this situation during the years and epochs. The women are really in the leadership or businesses. In the well-education population similar gaps are less in organization level, but almost is saved the same view in the social life.
- The involvement of the individual in the organization from a moral relation versus one more calculative where the workers defend their interests more than the organization, managers from traditional to modern, the politics and rules of the organizations are equally applied to all regardless of the relationship between individuals.
- In the IEF analysis, or the scale of the uncertainty planning is noted the need for more activity structures, more written rules, managers more involved in details than in strategies, managers more oriented from duties and less preoccupied for the interpersonal relationships, managers that desire to take individual and risk decisions. Managers that don't know to be directed in very long-term objectives. So the specter of the outlook and planning of the action is mostly short-term that the medium-term.

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THE NEW LEARNING ENVIRONMENT FOR SUCCESSFUL INTERCULTURAL KNOWLEDGE TRANSFER

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Abstract

It is perceived that the outcome of companies' internationalization is not only to be judged as to economic terms, but in terms of a successful educational process. This educational process entails a wide range of improvements, starting with a shift in the choice of knowledge transfer methodologies, attitudes and learning environments.

There is a real need of intrinsic value modification related to the lack of specific focus on intercultural learning and knowledge transfer methodologies, content and intercultural knowledge creation attitudes, being issues of pivotal importance. The solution of a complex intercultural knowledge transfer problem is developed from an interdisciplinary interplay of socio-psychological and managerial science rather than, from a solely economic background.

The aim of this paper is to present part of the empirical research findings focusing on suggested concepts for a new intercultural learning environment, which facilitates the knowledge transfer between Eastern and Western European co-operations.

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Introduction

Mutual collaboration in the examination, construction or exchange of knowledge and material to be transferred is a pre-condition in order to guarantee success. Accordingly, Holsapple (2003, p.201) highlights "that the learning processes are intrinsically social and collective and occur not only through the imitation and emulation of individuals, as with teacher-student or master and apprentice, but also because of joint contributions to the understanding of complex problems". Social interaction, as well as, organisational learning are culturally dependent, and therefore, it is vital the understanding of the different modes of managing and organising partners coming from different cultural, socio and economical background for engaging effectively in a collaborative learning process.

Contrarily to this view, reality shows that certain negative mechanism undermine such co-operations. Scholars like (Gupta and Govindarajan, 2000; Elsass/Veiga, 1999; Westphal and Shaw, 2005) shed light on human resource issues, as potential transfer inhibitors, e.g. reduced ability or willingness to share knowledge with members from the other company due to perceived differences in power, status and resources leading to in-group/ out-group biases, discrimination and conflicts.

This ingrained behaviour should be changed, in order to openly communicate and to increase the flow of knowledge. Some recommendations of how to avoid this problem were suggested by Garvin (2000) and referred to: a) offering money incentives and rewarding individuals when sharing their knowledge with others. b) In their corporate culture some work processes can be changed and encourage knowledge sharing as a form of behaviour. c) Imposing policies, processes or directives that require managers or employees to look for help from others to fulfil their tasks.

On the other hand, Miles at al. (2000 in Sharki, 2005, p.42) criticised "that the decision to share knowledge is voluntary and this may be compromised by an organisational emphasis on traditional rewards structures that may reduce some of the intrinsic rewards from knowledge sharing". Ratifying the negative influence of organisational structures to handicap knowledge sharing (Kaser and Miles 2002 in Sharkie, 2005, p.42) added "the rigidity and priorities set by

organisations often preclude the development of flexibility and entrepreneurship necessary for successful knowledge initiative". Opposite to these circumstances, they suggested that in order to encourage flexibility and entrepreneurship, a relaxed climate outside organisational policies and procedures increases the will for knowledge sharing.

Even higher complexity emerges when learning and transferring tacit knowledge is involved because is based on personal experiences. Tacit knowledge was regarded by respondents of this research as more valuable than explicit knowledge. Therefore, social interactions through a variety of social activities as a way to develop trust and increase cohesiveness between the knowledge provider and the knowledge receiver are fundamental. Once the basis are established, knowledge sharing being responsible for disseminating the knowledge from one individual or organization to the other and the acceptance of new knowledge can take place.

Companies must care for it and provide as much opportunities as possible for the exchange of knowledge to take place freely and in a natural way. Only effective collaboration and the right communication approach which spans across the whole company and its international partners or branches can give to the knowledge sharing the boost it requires.

Applied methodology

The Research Process

The research applied grounded theory (GT) based on interactive comparative case studies (dyadic level). It provides new knowledge on intercultural knowledge transfer (KT) and its learning environment between Eastern/Western European business co-operations.

The research was structured in three stages. First of all secondary research was conducted by a literature review in order to increase the researcher's familiarity with the research setting and not for the purpose of developing any theoretical framework. Slightly contradictory with Glaser's (1998) postulate of researcher's freedom in generating new concepts by explaining human behavior and suggesting that not previous research should be done neither talking about the subject before written it up. Scholars like Seldén (2005) criticized this view strongly with the argument that "pre-understanding is vital in preparing an objective for a research project and entails being more or less aware of the accumulated knowledge and research results of others preliminary results, preconceptions, assumptions, bias and prejudice". (p.7)

Qualitative methodology

Case study method, focus-group, participant observation and in-depth interviews were used for the primary research stage because, it allows the participants to explore and to express their views with greater freedom as opposed to the limitations of a questionnaire and "allow the researcher to respond to emerging themes and to the particular characteristics each of the cases" Daengbuppha, Hemmington and Wilkes, (2006, p.3). Furthermore, it embraces interpretative techniques which describe, decode and translate to focus on understanding of organizational processes rather than on frequency and prediction Gilmore and Carson, (1996); Lee, (1999), Denzin & Lincoln, (2000), Clark and Geppert (2002) and Lyst (2005).

Research Methods

The period of the data collection was carried out over a 13 months from February 2007 to March 2008. It was mainly conducted by in-depth interviews, (23) needed to reach theoretical saturation. Additionally, non-participant and participant observation (7), focus groups (2) and fieldtrips notes in Russia and Austria provided reach data. Theoretical sampling was used to select the participants as suggested by Strauss (1987). He explained that theoretical sampling is directed by evolving theories and embraces sampling of incidents, events, activities and populations. He later continued explaining that the theory develops gradually through a discovery process based on the development of a theory or theories grounded in evidence as opposed to following a pre-determined plan or set of rules.

Data Analysis - Grounded Theory

The GT method of constant comparative analysis (Glassser and Strauss 1967, Strauss and Corbin 1990) was used to analyze the gathered data.

According to Darkenwald (2005, p.1) GT is "an inductive approach to research that focuses on social interaction and relies heavily on data from interviews and observations to build theory grounded in data rather than to test theory or simply describe empirical phenomena". This is one of the main goals of this research, to discover participant's main concern and how they continually try to solve the problem.

Following the GT steps, all the data was transcribed with double spacing and wide margins for notes during the coding stage (first step). Each participant was given a number to facilitate the location of statements. Later the researcher began to connect and during the axial coding (second step), properties started to group and common concepts/ dimensions emerged, being immediately encircled in red, axial coding II, (third step). Continuing, the researcher began to interpret the data in order to understand the meaning of the concepts and to provide explanation of the relationship between them. Finally, they were identified and allocated into sub-categories, later linking sub-categories to main categories, again encircle in red, axial coding I. (fourth step). The research concluded with the fifth step related to writing up the theory for the coherent understanding of the phenomenon researched.

Justification of the method selection

Several reasons are provided to support and to justify the appropriate research method for this topic. Daengbuppha, Hemmington and Wilkes (2006) stressed that the purpose of GT is to construct theories that clarifies complex social phenomena as it is in this case building up relationship to facilitate the KT between Eastern and Western European partners. In addition GT requires the emersion of the researcher in the field, and in the data, with a view to gaining insight and deep understanding of the problem complexity.

The approach allows the researcher to gain rich data from different perspectives (multiple realities) and emphasizes on meanings and interpretive understanding. Finally, another advantage of GT for this research is provided by Charmaz, (2000), she highlighted that GT is rooted in the reality of the experience. Therefore, in this case the Eastern and Western participants could share their positive and negative experiences and the researcher was able to interpret holistically the behavior, the reasons of such behaviors and the experiences of the participants gaining a comprehensive understanding of the problem.

Findings of the empirical research

Russia and Eastern Europe are increasingly getting involved in the process of companies' internationalization. Many international co-operations between Western and Eastern Europe are occurring, and with them, the important movement of know-how (knowledge) has become fundamental.

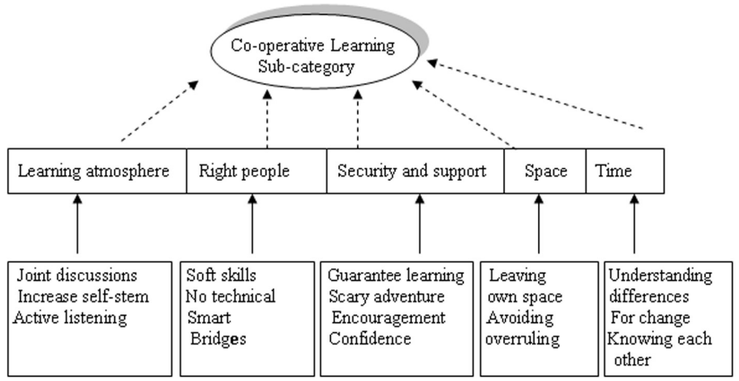
Following the GT steps, the presentation of the results was based on the most interesting and relevant findings which were imbedded on a narrative approach to optimised readability and understanding. The presentations of the findings are break down and each categories and sub-categories describes what, why and how actors feels in interacting with their foreign partners and shows the influence and implications on KT. Those, are supported with respondent statements, (written in italic, and followed by and R, meaning respondent, with a number, indicating the respondent who gave the statement) and gathered data. Sometime, the reader will identified two (XX), meaning that the name of the company was substituted for confidentiality reasons.

These findings contributed on part of the final intercultural KT understanding model, this due to the length of the paper will not be fully presented.

Findings from the research indicated three major parts to be implemented in order to reach the effective learning environment: 1. Co-operative learning environment where, the right people with the right emotional intelligence is involved, where, a security and supportive approach prevail, where, space is provided for own actions and where, time is not a scarce resource for reflection and improvement of mistakes. 2. The physical stage, by creating and providing all the actors involved in the learning and transfer of knowledge with an intercultural company learning platform (ICLP). 3. Knowledge culture, fostering and rewarding knowledge sharing.

Co-operative learning environment.

Figure 1: CO-OPERATIVE LEARNING ENVIRONMENT emerging properties, dimensions and sub-categories from axial coding II



In order to develop the right learning environment Eastern and Western respondent suggested the following concepts.

Learning atmosphere

Regarding the right learning atmosphere, Christensen in (Garvin 2000, p.202), a cross-cultural educator, highlighted that "challenge alone, however, is not enough to guarantee learning. Individuals also need a sense of security if they are to throw off old ways of thinking and acting. Learning means leaving the known for the un-known, an exhilarating, but scary venture". Therefore, the first suggestions from the respondents was that when providing feedback or criticism, sensitivity should be predominant in terms of being careful with open criticism, otherwise fear for making mistakes will impede the learning process, (R1).

Moreover, the need to increase the self-esteem is predominant explained (R10) because "they have the syndrome - not here invented – they need to develop a believe that they can do something". Therefore, constantly giving confirmation of success for the Eastern European members and if it is publicly even better is very important and well received. This was also observed by the researcher during the different conferences held in Russia and Croatia were lots of time was spent just for acknowledgement of the great organisation of the conference, the great achievement of the University during the last years, the great contribution of the participants and so on, more than in Western events.

A learning environment based on active and mutual learning were welcomed by (R1, R3, R4, R5, R6, R7, R8, R10, R13, R15, R17, R18), they suggested common work with people from other countries, collective training, encouraging knowledge sharing, exchange of experiences and learning by practising together. The crucial word was interaction.

Furthermore, mutual learning in terms of listening to the advice given by partners was suggested by (R27) who underlined "our own analysis is good to understand but it is enriching to listen to the comments of our partners". Even more, related to mutual learning efficiency (R8) stressed "sometimes the transferring gets more receiving more mixed more mutual". He summarised the category with the following learning atmosphere description "a mutual open low threat environment". Finally, (R10) encouraged more mutual learning by utilizing different resources like exhibiting together in exhibitions.

The right people

In the learning environment the crucial element is the people. Special interest has been shown in terms of having more human understanding (soft skills) sensitivity in using emotional intelligence rather than technical knowledge explained (R8). Although, is something that mainly depends on the individual agreed (R9, R6, R1, R11, R13, R16). Therefore a "natural person" as suggested by (R25, R29) will positively influence the transfer of knowledge which is more than imports of modern machines.

For (R1, R8, R5, R6, R15, R16, R25) There is no doubt that by having skilful and sensitive people involved in the KT drastically smooth the process and even provide with a very good felling of personal development to the knowledge receiver.

Another right people who need to be identified, and are crucial players, might be silently kept in the background. These players can make a positive contribution in terms of understanding and integration of new partners. (R8, R21, R22) referred to translators and or secretaries who don't play a role at management level but see mistakes which have to be changed between the old and the new company.

Concluding this sub-category of identifying the right person a Russian saying provided by (R1) could clarify even more the importance of not generalising but, focusing on the idiosyncrasies of each individual, "in Russia if you ask the average temperature in a hospital, the answer is, it varies with the patient".

Security and support

On the learning environment, two aspects security and support are inalienable. It is the task of the knowledge transmitter to provide this environment and not to create a tense atmosphere as a consequence of an authoritarian behaviour. The knowledge receiver shouldn't see the knowledge provider as a threat. Being able to provide this encouraging atmosphere contributes to the acceptance of new knowledge (R8, R1). It is of human nature that all what is unknown produce fear, therefore, they went even further suggesting that if a secure and supportive environment is provided, encourage actors to take higher risk in new adventures or even making own decisions. The headquarters support and readiness to do it was an additional point addressed by (R19) although he acknowledged the need to improve in this area. Whereas for (R15, R16) it was clear that without the support from the top management is very difficult to create the right learning environment because involve premises, time investment and freedom for trials and errors.

Space

It is important that in KT the knowledge receiver get extensive experience through continuing practice. Their constant practice and making experiences will become automated and their ability to perceive hazards and make the right decision in difficult circumstance will drastically improve, therefore, to allow the space for companies to practice is a key factor as recommended by (R17, R18). Errors might occur as a result of not scanning properly the business environment or by being confronted with a new situation, but even in those cases (R14) recommended to leave them the space to "find solutions by themselves". Accordingly (R16) pointed to a more psychological space" We can't push them they have to come by themselves". The importance of this space was justified by (R17) in order to avoid the feeling of being "overruled for the main company".

On the other hand, some general guidelines for training or how the processes should be done might exist from the head office, although space for own cultural adaptation should be allowed as done by (R15, R13). On the other hand, (R20) expressed some doubts related to an excess of freedom and he preferred to establish some limitations. Finding a balance between an excess of freedom and an authoritarian boss (R12) called for "a soft control" approach.

A remark in relation to leaving space was addressed by (R18), he clarified that there is a cultural difference depending on which Eastern European country is being dealt with. The higher in hierarchy (power distance) the country is, the high need to give specific rules and procedures, therefore, allowing space for own action will not be appreciated in contrast to other countries, expecting precise working rules and procedures.

Time

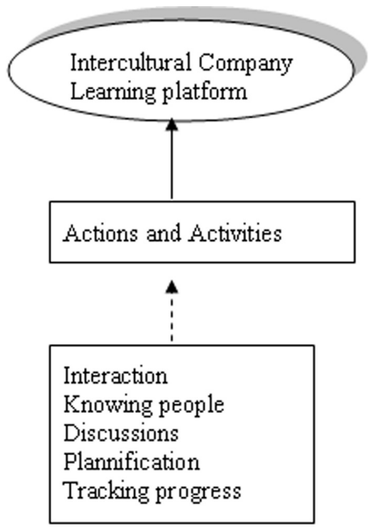
Furthermore, Russian interviewees would wish a more reciprocal relationship where both parts are involved and each of them can benefit from the relationship. It was suggested by (R1, R6, R8) to find the time for discussion and to develop a common understanding. Many people and company management have the feeling that time is a scarce resource, but in cross-border relationships and mainly in the transfer of knowledge time and patience are indispensable and must be taken. Regarding time and being patient are for (R8) key successful factor in the transfer on knowledge because "we are living in a very fast moving environment and the word patient and being patient is almost impossible, but if we learn how to use it in this environment might be a winning proposal".

Time investment is highly required in order to understand, assimilate and work out Western knowledge. It has been stressed by Eastern respondents that lecturers are like knowledge interpreters who adjust Western knowledge to Russian mentality and practicality. Therefore, more time investment is required for the assimilation and understanding of knowledge underlined (R3).

Finally, investment on time on a long term basis is absolutely required for people to change behaviour, (R2) feel this need in terms of new type of thinking and up-date infrastructure. He explicitly mentioned that "it is not only that you have been born after the Soviet Union cracked, but you have to be born by different people so we are talking… what, about 20 years?".

2. The physical stage, by creating and providing all the actors involved in the learning and transfer of knowledge with an intercultural company learning platform (ICLP).

Figure 2: INTERCULTURAL COMPANY LEARNING PLATFORM, emerging properties, dimensions and sub-categories from axial coding II



The intercultural company learning platform (ICLP) sub-category has the mission to bring together a variety of actions, activities, information and resources to provide an adequate scenario which offers clarity and facilitates the transfer and the exchange of knowledge. This learning platform pull together best of the breed learning tools, ideas and activities to meet the requirements of a successful transfer of knowledge. Several advantages are found in the implementation of the (ICLP), it encourages and facilitates debate, reduces knowledge distortion between knowledge transmitters and receivers, improve connectivity, enhance the sense of belonging and encourage communication and knowledge with a natural attitude not only at top management level but to all employees' levels. In other words it is a physical opportunity to deliver and support learning.

Actions and Activities

Many confidential activities and scenarios were revealed to the researcher providing a variety of options to suit the different needs and companies' capabilities. Those actions and activities are shown and explained below.

Work placements

A comprehensive statement as a starting point of how to develop a good intercultural company learning platform was provided by (R22). He enumerated 9 actions:

First, "Bring people to Switzerland, but not only two days tourist night. Second, pay them a decent salary. Third, make them happy. Four, explain them properly what do they have to do, our processes and how we work that they can understand. Five, ask them how they are doing things. Six, make them agree on the tools and on processes by developing a sense making. Seven, make an agreement, give them a description of what they have to do locally. Eight give them a future a perspective one year, two year three years, the point is when you develop people very fast may be is efficient but is not sustainable and for this you have to give them a perspective and Nine, treat them as equal partners". Furthermore, (R15) stressed the involvement of decision makers in this work placement platform.

Social events

Supporting the statement of bringing people together (R1, R3, R4, R10, R17, R14, R24, R26) additionally suggested the organisation of social events as a way to getting to know better the partners and improve the relationship. Those events can range form meals, celebrating companies' anniversary, the successful complexion of a common project or for welcoming new partners, sport competitions or trips together.

International meetings

Related to people's mobility, international meetings provides an excellent platform for increase knowledge sharing and transfer, exchange experiences, tracking of progress, expertise and development strategies as explained by (R18, R13,R25, R16, R15). In addition to these purposes, (R14) mentioned the increase of self-esteem and public recognition of the participants in these international meetings.

Intercultural workshops

Even more interactive actions are the workshops involving top management and employees (R17, R18) organised these actions with the purpose of exchange in a more technical and detailed manner experiences (positive and negative), information and potential ideas to develop, for (R17) is the CTI (Centre of Technology and Innovation responsible for that and for (R18) is the XX know-how centre.

Provide a stage

Providing people with a stage where they can really show the ability to act on the knowledge they possess. (R20) allocate budgets for "meetings for the auditorium of the owners" giving the opportunity to managers to present how they run their business in different countries from an economic perspective to the market environment. Moreover, they are using this public stage as a reciprocal learning for briefing new comers and for gaining some publicly personal importance and self-esteem. Similar usage of this stage is applied in the company of (R17) mainly quarterly for sales in the different countries.

Forums of Excellence

These forums are used by (R17) as problem solving sessions, where a special conflict topic is selected and managers are gathered to provide their views and potential solutions. A different usage of these forum is done by (R18), he explained that the main purpose is to involve top management who are close to retire for giving them the opportunity to pass their knowledge.

Reciprocal Travelling

The concept of travelling addressed by Eastern respondents was strongly supported by the majority of Westerners regarding travelling essential for gaining cultural and partner understanding. For (R18) travelling, shorten the time for real and accurate understanding in terms of problems complexity. Therefore, their solution is to invite partners or customers to show them how the work should look like and discuss pros and cons about it. He further suggested that in-house preparation is good but never, as good as, by travelling. Accordingly (R2, R2, R15) highlighted the amount of information gathered by actually being in the country.

In order to avoid misunderstandings (R3, R19) recommend travelling because many problems occur when making business only via email communication, and they realised that the more they travel the more acknowledge the importance of it.

This reciprocal travelling sub-category was used by (R18, R25) as an active learning tool for knowledge transfer, knowing other cultures and building up and strengthens relations. Furthermore, in terms of learning, travelling helps to shape company' demands in terms of being more accurate of how to work and work load, and more realistically see which expectations the head office can have.

In order to guarantee a more successful knowledge transfer, (R21) suggested having local consultants who know their culture better together with people travelling from the head office to help them during the training period.

From another angle, the support from the head-office and top management must be latent in terms of time and money investment for travelling as underlined (R18). For (R20) and his company it is clear the need to be close to the international partner and no effort is skimped on by travelling every 4-6 weeks for 2-3 days. They confirmed that "for the time being, all the investment in time, energy and cost pays off". Additionally, there is a gain of higher level of partner's knowledge. This broad understanding provides the travelling manager a stronger position in the company when decision has to be made stressed (R20).

The difference between people who knows what are they talking about in terms of making own experiences travelling abroad and dealing directly with the partners and people who only speak about what they merely read was pointed out by (R18) highlighting the differences in deep understanding and the outcome in commitment terms.

The involvement of top management also actively in travelling was mentioned by (R16) who underlined that may be with less intensity but from time to time is also important, for them to understand the business environment for the partner.

Company's visits

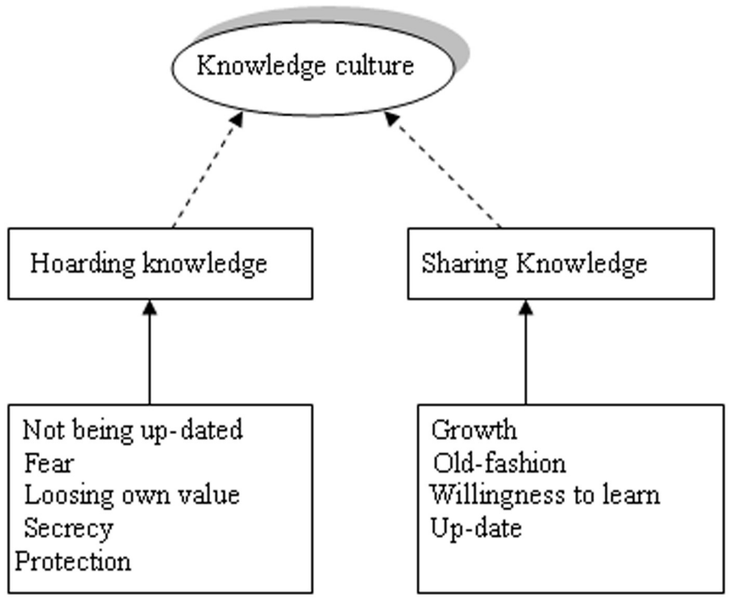
Another activity provided by (R18) involves travelling from the headquarters to international partners for KT purposes. For reciprocal learning, expansion and integration of partner's knowledge is why (R42) travels extensively. With all those activities not only the transfer of knowledge is guaranteed, but also, learning to make existing knowledge more productive and disseminates knowledge quicker.

Job rotation

This is a personal action undertaken by (R17) which it is very welcome and supported in the company. It consist of every three years changing the job inside the company, by this he brings a lot of knowledge to another department and provides him with a constant personal learning and growth.

3. Knowledge culture, fostering and rewarding knowledge sharing.

Figure 3: KNOWLEDGE CULTURE, emerging properties, dimensions and sub category from axial coding II



Hoarding knowledge

As mentioned on the introduction some negative mechanisms (e.g. reduced ability, no willingness to share, difference in status, power or resources) were identified as reducing considerably the flow of knowledge. (R14) confirmed these negative mechanisms and he referred to the difficulty to convince Eastern top management to share their information. He explained their development programs and the content of it based on motivating people to share knowledge and to inculcate it into their mind-sets in order to increase the knowledge flow. Companies definitely need to change the way the knowledge culture is instilled in their employees, (R24) provided employees' perceptions towards knowledge sharing as having fear of getting dismissed when they give their knowledge, as a loose of personal worth.

It is also important to see the way managers and employees think about the value of sharing what they know with other individuals, because if they consider it an improvement for themselves then "secrecy" will be avoided indicated (R12). On the other hand, when secrecy exists the daily working relationship can be quite complicated as experienced by (R20) due to their knowledge protection. He further explained that this secrecy was twofold, one due to their past Soviet influence as not being fostered, and second, as a hidden agenda for hiding own mistakes. It is obvious that there is still existing in the West as well, the feeling that by keeping knowledge and information is somehow, a way to keep power was perceived by (R26,R25). (R17) referred directly to top management who had this ingrained behaviour, he argued that they will provide all types of excuses in order to keep the information.

Another reason which influences the will to share knowledge relates to the personal ego and pride of the knowledge transmitter (R25) explained "people wait until they get asked; if they are asked then they feel important". It is a general attitude of German speaking countries in terms of saying yes,

providing help but, once the help has been asked for, because then the people will appreciate and thank for it. In relation to the extent and the content of the shared information, he added that people are carefully selecting to whom the information is pass it on.

Finally, (R24) highlighted the company blockage in terms of actions if no information is transferred, and also, the time invested for getting nothing. Moving from bad to worse he underlined the negative implication when the transmitted information is consciously or unconsciously wrongly transferred.

Sharing Knowledge

To share knowledge is the key success factor. Knowledge is an intangible asset (ideas, processes, information) representing more and more a growing share of the global trade in contrast with traditional tangible goods of a manufacturing company for example which is taking the back seat. (R18) underlined the need and the importance to share knowledge among international partners for learning, integrating it and leading the company to success. In terms of being up-dated (R23) encouraged sharing knowledge even with the customers.

Although the importance of sharing knowledge is acknowledged by all employees, (R17) was aware of its complexity especially when people form different cultural backgrounds work together.

The isolated knowledge of individuals is a paradox in itself and will not survive for long. Therefore, in order to convert this isolated knowledge in a more social knowledge throw connections of individuals in a company some arguments were provided in order to increase their motivation (R24) commented "every information has a deadline, because then it is old fashion knowledge is not something you can't keep forever" and (R26) added "and then it is not useful anymore". (R17) suggested to share knowledge in order to know which knowledge is really available and for those who retire, have the opportunity to continuing using their knowledge when the leave the company.

On a later stage, (R26, R24) stressed that if individuals have the will to learn they are also more willing to share knowledge. In order to share knowledge the right atmosphere and different opportunities should be provided because, obviously the more opportunities people have for sharing information the ease will be suggested (R26).

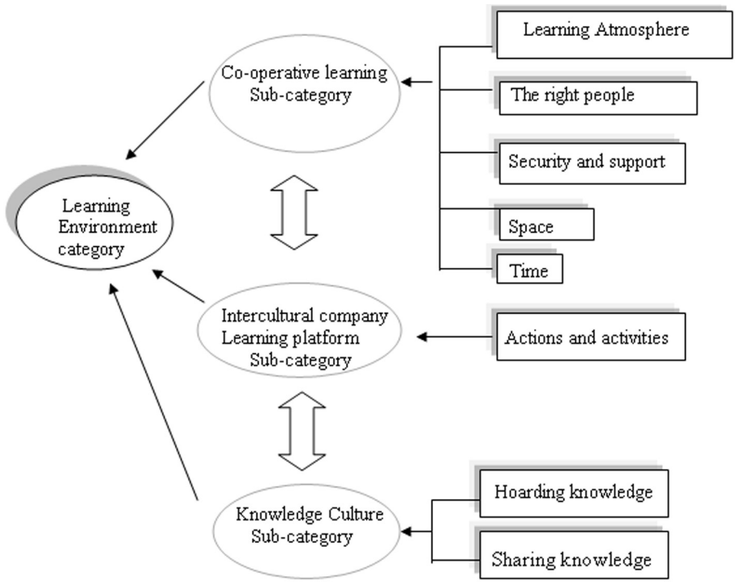
Conclusions and recommendations

After the data analysis it was perceived that the outcome of companies' internationalization is not only to be judged as to economic terms but in terms of a successful educational process.

Suggestions of how to improve the learning process were provided with a special focus on an interest in increasing travel activities in order to understand and internalize how and why differences occur. During certain periods personnel placements in both companies are suggested as a way to learn for life and not only as a temporary accomplishment of tasks. Time investment for dialogue, even if it is for learning from mistakes or bad experiences from the past is a conditio sine qua non. Reasoning is regarded to be very important as a way to understand the consequences of wrong performance and then gaining commitment to accept the knowledge should be encouraged at all levels in the company

Eastern partners called more for an integrative and co-operative way of learning where opinions are asked for and respected, avoiding what they called imperialistic behaviours and on the other hand, Western respondents called learning from each other avoiding the David and Goliath approach towards a more brothers and sisters approach. Interaction is one of the key words. Many activities were provided as to the way they work towards reciprocal learning e.g. by extensive travelling, exchange of training surrounding, social events, international meetings and a learning platform. All these activities and some more previously explained constituted the ICLP.

Figure 4: LEARNING ENVIRONMENT SUMMARY, emerging dimensions, sub-category and category from axial coding I



Very diverse recommendations emerged, as to recognition, for examples in terms of highlighting the usefulness of individual's knowledge on colleagues' performance, or recognizing that key knowledge holders may be located in shadow positions encouraging them to pump out and share their knowledge. Continuing by encouraging knowledge sharing for those which are close to retirement and publicly recognizing their contribution to the knowledge receiver and to the company. Finally, some recommendations had more a psychological stance, for example those related to self-pride, remembering that people like to be asked, or not forgetting that for some people asking for help in learning is very difficult and this help should be offered in a very subtle way.

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THE IMPORTANCE OF INTERNAL SOURCES OF KNOWLEDGE FOR THE COMPETITIVENESS OF THE HORECA CHANNEL: THE CASE OF CROATIA

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Abstract

HoReCa market – the abbreviation for the market of hotels, restaurants and café bars – in the context of tourism and hotel industry is recognized as the basis for the economic development strategy of the Croatian economy. Although this sector has still not been well analyzed, its potential has been recognized by Croatian producers and distribution companies. The main purpose of this paper is to analyze internal sources of knowledge - technology, human resources and the communication on all levels of the company – as the competitive advantages for Croatian companies operating in HoReCa sector. The research instrument was a questionnaire containing questions concerning respondents' perceptions about different aspects of technology, education, knowledge and the communication/cooperation between all levels of the company. The study was conducted on the group of 39 Croatian companies (hotels, restaurants and snack bars) operating in HoReCa sector.

The findings of the paper suggest that all area of interest are not equally treated, because there are greater investments in technology than in knowledge and communication between employees on all levels of the company.

Key words: Horeca channel, technology, knowledge, competitive advantage

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Introduction

At beginning of the nineties, Peter Drucker (1992) stated that the knowledge is an economic recourse similar (or even superior) to the traditional economic resources (work, land and capital). As a result of the development of the information society and growing investments in technology, knowledge became the basic factor of production (Tipuric, 1999, p. 302). However, knowledge differs from all other factors because it is unlimited and it can not be spent by use. Moreover, its implementation has become condition sine qua non of the company future development. This is especially evident in the one of the most competitive business area - distribution channels. As distribution channels can be viewed as sets of interdependent organizations involved in the process of making a product or service available for consumption or use (Stern, El-Ansary and Coughlan, 1996, p. 1; Coughlan, Anderson, Stern and El-Ansary, 2006, p. 2) the effectiveness and costs of the distribution depend on the level of education, motivation, adequate skills and interrelationships between channel members. The key members of a channel are manufacturers, intermediaries and end-users. End-users could be either business or individual consumers. Among business consumers, there are merchants, industrial users, institutional users, commercial users and horeca market users. The

main purpose of this paper is to analyze internal sources of knowledge - technology, human resources and the communication on all levels of the company – as the competitive advantages for Croatian companies operating in HoReCa sector. HoReCa market – the abbreviation for the market of hotels, restaurants and café bars – in the context of tourism and hotel industry is recognized nowadays as the basis for the economic development strategy of the Croatian economy. Compared to the highly developed EU HoReCa market, Croatian market is still fragmented and small number of companies generate 70% of the revenues in this sector. Although this sector has still not been well analyzed, its potential has been recognized by Croatian producers and distribution companies. There are some elements that should be taken into account when entering and organizing business in HoReCa channel such as: active assortment adjustment, the expansion of the distribution points, promotion, the increase of the service levels, improvements in logistics and technology, human resources, etc. The paper begins with the short theoretical background where authors give the insight into various definitions and typology of knowledge and with a discussion about the reasons why sources of knowledge has strategic importance for labour-intensive service-based industry such as HoReCa channel distribution. The short review of literature knowledge and HoReCa industry is given to provide a background for the study. Then a research study examining the importance of internal knowledge components for the competitiveness of HoReCa channel members is presented. After that, results of the study are given. Finally, the results are discussed with an emphasis on the importance of knowledge and education on the Croatian HoReCa channel industry and the ability for some improvements in this sector. Focusing on the market of a transitional country this paper gives us insight into the market with strong strategic position in the development of the Croatian economy.

Definition and typology of knowledge

Many papers in economic literature discuss the definition of the knowledge of a company and the role of the knowledge in competitiveness improvement.

Drucker says that the knowledge is a phenomenon different than data and information and therefore, it is necessary to make distinction between the knowledge, data and information. While data is a fact (number or word) that can be stated without any purpose, meaning or explanation; information is the result of data processing and its purpose is elimination of the uncertainty in decision making process. On the other hand, knowledge is the result of information synthesis. It comprises complex terms and structures that are based on models that describe a process or object and activity to be achieved. Therefore, Drucker (1992) defines knowledge as information that change behavior and provoke action.

Slightly different definition is given by Srica (1994) who defines knowledge as a set of models which represent, explain and foresee behavior of subjects and phenomena. One of the most cited knowledge definition is given by Davenport and Prusak (1998:5). They define knowledge as a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. Also they state that knowledge is created and located in the minds of knower and that in organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms.

There are several classifications of business knowledge. According the time perspective, Srica (1994) classifies knowledge into three categories: (1) permanent knowledge that remains unchanged over the time (such as law of nature), (2) periodically renewed knowledge that changes in some period of time (such as business politics and/or financial statements), and (3) dynamic knowledge that changes on regular basis (such as market conditions).

According to the possibility of formalization, Nonaka and Takeuchi (1995) elaborate knowledge classification into: (1) explicit knowledge that can be formalized into some codified form (such as a book, dictionary, database, document and so on), and (2) tacit knowledge which is the product of the experience and which cannot be codified and formalized.

Based on detailed analysis of different knowledge definitions in recent literature, according to the subject of knowledge, Jashapara (2004) implies that most definitions of knowledge distinct: (1) knowing what or declarative knowledge and (2) knowing how or procedural knowledge.

Knowledge of a company can be classified by criterion of its origin or by sources of the knowledge. According to this criterion we differ: (1) knowledge from internal sources and (2) knowledge form external sources. Internal knowledge sources are those inside the company, usually they are owned and/or controlled by a company. Internal knowledge sources are: employees who use their competences to create new knowledge inside the company, databases, business documents archives, books, journals, research papers, company's intranet, information portal etc. External knowledge sources are those located outside of the company. Usually, company does not create nor control such knowledge. External knowledge sources are: libraries, Internet, databases of the consultants or research agencies or government, extranets, information portals and web sites of other companies, business communication and documentation received from business partners etc.

In this paper, latter mentioned criterion was the base for the experimental part of the research. In the research internal knowledge sources are to be in the focus.

Organizational knowledge lifecycle models

In the recent management literature there are two most cited models of organizational knowledge creation. The first is proposed by Nonaka and Takeuchi in the book "The knowledge creating company" (1995) and the second is given by Davenport and Prusak in the book "Working knowledge" (1998).

Davenport and Prusak (1998) state that company can be observed as a knowledge marketplace. On such marketplace buyers (those who need knowledge in order to solve some problem), sellers (those who posses the knowledge on a subject or process) and brokers (those who intermediate between one who need and one who posses the knowledge) exchange knowledge on the bases of market principles by using three payment instruments: reciprocity, reputation and altruism. According to Davenport and Prusak (1998), in such circumstances, there are 3 basic processes at knowledge lifecycle: (1) knowledge creation, (2) knowledge codification, and (3) knowledge transfer.

Nonaka and Takeuchi (1995:57-71) are basing their model on Polanyi's knowledge distinction (1966) between two basic knowledge types: (1) explicit and (2) tacit knowledge. Explicit knowledge is knowledge that can be articulated, codified and stored and transferred by means of certain media. On the other hand, tacit knowledge is intangible knowledge that cannot be codified nor stored on media, it is typically intuitive and stored in human brains and it usually refers to skills and experience of employees.

Nonaka and Takeuchi examine the way in which knowledge is transformed form explicit to tacit and vice versa. They explain knowledge lifecycle by the model of SECI spiral. SECI is the acronym for: socialization, externalization, combination and internalization. The model is fully described by Nonaka, Toyama, and Byosière (2001).

Croatian Horeca market analysis

The hotel, restaurant and catering sector, Horeca sector is one of the fastest growing sectors in Europe.

According to the Eurostat (http://osha.europa.eu/en/sector/horeca) more than 7.8 million people were employed in EU in this sector but characteristics of jobs are temporality, irregularity of hours, and low payment.

The sector includes the distribution of food and beverages and nonfood logistics as well. As generally recognized theory states that the future economic development strategy of Croatia should be based on tourism, hotel and restaurant activity in the context of tourism has many business possibilities. The HoReCa market consists of hotels, restaurants and bars, camping sites, youth hostels and canteens.

95% of this sector consists of small and medium sized companies, and it is growing more dynamic than any other area of the economy (according to some forecasts, we expect 5% increase annually). The structure of employees in HoReCa sector differs a lot from many other sectors. There is a high proportion of young people and women working in this sector. In praxis, this sector is characterized with high level of stress, harassment and even violence from customers, high level of evening and weekend working, heavy workloads, etc. There are only few career prospects because of the structure

of this sector (small companies with less than 10 employees in most cases).

Croatian HoReCa market consists of 24000 business entities and more than 50% of them are café bars. Croatian HoReCa channel distribution is well developed but there is still no company, like Italian Marr, which operates only in this sector. Producers directly supply almost 30% of HoReCa market. There is also the group of trading companies like Gastro group (strategic alliance of 36 wholesale entities), Metro (the member of the Metro Group and operates as a wholesale store on the Croatian market), Velpro (the member of the leading vertical marketing system in Croatia and operates as a wholesaler) and Getro (the retail chain stores which entered the Croatian market first as cash&carry wholesaler) which supply the rest of 70% of the HoReCa market. The structure of the Croatian HoReCa market is as follows: 50% café bars, 15% hotels, 25% restaurants and 10% other institutions. However, Croatian market is segmented and the offer is divided into food and non food distribution. According to the expert from the analyzed area, domestic distribution companies recognized the importance to investigate the need of their market and started to extend and to fill up their assortment. They introduced half-finished and frozen food in their offer, started to develop communication with other channel members and producers as well (many companies organize seminars and presentations for the customers, make arrangements with the Croatian hotel association, etc.). After the 1st of January 2009, the CACP quality system should be implemented in every company. Also, companies consider total quality management as the key tool for successful operating in this sector.

Research methodology

The questionnaire structure

Experimental part of this paper is oriented towards internal knowledge sources and their usage in HoReCa distribution channel. On the basis of the described models of knowledge lifecycle, model of internal knowledge sources is created.

In previously described models of knowledge lifecycle we can notice that there are basic components regarding internal knowledge. Those are:

1. employees
2. information technology
3. cooperation between employees.

Employees who work inside the company posses some level of knowledge that is to be incorporated in products, services and processes in order to complete business transaction and to achieve some business goal. The level of their knowledge can be improved by lifelong education and trainings.

Information technology is the backbone of a company. According to both knowledge lifecycle models, it can significantly improve knowledge flows within the company, but also between company and its environment. On one hand, it is used to store and process data and information, and on the other hand, it is the valuable source in the process of new knowledge generation process.

Employees cooperate in order to accomplish some business process and provide better service to customers, but also in order to develop new product and service. In both knowledge lifecycle models, cooperation between employees is significant way to achieve better knowledge flows and, thus, to improve knowledge creation process. Cooperation happens on formal and informal basis. Both mentioned models stress out the necessity of trust building between employees and introduction of fair rewarding system in the process of knowledge creation.

In questionnaire design process, several research papers and case studies in the field of knowledge management were analyzed in order to improve the questionnaire and overall experimental research methodology. The most influential papers for this purpose were: Marchand et al. (2001), Darroch (2005, 2003, 2002); Kalling (2003) te Hasan, Al-Hawari (2003) and Al-Hawari (2007).

Marchand et al. (2001) propose research methodology for the investigation of interrelation of practical information technology usage, managerial processes in information management and estimated information value. Suggested methodology is applied on the sample of companies in Great Britain.

Darroch (2003) develops own metric model for evaluation of management attitudes towards knowledge in following knowledge management

segments: (a) knowledge acquisition, (b) knowledge dissemination and (c) responsiveness to knowledge. Designed model is used on the sample of managers of large companies in different industries (see Darroch, 2002 and 2005).

Kalling (2003) implies that there are several emerging issues regarding knowledge utilization in companies. Also, he points out that increasing of knowledge doesn't necessarily mean that company will become more competitive. Therefore, on the basis of findings gathered throughout qualitative research on the sample of large European multinational manufacturer, he identifies possible solutions that can improve knowledge usability.

Hasan, Al-Hawari (2003) and Al-Hawari (2007) recommend a model of knowledge space (K-space) needed for knowledge creation improvement. Also, they state that there are 4 dominant patterns in knowledge management, those are: acquisition, standardization, systematization and articulation of knowledge. Their survey shows that knowledge articulation is the most important knowledge management style in the service industry.

The research questionnaire consisted of 15 questions divided in 4 segments: (1) general questions on company, (2) questions on information technology usage as a supportive function of knowledge creation process, (3) questions regarding employees as the main source of knowledge within the company, and (4) questions on methodology used for cooperation stimulation inside the company.

The aim of the first segment is to find out what is the size and prevailing activity of the company. In that segment, questions on number of employees, revenue and several questions on business activity were asked.

Second segment were questions on information technology. The goal of this segment is to find out how companies in this industry use IT at the moment, which IT tools are in use, and what are the plans regarding IT investments in the future. Also, the question on usage of the knowledge previously stored in databases is asked separately.

In the segment with questions on employees, firstly, the proportion of highly educated people in overall employment structure is asked. Then, several questions on lifelong learning are asked, from the strategic position of continuous education, through stimulation methods, to the strategic relation development with educational institutions. Also, the question on the most useful type of knowledge is asked.

Final part of the questionnaire was the part regarding cooperation between employees. In this segment, question on the existence of stimulation methods for cooperation are asked. Those are methods for trust building, employee's loyalty development, error and failures treatment and so on.

Sample description

The study was conducted on the group of 39 Croatian companies (hotels, restaurants and snack bars) operating in HoReCa sector in December 2008. The characteristics of surveyed sample are outlined in Table 1.

Respondents were managers/owners of companies. As there is no study concerning education level of companies in HoReCa sector, we can analyze only secondary data in the area of hotel&restaurants industry. According to those data and to the survey conducted by Poloski Vokic (2008, p. 1930), hotel industry employees are one of the least educated groups of employees.

The results of this survey confirm secondary data because the highest percentage of surveyed companies' employees has 3 years- high school education (64,1%). The same situation is concerning managers' level of education, because the highest percentage of managers/owners of companies has got 3 years- high school education level (35,9%). However, there should be pointed out that there is high level of managers/owners with university diplomas (33,3%). There we can conclude that the need for educated and knowledgeable employees in the management sector has been recognized in some Croatian HoReCa industry companies.

Table 1 Profile of the companies in the sample

Item	Percentage
Number of employees	
Less than 10	51,3
10-49 employees	38,5
50-249 employees	10,2
More than 250 employees	-
Activity	
Hotel 1-2*	2,6
Hotel 3*	20,5
Hotel 4-5*	23,1
Restaurant	15,4
Café bars	35,9
Others	2,5
Employees level of education	
3 years-High school	64,1
Secondary/High	23,1
College/Professional study	10,3
University	2,5
Managers level of education	
3 years-High school	35,9
Secondary/High	10,3
College/Professional study	20,5
University	33,3

Results

As the research instrument consisted of three main parts:

1. information technology usage as a supportive function of knowledge creation process,
2. employees as the main source of knowledge within the company, and
3. methodology used for cooperation stimulation inside the company,

the presentation of the results is organized accordingly.

Information technology usage as a supportive function of knowledge creation process

As Figure 1 shows, the highest percentage of surveyed companies considers information technology as the component of the company's strategy. However, technology investments are included in the financial plan only of some companies. One negative conclusion was deduced from this research concerning investments devoted to information technology. As Figure 1 shows, the largest percentage of surveyed companies does not invest large sources in computer education of their employees. Companies created their web page but mostly for the promotional purposes and reservation purposes as well.

Employees as the main source of knowledge within the company

Figure 2 suggests some findings concerning strategic position of education for HoReCa sector although that conclusion could be drawn from the survey of many other Croatian industries. First of all, the majority of respondents agree that senior managers participate in teaching more often than lower levels of management, that regulations forced company to organize employees training and that employees work normally during their trainings, participating trainings in their free time. When we analyze involvements of companies in the further development of their employees' knowledge, the survey shows that the highest percentage of the surveyed companies has no internal trainings neither they have trainings of new procedure very often. Also, respondents believe that trainings do not provide them with certificates favorable for new jobs. The findings reveal the low level of cooperation between HoReCa sector and institutions of education and the low level of interest for the development of cooperation between them as well.

The results in Figure 3 support findings mentioned above. Precisely, more than 50% of respondents (53,85%) responded that company does not invest in education of their employees. In other words, companies in the HoReCa sector do not find continuous education of employees important for their business.

Figure 4 show what different knowledge and skills are present in HoReCa channel companies. Figure 4 illustrates that for the highest percentage of respondents foreign languages, communication skills, specific business skills and business ethics are among the most important ones. The lowest percentage of respondents is interested in analytical methods (2,63%).

Methodology used for cooperation stimulation inside the company

This part of the questionnaire was the part regarding cooperation between employees. There are 11 statements (Table 2) which help us to obtain the complete picture about the stimulation of cooperation inside the company. The research instrument asked respondents to evaluate the importance of statements using 5-point Likert scale which ranged from 5=strongly agree to 1=strongly disagree. The results show that knowledge is highly valued in the largest number of investigated companies. 46,2% of respondents think their companies find knowledge of their employees important for further business performance what is contradictory to the findings of sources they invest in education (Figure 3).

Results suggest that Croatian managers believe in adequate rewarding system in their companies (more than 50% of respondents agreed with such a statement). Accordingly, we expected effort in developing confidence between employees for example, by organizing their informal meetings in their free time.

Figure 1. The information technology usage as a supportive function of knowledge creation process (agree; partly agree; not agree)

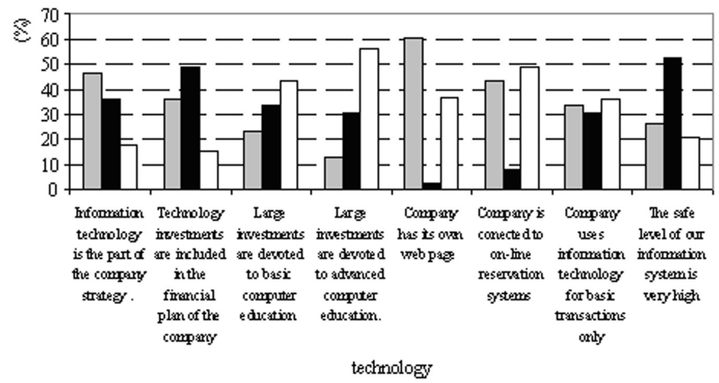

Figure 2. Employees as the main source of knowledge within the company (agree; partly agree; not agree)

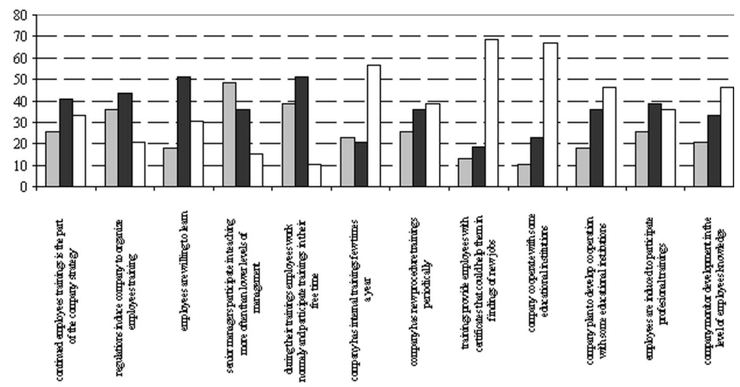

Figure 3 Company involvement in education financing

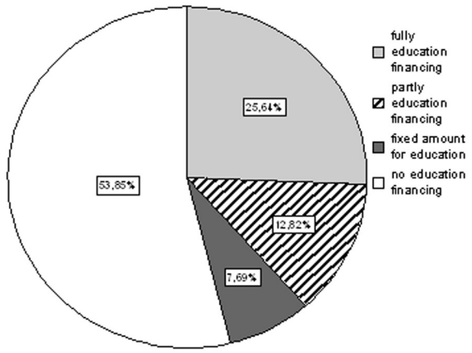

Figure 4 Knowledge/skills that are important for the company

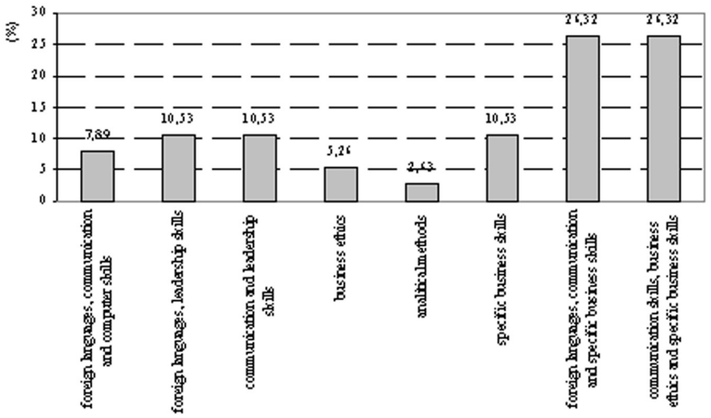

Table 2 Methodology used for cooperation stimulation inside the company.

Item	*N*	*Mean*	*Std. Dev.*
Knowledge is highly valued in my company	39	3,85	1,329
there is adequate rewarding system in the company	38	3,21	1,417
Company successfully stimulates cooperation btw its parts	39	3,56	1,252
Company tends to coordinate information channels	39	3,46	1,274
Company takes effort to develop confidence btw employees	39	3,03	1,367
Company initiate loyalty of employees	39	2,92	1,345
Company develop intelectual ownership culture	39	3,18	1,520
Company solve problems constructively	39	3,49	1,315
In last 5 y. company increased business results thanks to information technology	38	3,16	1,346
In last 5 y. company increased business results thanks to employees knowledge	38	3,11	1,311
There is possibility for knowledge flow improvement in the company	38	3,32	1,210

However, the highest percentage of respondents (41%) suggests that company does not develop confidence between employees, neither does initiate loyalty of employees (almost 40% of respondents does not agree that their company initiate employees' loyalty) by giving them mobile official phones, allowing them favorable credit lines, etc.

When we asked respondents about the intellectual ownership culture in their companies, the highest percentage of them (38,4%) answered that the situations when one employee makes the improvement and the other one is awarded is very rare in their company.

The results of this section could also explain the findings in the Figure 3, which illustrates that the highest percentage of companies does not invest in education. Precisely, the highest percentage of respondents (39,5%) does not agree that they owe their business increase to information technology and the highest percentage of respondents (44,8%) does not agree that they owe their business increase to their employees' knowledge.

Conclusion

The development of information society brings knowledge into focus of companies in different industries. Knowledge is becoming recognized as a new economic resource which has to be incorporated into products, services and processes.

HoReCa sector is one of the fastest growing sectors in Europe and in Croatia as well. In this paper the attitudes towards knowledge and implementation of knowledge theory in practice of Croatian companies in HoReCa sector is discussed.

The results of the empirical research show that companies have a good attitude towards knowledge resources in general, but when we come to questions on investment both on information and continuous education, the results are not so optimistic. For instance, more than 50% of respondents stated that company does not invest in education of their employees.

Also, a large number of respondents do not believe that business increase in previous period resulted out knowledge related investments.

Not only companies have such negative opinion on knowledge investments, but also they show that employees are not treated as a valuable knowledge resource of a company. Relatively high percentage of respondents state that companies do not encourage confidence between employees in order to create a climate of knowledge sharing, nor stimulate loyalty of employees.

Such attitude to internal knowledge resources on long-time level can cause loss of competitive ability of a company because the level of service have to be constantly improved in order to achieve business excellence. Therefore, companies in this sector should rethink the way in which they treat knowledge and they have to build politics of continuous education in order to maintain their competitive level.

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THE PATTERNS OF ENTREPRENEURIAL DEVELOPMENT IN ALBANIA AND THE INFLUENCES OF THE CURRENT INSTITUTIONAL CONTEXT.

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Abstract

In this paper, we explore the patterns of entrepreneurial development in Albania; a context where many of the preconditions for a workable free-market economy are lacking. Also, we explore the ways in which institutions and networks influence entrepreneurial development in Albania.

We explore the influences of the current institutional context in Albania, on entrepreneurship development We attempt to fill this knowledge gap by specifically testing three hypotheses regarding the nature and determinants of entrepreneurship in Albania.

A total sample of 1012 adults was interviewed, of which 127 people responded that they are owner / managers of a new business and have been paying salaries for the past 42 months. In terms of start-ups, 110 people responded that they were involved in a business start-up i.e. that they had been actively involved in start-up activities over the past twelve months. Albania is found to have a very low level of business entry compared to

Western countries. This finding provides support for our first hypothesis. We investigate the effects of the weak institutional environment in Albania in terms of three dimensions:

- *On the rate of productive entrepreneurial activity measured in terms of start-ups and existing business owners*
- *On the characteristics of business owners*
- *On business financing. In addition, the analysis explores the effectiveness of Romania's , Kosovo's and Albania's informal networks for circumventing the weak institutional environment for business development.*

Our results indicate that Albania's business owners share same characteristics as business owners in advanced western countries, though education is not associated with entrepreneurial activity. However, the main differences are in the sources of financing and the fact that relatively few individuals engage in productive entrepreneurial activity. Our results support the notion of the limited effectiveness of Albania's networks for supporting entrepreneurial activity in its weak institutional environment.

Key words: entrepreneurial, owner / manager, institutional environment, networks

Introduction

The contribution of the study to the existing literature is twofold. First, it provides the empirical evidence necessary to address the question whether Gibrat's Law holds in SME sector or not; the evidence from recent research is mixed. In addition, there is very limited research on this issue in transition context. Second, although this study does not provide detailed discussion on policy measure nor estimates the extent to which government should influence the SME development via different channels for creating a business-friendly environment, it identifies the most critical barriers and provides some policy implication with some general suggestions. Thus, the study urges

the need for more proactive government polices aimed at development of entrepreneurship and SME growth. Existing theories on determinants of small firm growth fail to explain the determinants of small firm growth that underline economies in the transition. They do not sufficiently take into account the institutional features and business environment, and their impact on entrepreneurship and SME growth, which usually involves high transaction costs of doing business. This study attempts to consider some of these transition-specific features.

Theoretical Framework

Gibrat's Law

Until a few decades ago, academic research and policy-making efforts were largely dominated by the idea that the main motors of economic growth were large enterprises. In other words, large firms were believed to have advantages over small firms because they were more able to exploit economies of scale and scope and hence, contribute more to the economy (Galbraith, 1967; Schreiber, 1968; Frais, 1976). Thus, large firms were seen as the main contributors to employment generation and GDP growth. This encouraged economists to analyze the relationship between the size of firm and its growth rate in order to answer the controversial question of differences in the speed of growth between small and large firms. Research attempts to explain determinants of small firm growth are summarized in the Gibrat's Law or Law of Proportionate Effect, which served as a departure point. According to Gibrat's Law, the size of firm sat time t is assumed to be a random variable distributed independently of size s in the previous period t - 1 (Singh and Whittington, 1975; Reid, 1993; Heshemati, 2001).According to Singh and Whittington, the Law has some important economic implications. It implies that there is no optimum size of the firm, although it does not imply that size and growth should be positively related. The Law suggests that the growth rate of a firm in a current period does not have an influence in the growth of the same firm in the subsequent period. And finally, the Law implies that the concentration of the industry will take place over time. Thus, the main conclusion from the Gibrat Law is that the growth of firms in the same industry is a random phenomenon regardless of a firm's initial size. In order to complement the proportional growth theory, Jovanovic (1982) introduced a firm growth model called the noisy selection model, which is based on the lifecycle learning theory approach. According to his model, firms learn about their real efficiency over time. The model states that small firms grow faster than large firms because, initially, they are not certain about their real cost efficiency. Usually firms enter the market under the minimum efficient scale, and over time, grow to reach it. This explanation is linked to the common economic knowledge of the U-shaped cost curve in the short-run as most new entrants are small firms, which operate below minimum efficient scale - those that have incentives to expand production while larger firms, which are above the efficient size, will not. Because new entrants are more uncertain about their real abilities, they will learn over time by observing how well they perform in the real business world. Thus, individuals who have underestimated their skills and abilities in one period will be expected to expand production in the next period, while those who overestimated their abilities will exit the business. The main shortcoming of Jovanovic's model is that it assumes no technological progress but takes into account only the learning of entrepreneurs and its effect on firm growth (Ericson and Pakes, 1995). Another explanation why small firms grow faster than larger firms relies on adaptability and flexibility of small firms to the economic/industry dynamics. Small firm flexibility makes them more responsive to a changing business environment, resulting in higher growth rates (Franicevic and Bartlett, 2001 ; Sak and Taymaz, 2004). This is because it is easier for the firm with few employees and no diversified decision-making (usually one concentrated decision maker or a few individuals) to react to that dynamic environment even in pursuing new business areas, products or technologies from the current business. In other words, smaller businesses have lower adaptation costs to the change in environment, such as demand fluctuation and changes in technology. In addition, they respond more rapidly to new circumstances (Sak and Taymaz, 2004).Recent empirical evidence shows that the hypothesis of the independence of growth of the firm and size is refuted in most cases. Numerous studies contradict the validity of Gibrat's Law using different samples varying in terms of time, region, sector of activity and size (see Evans, 1987a, b; Reid, 1993; Hart and Oulton, 1996; Sutton, 1997; Wagner, 1992; Weiss, 1998; Hart, 2000; Farinas and Moreno, 2000; Bartlett and Bukvio, 2001 ; Davidsson et al., 2002; Harabi,

2003; Yasuda, 2005; Krasniqi, 2006). Some of them will be discussed here. Evans (1987a, b) examines the relationships between firm growth, size and age in the U.S. manufacturing sector in the period of 1976-1982 and finds that growth is a decreasing function of firm size and age, which is in line with Jovanovic's model. Hart and Oulton (1996) conducted a study covering 30,000 enterprises in the United Kingdom for the sample covering the period of 1989-1993, supporting the hypothesis that smaller firms grow faster than larger firms. Harabi (2003) found results for a sample of 370 enterprises from Morocco, also supporting the view that size and age are negatively linked to growth of the firm. Bartlett and Bukvic (2001), who studied 167 SMEs in Slovenia, report similar results. Their results indicate a negative relationship between size/age of the enterprise and its growth. Weiss (1998), in a study of the Austrian farm sector, and Davidsson et al. (2002) for the Swedish small firms, show that size and age matters and have negative influence on growth of the firm. However, there is another line of research that either fully or partially supports the Law of Proportionate Effect (Hall, 1987; Das, 1995; Lotti et al., 1999; Johnson, Conway and Kattuman, 1999; Piergiovanni et ai, 2002; Hermelo-Diaz and Vassolo, 2004). For example, Hall (1987) analyzed a sample of large firms in the manufacturing sector and could not reject the Gibrat's Law. In a study of firms in the service sector, Johnson, Conway and Kattuman (1999) showed that size was significant only after a variable was entered as squared, suggesting a non-linear relationship between the size and the growth of the firm. However, both of these studies were sector biased: the first one in manufacturing and the second in services. The finding from manufacturing should be treated with special caution because in this sector, sunk costs are very high and small firms might be underrepresented compared to larger firms. Another important point to consider is that, in the manufacturing sector, there is room for exploiting economies of scale. In the study of the infant industry in computer software in India, Das (1995) reported a positive relationship between growth and firm size in a sample of 51 firms in the time span over 1983-1988. More recent evidence based on a large sample of new Italian firms in the hospitality sector suggest that growth rate is independent of size in two groups of businesses (cafeterias and camping sites), while Gibrat's Law is rejected for three other groups: hotels, restaurants and cafes (Piergiovanni et al., 2002). A study of Argentinean firms shows that Gibrat's Law does hold and suggests that there are other factors more important than size of the firm (Hermelo-Diaz and Vassolo, 2004). However, their results should be interpreted cautiously because their sample size is small (34), which results in small variations of the final analysis. Another important conclusion to be drawn is that, for testing Gibrat's Law, one should take the heterogeneity among industries and sample representation into account. Empirical evidence reviewed above shows that evidence on Gibrat's Law is still inconclusive. Thus, it is important to consider and empirically test the validity of Gibrat's Law for different countries with different characteristics and complement the existing literature. In addition, Gibrat's Law equation is augmented with other variables aimed at explaining the growth of SMEs. Despite the importance of Gibrat's Law in explaining small firm growth in transition countries, there is a necessity to investigate the impact of business environment on small business growth.

Barriers to entrepreneurship and SME growth

Another line of research that investigates the growth of small firms is summarized in the so-called barriers to growth literature. This approach mainly assumes that a proportion of small businesses is growth-oriented and wishes to grow, but the external environment impedes their desire or ability to achieve their growth potential. The evidence supports the view that business environment is one of the key factors influencing the growth of the firm, especially small firms. For example, Lumpkin and Dess (1996) pointed out that the environment affects firm performance and growth regardless of its strategic orientation or firm resources. However, business environment is a multidimensional concept embodying the dynamism, technological opportunities, industry growth and the demand for new products (Zahra and Ellor, 1993). Janssen (2002) summarizes the external environment as a dimension of generosity, dynamism and complexity." Some other authors refer to the business environment as either a munificent environment or hostile environment (Tsai et al., 1991; Clement et al., 2004; Iakovleva, 2005) depending on whether it has a positive or negative impact on small firm growth. According to Janssen (2002), the generosity of the environment is a result of positive trends, especially in economy

such as industry growth, which also have a positive impact on the firm growth. The dynamism might also have diverse effects on firm growth. For example, in a growing industry, the existing firms are not very much affected by newcomers taking a share of the industry market as this effect is compensated for by the growth of the sector or industry itself. On the other hand, according to the same author, dynamism and complexity of the environment are related to the degree of instability and uncertainty in the market. In this context, some unpredictable factors, such as changes in the demand or rapidly changing technology, are difficult to predict by a small firm owner. However, it is argued that dynamism and complexity could be attractive for newcomers who might develop their ideas at the cost of existing firms. Also, dynamism through competition could encourage the existing firms to innovate in order to exploit growth opportunities generated in a rapidly changing technological environment. Clement et al. (2004) also point to the dynamic environment as munificence, which results from the continuing change in the environment arising from the technological progress, competitive rivalry and regulatory developments. In such a highly dynamic environment, opportunities emerge and small firms can take advantage of these opportunities and grow (Chandler and Hanks, 1994). Furthermore, it is apparent that the environment may be hostile and manifested by adversity to the firm growth (Clement et al., 2004). The hostile environment might be a result of radical and unfavorable changes in the industry or the intensity of competitive rivalry in the market. Strong competition poses difficulties for small firms to survive, especially in the early stage of their formation. Glancey (1998) supports the idea alluded to above that external constraints arise mainly from the competitive conditions. On the other hand, hostility also may arise from different sources including the declining demand or radically changing technology, which pushes the firm to change its technology or to seek other market opportunities (Clement et al., 2004). Change in technology requires additional investment and financial resources. If we consider the financial constraints under which a small firm operates, this might act as a growth impediment. Hay and Kamshad's (1994) study, based on a survey of UK SMEs, shows that owner/mangers identified several external factors as growth-inhibiting. These factors were: inadequate availability of finance; inadequate availability of venture capital and qualified labor; delays in obtaining new capital; and the intensity of competition. However, according to them, entrepreneurs emphasize the intensity of competition as most important. An interesting related point to address is whether or not the hostility of the environment affects firms of different size in the same way. The work by Storey (1994) shows that compliance costs are much higher for small firms than for large firms relative to their size. This is confirmed by a recent study conducted by Schaffer and Weder (2001) based on a very representative worldwide survey that found small firms had more problems than large firms in terms of raising finance, taxes and regulations, inflation, corruption, street crime and anti-competitive practices.13 Their regression analysis showed that, in most cases, business environment obstacles are a decreasing function of size. These findings have some important policy implications. Policies addressing the development of small firms should be differentiated and made much simpler for small firms in order to create a level playing field. Business environment is of particular importance for transition countries because inheritance from the socialist system was in many ways not favorable and many aspects of the transition reform process acted to make the environment less conducive for entrepreneurship (Estrin et al., 2005). Several authors have conducted research on barriers to small firm growth across different countries in transition (Aidis and Estrin, 2006; Aidis, 2002; Hallberg, 2000; Bartlett and Bukvie, 2001; Bartlett and PraSinkar, 1995; Hashi, 2001; Hoshi et al., 2003; Pissarides et al., 2003; Smallbone, 2002). Their findings suggest that barriers to entry, time-consuming regulatory requirements, incomplete legal framework, the tax structure that distorts incentives and discriminates against small firms, and finance are the main obstacles to SME growth in transition countries, especially in early transition. Below we will discuss the barriers to SME growth in transition context. But what are the factors reflecting the various influences on SME and entrepreneurship development? Acs and Karlsson (2002) raise a critical voice against focusing solely on institutional influences to private enterprise development since they only present a limited part of the overall economic milieu within which entrepreneurship may develop. Other important conditions include demand and supply conditions, the degree of competition in various markets, the state of the infrastructure, the supply and skill level of the labour force, the entrepreneurial climate and

access to knowledge. Authors such as Aidis et al. (2006) have enhanced their institutional analysis by including economic factors. In addition to the typical institutional classifications (formal and informal barriers) addressed by the EBRD indicators and Van de Mortel's analysis, we agree with Acs and Karlsson's view that economic factors must also be included in our analysis of influences to entrepreneurial development. In the context of this classification for the transition country context, economic factors mainly include production factors such as access and cost of appropriate financial and human capital (including training) and infrastructure. Therefore we label this category as 'economic' factors. We also feel that an additional category should be added to capture factors not included in the other three categories. Our analysis therefore identifies four core influences to SME development and growth: formal, informal, economic constraints as well as an 'other category' in order to capture additional influences. The specific areas and issues classified under each of the four categories as derived from the existing literature on barriers to SME development in transition countries It should be noted, however that this classification of barriers should be seen as a conceptual approximation of the sets of factors influencing SME development rather than clear cut-off points. Some of these categories may overlap and a particular barrier can belong to two or more categories depending on the interpretation. Moreover one barrier faced by an SME could be a consequence of some other barrier(s) both in the frame of a particular category as well as in-between them. As already mentioned, the transition process itself is not only a complicated phenomenon but is also a non- linear process. Thus one would expect that indicators capturing the progress of the transition process, which make sense from the entrepreneurship development viewpoint, to be complex as well. Among other factors, transition indicators from an entrepreneurship perspective, would need to consider differences between various transition countries in terms of historical influences, both long and short term, affecting the starting points of transition as well as the speed and path of transition. Informal influences on the transition process, such as culture and the norms of different actors, including government, regulating (tax inspection, etc.) and business promotion organisation representatives, the general population and, of course, SME owners and managers themselves, should also be taken into consideration.

Formal Informal Economic Other SME development and growth

In light of these factors and considering the limitations of other available data, we chose EBRD's yearly average indicator as the most suitable option for approximating the transition stages. There are several reasons for this choice.

Firstly, they cover all 23 transition countries we are interested in throughout the transition process (data is available starting in 1989).

Secondly, the impact of the long and short- term history, namely, differences in starting points of transition countries are considered by these indicators.

Thirdly, the common measurement scale ensures that the progress of transition, regardless of the path taken, is measured uniformly for all transition countries. Additional support for the use of EBRD's indicators emerges from a number of existing single country studies, most of which might be classified following methods similar to Van de Mortel's stages framework, indicate the appropriateness of using EBRD transition stages as the main guideline to approximate different transition stages from an entrepreneurship development point of view.

In order to classify the countries according to transition stages, we delineated EBRD ranks into three stages following the EBRD's 4 score system. A rank of 1 to 1.9 was classified as indicating little progress i.e. the primary stage; rank 2 to 2.9 was classified as indicating some progress i.e. the secondary stage; and, rank 3 to 4 was classified as indicating substantial progress approaching international standards, i.e. the advanced stage.

As shown in paper according to EBRD indicators, as of 2004, two CIS countries were still in the primary stage (Belarus, Turkmenistan); Eight countries were in the secondary stage (Albania, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Ukraine and Uzbekistan); and thirteen countries were in the advanced stages of transition (Armenia, Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovak Republic and Slovenia).

Limitations

The classification of different types of barriers into formal, informal, economic and other categories

forms the core of our analysis but at the same time, it is a difficult distinction to make. For example policy instability and uncertainty though classified as a formal constraint

is also very closely related to official attitudes (which are informal constraints). One of the main problems encountered is the ability to empirically distinguish between these categories. Moreover, if a survey only asks if 'business inspections' present a business barrier it remains unclear as to whether business inspections as such are a barrier or if it is actually the 'rent seeking' characteristic of business inspections that forms the barrier. In our model, we would classify these two as distinctly different. The former is a formal barrier and the latter an informal barrier. But if a survey does not ask for the distinction, than we can not extract this subtle difference from the data available. In this sense, qualitative interview data provides more depth and detail which facilitates more fine-tuned classification than quantitative data.

However, empirical research could very well capture these institutional differences if the questions are formulated properly.

Another important issue regarding SME barriers and transitional stages is the fact that the general characteristics of SMEs prevalent at the different transitional stages are changing as well. One could expect more basic types of arbitrage entrepreneurship to dominate in the early stages of transition with more sophisticated forms of entrepreneurship (based on for example, technological competitiveness) to increase as the market becomes more competitive in later transition stages. Therefore our results probably reflect the changes to barriers that are significant for different forms of SMEs as much as for the transition stage.

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LEARNING CULTURE IN ORGANISATIONS – HOW DOES LEARNING TAKE PLACE?

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Abstract:

In the history of the industrial development and successful enterprises it is possible to find a lot of literature on 'learning organizations'. This literature includes everything from the conditions in enterprises, to organisational culture, leadership behaviour, communication in organization, daily working and even on life in enterprises. These themes usually sum up to directions on learning processes in the enterprises and in how to build up a 'learning culture'. In this sense this 'learning culture' guarantees the continuing increase and innovative ways for organisations to weather market cycles and thus continue operating successfully.

When doing an extensive literature research on 'learning organisations' there are different theoretical groundings, for example the theory on 'learning cultures' rooted in Schein's concept of organisation culture with three levels (Schein, 2000). Sackmann (2004) converted and differentiated these three levels. The level of the values and standards realizable are still visible, but not necessarily lived values in rules and/or standards, which happen in business acting.

Here 'learning organisations' assume a framework, which means all methods and information must be visible and transparent to be able to get an understanding of behaviour. Senge says that only then the context is ready for change (Senge, 2001). There are different learning types, which are described by Schein and Noer with respect to handling changes and states. Here the employees (‚individual learner') of an organisation are responsible for a successful learning in the organisation ('organisational learning') (Noer, 1998; Schein, 2000). Kluge (1999) summarizes, an experienced learning can only be used successfully if a company schedules enough time for it and allows the execution of an analysis of the problematic period and the decisions that are made with many unknowns. Knowledge and experience are inherent in all employees and it is the task of experienced management to make this manifold resource appropriable.

Key-words:

- *Learning organisation*
- *Learning culture*
- *Individual learning*
- *Organisational learning*

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„By the globalization progressing always further each technology will have to be procured for each enterprise. The only remaining competition advantage are the employees and co-workers. " (Bertels, 2008, p. 9)

This statement summarizes thoughts of many authors and the main body of literature in organisational behaviour. It points out the importance of the possibilities of individual learning in organisations. Therefore, the goal for the research project is to find an integrated model of learning processes in organisations. Thereby the main aim is to find out influences and insights that will help business organisations and their employees to get known of the circumstances and methods they need to develop an innovative approach to implement successful learning processes. The result of this research should give an answer, which methods will help a company to survive in a competitive position.

To get a fundamental basis for the whole research project, first of all an in-depth literature review including definitions of basic terms was done. The first results of this literature review will be compiled in this article and give an overview about a learning organisation and the influence of the individual and organisational learning. But also a short outlook about the further research steps will be given.

Learning Culture

Several authors provide different models in the description of 'learning organisations' for example, looking at the culture of an enterprise such as the theory on 'learning cultures' rooted in Schein's (1985) concept of organisation culture (Burns 1996; Burns/Stalker 1997; Burrell/Morgan 1985; Schein, 1985/1995). According to Schein (2000), each enterprise has three levels of culture: the topmost level consists of artefacts; obvious and observable facts such as clothing, architecture and interior design within a 'corporate identity'. The second level contains values and standards, meaning obliging regulations for collective behaviour, as it is to be found in organisational guidelines. The third and most profound level covers the most elementary and deeply entrenched attitudes and convictions which, even if detectable from an outside point of view is hard to decode and allows various interpretations and speculations.

Sackmann (2004) tries to make this theoretical model practical; she makes a further distinction in the second level, showing that there are on the one hand side norms and values that are shown but not lived out and on the other hand side rules and standards that are commonplace and thus also taking place in entrepreneurial actions. She refers to this phenomenon as the 'iceberg model'. There are not visible and visible, lived and not lived, deeply embodied in personal and business behaviours. This to know is important for organisations in order to create a culture of learning.

Besides the historic developments of organisational models, processes such as Taylor's (1913) classic approach 'Scientific Management' shows that corporate processes and structures can be split depending on the tasks. The 'Human Relations movement', which focussed a humanization of work followed in the middle of the 60's, doesn't reject those approaches. Burns (1998) classifies organisational structures into three systems: first of all there are 'formal, authoritative structures' which originate from corporate goals, often shown in organisation charts and work instructions. Furthermore, the organisation has so-called 'life-environments' in which people plan their personal career fitting into the aforementioned structures and thus putting them into practice. The 'political system' can be mentioned as third dimension: people and departments collaborate, co-operate or compete with one another. Burns judges businesses that adjust to formal structures and systems only as 'not survivable' (Krohmer, 1999). This means that all persons involved in the process have to be integrated into the company actively in order to improve and, if necessary, redefine the structures and finally integrative and political systems will be included.

These are all classified with different criteria and effects in an organisation which has to learn (Agyris, 1999) and this is important, because this is the grounding for a relationship between the employee and the management and the roots for a good learning culture. Therefore, creating 'organisational culture' means creating the basis for 'learning organisations' and thus is the prerequisite for successful learning in organisations.

Therefore, creating 'organisational culture' means creating the basis for 'learning organisations' and thus is the prerequisite for successful learning in organisations.

Individual Learning

Considering the mentioned approach it is important to find out, which learning types are in place in the relevant organisations, in order to create the appropriate conditions for successful learning.

Schein (1985/1995) makes a distinction between two different learning types: the positive 'problem solver' and the 'pain and anxiety reducer'. Both types are based on the classic concept of operant conditioning, a behaviouristic model. It implies a motive that triggers behaviour and results in the consequences of this behaviour. Two steps are distinguishable: in the first one, learning corresponding to the principle of positive problem solving takes place, in the second step it takes place in accordance to the 'avoidance learning' so as to reduce fears. However, in an organisation often more than those two types can be found.

Noer (1998) talks about four different learning-types which can be depicted in form of a quadrant. The first one, the 'overwhelmed type' withdraws and avoids, thus showing neither the ability nor the willingness to learn. The next type, the 'show-off' exhibits a high motivation for learning; however, the willingness for change is negligible. Furthermore there is the 'entrenched type' who likes sticking to behaviour patterns; he is ready to change but not willing to learn. The final type is the 'supreme learner'. He tackles problems and progresses. Due to his willingness to learn, his openness towards

change and his ability to grow with each challenge, he is the optimum of an individual learner. At best, this type should be in the role of an executive or put in a leading position in learning processes, as those processes can come with relapses and their implementation into daily practice takes time (Noer, 1998).

Kluge (1999) discerns individual learning in companies into classical, separate learning processes such as training of employees in areas such as sale, communication, project management etc. on the one side and learning from experience on the other side. "Learning by experience" means that employees participate in the process of problem solving by collecting, arranging, testing, verifying, providing and updating experiences. By doing so the employees get the chance to contribute through their experience and reflect on own actions. However, this benefit of experienced learning can only be used successfully if a company schedules enough time for it and allows the execution of an analysis of the problematic period and the decisions that are made with many unknowns. Knowledge and experience are inherent in all employees and it is the task of experience management to make this manifold resource appropriable.

These authors were ground-breaking authors at the time but thinking has moved on.

Organisational Learning

Geißler (1995) terms individual learning as 'nucleus of cultural learning' and suggests a model of which the starting point is a so-called 'savagery' in an organisation, again containing motives, behaviour, consequences of behaviour and the interdependences that have been detected therein (hypothetically).

This model of cultural learning surpasses Schein's model (1985/1995) of the three levels 'basic assumptions', 'values' and cultural assumptions, the reason for this being the fuzziness that arises from consequent application of those levels in real-life situations. This strict gradation cannot be upheld; a further refinement with more nuances is necessary.

Geißler (1995) and Haug (1998) splits this learning in cultures further into learning in groups and rates them from one to four – depending on their chronological stage of development. Those four stages are reflected in any literature that focuses on learning in groups, though the specific terminology might vary. Organisational learning is more than just learning in groups – it starts prior to this and is substantially more complex. However, we must not neglect the evolutionary stages of groups; therefore the focus of this study will occasionally reflect upon this. If a company does not learn it can lead to decline.

Typically for the individual and organisational learning are the ways describes by Agyris called single- and double-loop learning.

"Single-loop learning occurs when matches are created, or when mismatches are corrected by changing actions. Double-loop learning occurs when mismatches are corrected by first examining and altering the governing variables and then the actions." (Agyris 1999, p. 68) Double-loop learning, involves questioning the role of the framing and learning systems which underlie actual goals and strategies (op. cit.). The focus of much of Agyris intervention research has been to explore how organisations may increase their capacity for double-loop learning. He argues that double-loop learning is necessary if practitioners and organisations are to make informed decisions in rapidly changing and often uncertain contexts (Agyris 1999).

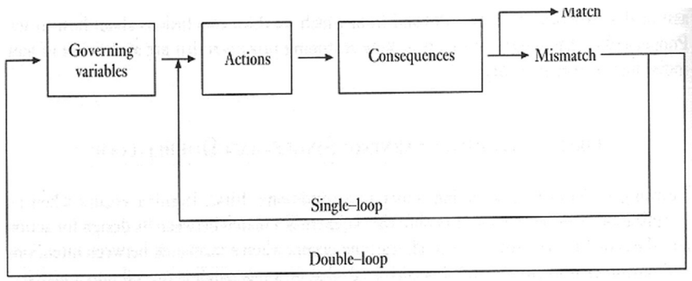
With this background, the definition for 'learning culture', 'Individual and organisational learning' is quite clear.

Research Gaps and Contribution to knowledge

Not discussed in the mentioned literature is that there is a gap between learning the theory and the actual learning processes happening in organisations.

So after a comprehensive review of the literature exploratory interviews (Lamnek, 2005) with members (managerial, staff and expert's level) of a medium-sized enterprise will give indicators on the practice of learning in organisations. Although with this first step the focus will be on individual learning, also the information on organisational learning processes will be gathered.

Fig.: Single-loop and double-loop learning (Agyris 1999, p. 68)



After the qualitative research and a quantitative part with a survey for members of the development and production departments, it should be possible to find managerial behaviour or tools, which help the organisations to learn successfully how to survive. This could be a model with self-dynamics, which can function according a certain set of rules and with practicable methods to see challenges and chances for learning in the organisation and the handling in the practise.

With respect to management and psychological sciences, the research project will include a well-founded theoretical framework with an overview of 'corporate culture', 'organisation theory' and 'learning organisations' and their interrelated fields. Furthermore, this study analyzes factors and relevance, which produces a positive learning culture to give effective ways for learning in organisations. This describes the whole range from the individual learner to the organisation and gives answers how the management can create an excellent learning and well performing environment for their employees and co-workers.

The final product will be an integrative model of learning, which can be transferred into the practice of the working surrounding. This should provide prerequisites helping to determine general conditions and enhance a learning culture and will thus hopefully ensure the success of organisations.

Outlook

So after a comprehensive review of the literature the next step is the detailed definition of the methodological approach designed in a case study according to Yin, who says "The goal is to design good studies and to collect, present and analyze data fairly." (Yin, 2008, p. 3) In this case study qualitative interviews (Lamnek, 2005) with members (managerial, staff and expert's level) will give first indicators on the practice of learning in organisations. Although with this first steps the focus will be on individual learning, it will also be possible to get first information on organisational learning processes.

The research will take place in two phases. All participants of the case study are from the same company, which has recorded an increasing growth within the last few years. After the results of the qualitative research are analyzed, a comprehensive survey with staff from the development and production departments will be performed in order to find out if the hypotheses, which will be developed are valid.

They can not yet be predefined but will focus on the following topics:

- Definition of the different indicators for a positive learning in organisations
- Differentiation between hierarchical levels and process structures

The focuses of the quantitative research are the two biggest departments - production and development. Within these departments the most capital is bound (cost saving effect) and the potential for learning is extremely high. The group represents the department of production and development and is divided into two process areas

with different heads. In the areas of production as well as research and development a sample size of all employees will be questioned. Only the employees will be questioned as the head of these processes / production sectors will already be part of the qualitative survey in the first phase.

The contribution of the research project can be differentiated into contributions in the theoretical part with an overview of models of 'learning organisations' and a participate model for the managerial behaviour in the organisation. These models have to prepare an organisation with a 'learning culture' and with practicable methods to see challenges and chances for learning in the organisation and the handling in the practise:

Finally, this could be a model with self-dynamics, which could function according a certain set of rules.

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HOW DO SME EXECUTIVES THINK ABOUT INTER-FIRM COOPERATION – THE ROLE OF KEY ATTITUDES

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Abstract

Without any doubt globalization is currently the most important development for economies all over the world. While large companies very often react effectively and efficiently to the pressure the globalization causes, Small and Medium Sized Enterprises (SME) face a lot of problems. To overcome these obstacles, cooperation could be an appropriate means. There is of course a wide range of possible forms of cooperation, ranging from informal meetings to legally independent companies – Joint Ventures.

In SME, there is very often one single person making decisions of strategic relevance, i.e. the entrepreneur or – in case of established ventures – the owner-manager. Teaming up with other companies surely has a strategic dimension. This leads to the question which role decision makers' personal factors play in terms of making decisions on cooperation.

In this paper, the impact of attitudes toward cooperative arrangements in terms of SME executives' intention to cooperate at certain level has been investigated. More specifically, it was explored which of these evaluations influence intention and how. In total, three groups of cooperation-related attitudes have been included in the analysis. Furthermore, it was examined, whether or not these attitudes allow for distinguishing specific types of SME decision makers. More specifically, it was tested whether the attitudes prevalent with entrepreneurs are different to those characterizing other SME managers. In order to clarify these issues, six hypotheses were defined and analyzed based on a sample of 335 SME from Malaysia.

Findings indicate that there are indeed different kinds of cooperation-related attitudes which impact the intention to cooperate and further influence the intensity of cooperation executives prefer. Furthermore, there is evidence that entrepreneurs can be distinguished from other SME managers with regard to their attitudes toward cooperation.

Category: Entrepreneurship

Keywords: SME, attitude, cooperation, decision maker, cognition

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HOW IS SUCCESS IN EXPERT WORK DEFINED AND MEASURED?

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Abstract

An abundance of research corroborates the fact, that today's management in organisations has to deal with an increasing number of highly educated and highly skilled workers whose major task consists in solving problems rather than in executing predefined tasks. These workers are called 'experts'. However, the question how success in expert work is defined and measured remains.

In order to answer this question, the author has carried out a research in five different organisations which are commonly regarded as 'knowledge-intensive organisations': a consulting company, a software development company, a product development company, a hospital and a university.

The outcome of this research consists in two basic findings: With regard to the definition of success, productivity in a classic economical sense is not regarded as a success criterion in expert work. In respect of the measurement of success, the assessment of expert work is usually not based on measurable criteria, but rather on a professional display of performance and competence.

The paper proposes a number of explanations for those two findings by referring to further research results and suggests approaches in order to come to a more productivity-minded definition of success as well as to attain a more 'professional' performance assessment of expert work.

Key Words

assessment, expert, knowledge worker, measurement, performance, productivity, professional, success, work

Justification of the question

Nearly all surveys of past decades are pointing to a fundamental structural change in the labour markets of the OECD countries, a change indicated by four correlated findings:

Firstly, there has been, from 1985 onwards, a 10 percentage-points increase in so-called 'derivative services', e.g. consulting, coaching, teaching, researching, developing and management work (Weidig et al. 1999; Dostal & Reinberg 1999; Dostal 2001; Reinberg & Hummel 2002) .

Secondly, the number of occupations of the categories 'manager', 'professional occupation' as well as 'associate professional and technical occupation' has increased by 10 percentage points over the last two decades (UK National Statistics 2000; Baldwin & Beckstead 2003; Beckstead & Gellatly 2004; UK National Statistics 2006; Davenport 2005; US Department of Labor 2006; Brinkley 2006).

Thirdly, the demand for employees with an academic education has increased by 190 percentage points between 1975 and 2004, whereas the demand for employees with a lower educational background is continually decreasing (Weidig et al. 1999; Kleinert et al. 2000; Dostal 2001; Reinberg & Hummel 2002; Reinberg & Hummel 2005; OECD 2006a; OECD 2006b).

Fourthly, Levy & Murnane (2006) noted a disproportional increase in the demand for two skill requirements within the US labour force between 1979 and 1999: 'expert thinking' and 'complex communication'. In contrast to this development, they observed that the demand for manual and routine cognitive skills has been continually decreasing within the same time frame.

These changes can be attributed to two parallel effects (Weidig et al. 1999; OECD 1999; Dostal & Reinberg 1999; Brinkley 2006; Brinkley & Lee 2006; EUROSTAT 2007): on the one hand, to

an economico-structural effect since so-called ‚knowledge-based industries' have equally continually grown over the last decades in respect of their proportion in the gross domestic product as well as in respect of their numbers of employees. On the other hand, to a qualification-centered structural effect, since the demand for highly qualified employees engaged in consulting, coaching, teaching, researching, developing and management work has increased across all economic sectors. Despite the fact that different researchers take different views on the deeper causes of the tendencies delineated above, they agree with one another in that these changes are not to be interpreted as economic fluctuations, but as profound structural changes in the labour markets of the OECD countries (Weidig et al. 1999; Dostal 2001; Reinberg & Hummel 2002; Reinberg & Hummel 2005; Brinkley 2006; Brinkley & Lee 2006).

When applying these macroeconomical tendencies to an organisational level, this implies that today's management has to deal with an increasing number of workers that are highly educated, highly skilled and whose major contribution to the organisation's success consists, above all, in solving problems rather than in executing predefined tasks. The quantitative proportion of this type of workforce in the total labour force within the OECD countries is currently estimated to amount to between 20% and 35%, depending on the kind of tasks and occupations taken into account (Baldwin & Beckstead 2003; Brown & Hesketh 2004; Götzfried 2004; Davenport 2005; Brinkley 2006).

Researchers differ by using different terms for designating said workforce: Some authors call them 'knowledge workers' in reference to a term employed by Fritz Machlup (1962) (e.g. Sumanth, Omachonu & Beruvides 1990; Sveiby 1998; Cortada 1998; Drucker 1999; Horibe 1999; Amar 2002; Newell et al. 2002; Baldwin & Beckstead 2003; Alvesson 2004; Herman 2004; Davenport 2005; Hube 2005; Stam 2007). Others prefer the designation 'brainworkers' (e.g. Gizycki & Ulrici 1988; Handy 1990; Pfiffner & Stadelmann 1999; Malik 2006), 'professionals' (Shapero 1989; Barley & Tolbert 1991; Raelin 1991; Wallace 1995; Pfadenhauer 2003; Mintzberg 2003; Klatzeki & Tacke 2005), 'experts' (Argyris 1991; Sonnentag 1996; Huber 1999; Hron 2000) or – stressing the relatively high income and status of said workforce members - 'gold-collar workers' (Kelley 1990). Despite the fact that these terms are not simply interchangeable, workers which are highly educated, highly skilled and whose major task consists in the solving of problems will be termed 'experts' in the subsequent treatise.

In spite an abundance of research in the field of 'knowledge workers', 'professionals' and 'experts', it is still not clear how success in expert work is defined or measured.

In order to search for an answer to this question one can either refer to theoretical publications trying to investigate the ‚anatomy' of knowledge work (e.g. Sumanth, Omachonu & Beruvides 1990; Pfiffner & Stadelmann 1999; Alvesson 2004; Hermann 2004; Hube 2005). Alternatively one could seek advice from manuals on the practical 'handling' of experts (e.g. Shapero 1989; Sveiby 1998; Horibe 1999; Amar 2002; Newell et al. 2002). Or one could study empirical research that validates or generates particular hypotheses regarding the performance, the motivation, the power of identification or the commitment of engineers, researchers, consultants, physicians or academics in a narrow business segment and generalises the outcome as attributes of 'experts', 'professionals' resp. 'knowledge workers' (e.g. Alvesson 1995; Blackler 1995; Wallace 1995; Hron 2000; Hauber 2002; Balazova 2004; Baldry et al. 2005; Stam 2007).

However, one would not find a profound answer to this question that is grounded in empirical data, as called for by Glaser & Strauss (1967). Therefore, the author carried out an empirical research in order to find answers to this question. The first results of this investigation as well as their interpretation constitute the subject of this paper.

Research design

The subject of the investigation were five different organisations that are commonly regarded as 'expert', 'professional' or 'knowledge-intensive' organisations in previous treatises (Grossmann, Pellert & Gotwald 1997; Sveiby 1998; Pfiffner & Stadelmann 1999; OECD 1999; Amar 2002; Alvesson 2004; Davenport 2005; Brinkley 2006): a consulting company, a software development company, a product development company, a hospital and a university. In these organisations, 42 semi-structured episodic face-to-face-interviews with experts and their managers from three

hierarchical levels were conducted (Flick 1996; Bortz & Döring 2003; Lamnek 2005). One topic of each one-hour interview referred to the question by which indicator individual knowledge work was regarded as success and how was it measured.

The data gathered by means of the interviews have been coded and interpreted with Atlas.ti, Version 5.5.4. The results are presented in an aggregated and concentrated manner without disclosure of the identity of the organisations involved.

Research findings

Definitions and measurements of success in expert work

The first result of our research consists in the fact that in all knowledge-intensive organisations investigated, a number of success indicators including their respective measurement methods can be identified which have been named by experts and their managers independently. Therefore, it can be concluded that these indicators are shared collectively within the respective organisations, that they may be regarded as collectively motivationally directive and, hence, part of the organisational culture (Sackmann 1991; Sackmann 2002).

For the software development company, the predominant success criteria are: adherence to stakeholder milestones and code quality. The latter is operationalised by indicators such as buglessness, transparency, maintainability as well as usability. Said success criteria are measured by the collection and comparison of planned and actual milestones, by static and dynamic software tests and through the collection and analysis of customer feedback.

The product development company, active in an entirely different business segment and subsidiary to another corporate organisation, displayed a corresponding collective understanding of "success". As primary criteria for success at work "adherence to schedules arranged with the customer", "congruence with development budget and planned production costs", "provision and ensuring of the stipulated hardware quality" and a preferably "escalation- and recursionless development process" were named. As before, the success criteria are measured by analysis of planned and actual values with regard to customer milestones, to the development budget and production costs, by analysis of different hardware test records as well as by the number of escalations and recursions during the development process of a circuit board.

For the technology consulting company (which, within a large technology corporation, represents the technical support for the sales department), experts as well as managers mentioned the following success criteria with regard to their work: number of customer projects, revenue on customer projects, rate of demand for specific consultants, sales and customer performance feedback with a view to the consultants requested. The rate of conformance with the success criteria is measured by turnover on customer accounts per consulting assignment, by the number and type of projects per consultant and by verbal customer and sales feedback upon conclusion of each assignment, by mail feedback and customer reference.

For the examined hospital, patient contentment as well as clinical outcome have been concertedly named as primary success criteria by the executive medical director, the clinical directorates as well as the assistant clinical directors and physicians. For the surgical departments, 'clinical outcome' can be established by the number of health complications, e.g. the number of inflammations, in comparison with clinical standards as depicted in professional journals. Patient contentment is being recorded systematically by filled-in feedback forms per patient as well as in the form of patient feedback interviews.

When compared with aforementioned four organisations, the collected university data (provided by the vice-chancellor, the deans and faculty heads and the university professors) displayed a lesser degree of conformity with a view to work success criteria. The following success factors have been named: topicality and international orientation in research and teaching, integration and association of teaching and research into and with the regional community, emergence of research foci, attractiveness of the university to students and other interest groups, quality in research and teaching and the overall reputation with students and within the scientific community. Hence, the indicators with the help of which success is measured are quite disparate: the number of professorships within a specific faculty/deanery, the number and classification of publications, feedback by students and other

interest groups and, similarly, the number of lecture invitations and invitations to science-related events and congresses resp. symposia. Even though overlaps in the success criteria were detectable, the success standards, here, are rather person-than organisation-centered - a finding, previously reported elsewhere (Grossmann 1997; Pellert 1999; Hanft 2000).

The results of our investigation into the five knowledge-intensive organisations lead to the conclusion that the success of knowledge work can be precisely defined and even measured within specific limits. Does this finding support the argument that the definition and measurement of expert work does not differ at all from the management of execution-oriented work?

Particularities in the definition and measurement of success in expert work

According to our findings, this conclusion is not admissible.

With regard to the definition of success in expert work, the particularity emerges if one does not focus on the statements made by the interviewees, but on that which precisely has not been explicitly said: The aspect of productivity. Producitivity in it's original meaning denotes the relation between the amount of output and the amount of input (Pedell, 1985). This aspect has not been named as an accountable success criterion in any one of the organisations examined. This finding can also be corroborated by explicit statements such as: "I am asked: How long is it going to take you to perform this operation? And I always say the same thing: Until it has been concluded… That is not the important thing. The important thing is the outcome of the operation." Or, for the sphere of software engineering: „Well, if I wrote down into it [cf. the development plan]: 'The function has to be completed within three months' and if the colleague is still working on it half a year later, then, evidently, I misjudged the required effort, evidently. Well, that would be such an indicator: Do you achieve what you have planned beforehand or not?" Time-input and capacity-input are rather regarded to be constraints with a view to the attainment of a specific aim than as success criteria in the work process.

The above statement is contradictory to another statement made by all participants in respect of the question of the biggest challenge when directing their own work processes: the difficulty of coming to terms with the enormous amount and variability of tasks to be executed within a restricted amount of time. One can, therefore, state that 'productivity' in knowledge-intensive firms is an issue of importance without being broached as such and without being named as a success criterion for expert work.

In respect of the measurement of success it has to be pointed out, that in all organisations examined, management-by-objectives is in place, and, within this context, the question of performance assessment has to be answered by the respective executives. At this level, it can be noted that executives do not, as a rule, base their assessments of the individual expert on the success criteria outlined above, but rather on criteria such as: degree of competence and professional behaviour the individual expert displays in meetings and conferences, responsiveness when confronted with special requests and special assignments, degree of commitment of the individual worker in special tasks as well as the reputation the expert has achieved with customers and colleagues. Primary criteria for the assessment of the individual expert are, thus, not so much above-mentioned measurable success criteria as rather the display of competence and performance by the individual expert him-/herself or reports thereof by third parties. This finding again has been supported by interview statements such as: "We are lucky, here, since we work locally proximated, here, in one, two buildings, and, thus, …the management can work on signals, here, I believe, ok? And this means that…, I think, one issue is the issue of peer recognition." Or: "A further component consists in …My colleagues do have a target there: 'Do good and make it known'. We are naturally always trying to display our contribution to business. And I undertake continual efforts in those, those [cf. monthly reports] to invite and prompt my colleagues to give a representation of what, what we have achieved." The only remarkable exception to this general approach to performance assessment can be found in the hospital examined, where adherence to professional medical standards constitutes the primary criterion for performance assessment.

According to the research results the particularities in the definition and measurement of success in

expert work – in comparison to execution-oriented work- consist in two aspects:

1. With regard to success definition, productivity in terms of outcome in relation to the invested resp. available time seems to be an issue without being perceived as such.
2. The individual performance of an expert is, in large parts, not assessed according to measurable success criteria, but rather according to the display of performance by the expert or by third-party reports thereof.

Are there any explanations that can illuminate above findings?

Explanations

In order to find an explanation for the first finding mentioned above, i.e. productivity as a cognitive underrepresentation in knowledge-intensive organisations, one could revert to business-specific constraints: Specific businesses such as software or hardware development companies follow a predefined schedule issued by a customer or a project sponsor. Any acceleration of development cycles apart from the critical path does not offer any added value. In other businesses such as medical organisations or consultancy firms, goal conflicts are solved in favour of the quality goal, as a matter of principle. In the university context, as a third example, it is hard to find any relevant meaning of 'productivity' relevant to the academic sphere.

These explanations coincide in large parts with the findings of previous research in knowledge work (Sumanth, Omachonu & Beruvides 1990; Pfiffner & Stadelmann 1999; Hermann 2004; Hube 2005) which proposes, that the performance of knowledge work cannot be adequately operationalised in terms of output-effort-relations, but rather in terms of the contribution of certain measures to attaining a predefined goal. Therefore, successful knowledge work is to be distinguished rather by indicators of effectiveness than by indicators of efficiency.

However, another possibility to explain the lack of producitivity-orientation in expert work according to the interview data consists in that the subject of productivity is always allocated to an abstract economical sphere. It is never broached as a topic of 'time management' or 'priority control'. If the subject of productivity is seen as such, it attains the topicality of a 'top three topic'.

An explanation for the finding that expert performance is usually not assessed according to measurable success criteria lies in the fact that the relation between success criteria measurability and their controllability through the expert worker is an inverse relation: It is true that bugs in the software code, errors in the circuit diagramme layout, missed stakeholder milestones, increases or decreases in the turnover on customer accounts, post-operative complication rates or the number of articles in academic A-journals are measurable – however, their realisation is not exclusively dependent on the efforts undertaken by the individual expert worker. In order to attain these success criteria, further non-manageable variables have to correlate as well: customer requirement levels, customer change rates, quality in personal and institutional customer relations, levels of cooperation at intra-organisational work interfaces, performance delivered by other intra-organisational departments, organisational reputation with the organisation's stakeholders, disposable capacities, unpredictable external complication causes or the extent and quality of personal and organisational social networks. These factors can be influenced, in part, by the expert. They are, nevertheless, not entirely at his/her command nor are they entirely controllable through him/her.

Two additional reasons for the phenomenon that indirect auxiliary indicators rather than direct success criteria are being applied when assessing the performance of expert workers lie - with differing emphasis - in the first place, in the existence of a factual knowledge asymmetry between experts and their managers, and, in the second place, in an intransparency of the expert worker's work as perceived by the manager, since design engineers, consultants, physicians and professors, as a rule, conduct their work in an exceptionally autonomous way when working on tasks or projects.

Managers in knowledge-intensive organisations, therefore, cannot gain but an indirect insight into the performance of their expert workers – an indirect insight imparted by reports handed in by the expert him-/herself, by reports through third parties as well as through further forms of competence representation. The observation that achievements in knowledge-intensive organisations have to be displayed and made visible has been pointed out, yet, only by researchers with a sociological

background, such as Michaela Pfadenhauer (2003) or Mats Alvesson (1995; 2004). At the same time, the question remains to which extent a persuasive display of performance and competence correlates with effected performance and competence.

The question remains what can be done in order to impart the subject of productivity in a mode that is relevant for expert work and in order to implement a more 'professional' way of assessing expert performance?

Consequences

In respect of the framing of the subject of productivity it can be concluded that the modality of addressing the subject seems to determine the degree of attention the subject attracts. An adequate approach – in our opinion – has been brought forward by Fredmund Malik (2006). In his Drucker interpretation "Managing, Performing, Living", he characterises good and suitable management among other things by an orientation by the principle of "concentration on few tasks" and by the usage of tools such as "job design and assignment control", "personal work methodology" and "systematic waste disposal". This approach allocates the subject of productivity to the personal level and asks, on that very level, how the ratio of outcome and expenditure of time can be optimised. In our view, this interpretation of productivity has considerably higher chances to attract attention as a relevant subject in the typesw of organisation here examined.

With regard to performance assessment of expert work, the predominant challenge seems to consist in the detection of relatively valid criteria for the measurement or assessment of the work performance of expert workers. At the hospital examined, we were able to find an approach with a view to the solution of said problem: The surgeons' performance is not primarily assessed in view of complication rates, which may not completely be in their sphere of command, but in view of the compliance of the applied diagnostic, surgical and post-operative measures with current clinical standards. The clinical staff is, therefore, required to have at its command a repertory of applicable and verifiably effective treatment methods. Said professional standards in methods have to be mastered by the clinical personnel as well as selected with professional discernment (Abbott, 1988). To phrase it differently, practically oriented research is required, which verifies method effectiveness and makes its findings public, as well as the systematic training of said methods and of aforementioned professional discernment until mastery thereof has been attained.

We came upon all those elements in the hospital examined: The consolidation of surgical knowledge and capabilities takes place within the context of a six-year long residency during which the doctor-in-training has the opportunity to continually discuss and peruse in detail with an experienced practitioner all diagnoses and surgical treatment regimes prior to surgical interventions, during which he/she undertakes surgical interventions under the supervision of a senior surgeon and receives continual feedback on his/her performance. Innovation in established clinical standards only preliminarily supersedes established standard methods if sufficient scientific evidence has been gathered that the new standard surpasses well-established ones. With the help of this course of action, i.e. a "learning on the job"-principle resp. "accompaniment-principle", in iterative Stepps, an increasing degree of responsibility is transferred onto the expert worker. Aside from the improvement aspect, a generally acknowledged and verifiably effective repertory of diagnostic, surgical and post-operative procedures serves as a basis for performance assessments. For the hospital examined, the performance-enhancing effect of said two measures can be corroborated with the help of "complication rates" which are persistently below the statistically determined average.

We were not able to detect any comparable concept of performance assessment and enhancement in any of the other institutions examined, neither in the software nor in the consulting nor in the hardware nor in the academic environment. The procedures applied in these institutions, which tend to be rather trend-dependent, are generally lacking in verifiable effectiveness and also tend to be little binding, a fact criticised by the research participants. Equally, no comparable concept for the formation of professional judgement and the command of adequate methods can be found anywhere apart from the hospital examined. Human resource development concepts often favour training courses and project assignments that rather resemble "throw-in-at-the-deep-end"-strategies (Berthel & Becker, 2007).

From this perspective, a concept for performance measurement and enhancement in knowledge

work would necessitate the devising of a fixed set of professional, verifiably effective standards, the command and application of which would be systematically trained "on-the-job" for several years. This concept could simultaneously serve as a binding basis for performance assessments in expert work. In the software development firm and the consulting company, initial steps towards such a model were in effect via the institutionalisation of professional career paths and professional certifications, which still lay considerable emphasis on knowledge rather than on accomplishment. It is also true that in this environment the effectiveness of specific methods has, up to the present, not been verified and that their relevance for performance measurements is still not evident. We are of the opinion that the described approach would initiate a professionalisation incentive in expert work in the domains of software and hardware development, consulting and science (research and teaching) – and this, independently of their recognition as actual "professions" in society (vgl. Etzioni, 1969).

With the consequences delineated above, only a rough approach has been outlined in order to solve or - at least - minimise the issues identified in the research. An approach in the wake of which a number of further questions arise which still require clarification.

Further questions

The concept - here propounded - for a further professionalisation of the management of expert work success leaves some central questions unanswered:

1. How can the effectiveness of specific methods and tools be statistically proven?
2. Who is in a position to define the body of knowledge of standardised and verifiably effective procedures and methods: training institutions, interbranch professional interest factions or any single organisation?
3. How can the practical incorporation of said standards into training practice and into performance assessment practice be effected?
4. How can evidence be provided that the command and application of professional methods – not further intervening variables – make a contribution towards the achievement of business goals?

Some of these questions have already been addressed in individual organisations, branches and disciplines: in the form of defined 'bodies of knowledge' whose effectiveness, however, remains to be proved; in the form of research papers on investigations into the effectiveness of single domain-specific and intersectorial procedures whose validity for other organisations and branches remains, nevertheless, still controversial; in the form of organisational practices consolidating binding standards and propagating them with a view to their mastery and application.

It is the task of every organisational unit within knowledge-intensive firms to detect suitable and effective standards, to consolidate them and to incorporate them into an enhancement and assessment programme for expert workers. If this undertaking succeeds, the respective organisation approximates with a high probability that which resource-oriented approaches from the sphere of strategic management call collective and strategic 'capabilities' or 'core competencies' (Wernerfeldt 1984; Prahalad & Hamel 1990; Barney 1991; Grant 1991). At this stage, the question of success on the level of the individual expert worker turns into the question of success on the level of knowledge-intensive organisations and, hence, from an operational to a strategic level.

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CHANGE MANAGEMENT. NECESSITY OR TREND

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Abstract :

The magnitude of today's environmental, competitive, and global market change is unprecedented. It's a very interesting and exciting world, but it's also volatile and chaotic. In this case, that name of the game for you and your organization is survival. If you are going to withstand relentless and constantly growing global competition, you need to be different and radically change the way of doing business. You have to give up the old hierarchical, adversarial approach which wastes individual talents and saps energy in unproductive conflict. Instead you need to create a new management model, switch from management to leadership, manage change, build trust, drive out fear of failure and and create productive partnerships in which everyone can offer their unique knowledge and talents. If you know how to help your organization to do this, you can make a decisive difference.

As current products are becoming obsolete faster than ever, in order to survive and prosper, organizations continually need to improve, innovate and modify their products and services. The rate of change in today's world is constantly increasing. Everything that exists is getting old, wearing out and should be replaced.

To cope with an unpredictable world you must build an enormous amount of flexibility into your organization. While you cannot predict the future, you can get a handle on trends, which is a way to take advantage of change and convert risks into opportunities.

Key words:

Change management, competition, leader, learning organization, opportunities, cultural change, communication.

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Change is the window through which the future enters your life. It's all around you, in many types and shapes. You can bring it about yourself or it can come in ways. The magnitude of today's environmental, competitive, and global market change is unprecedented.

In today's tidal wave of global economic, technological, and social change, that name of the game for you and your organization is survival. If you are going to withstand relentless and constantly growing global competition, you need to be different and radically change the way of doing business. You have to give up the old hierarchical, adversarial approach which wastes individual talents and saps energy in unproductive conflict. Instead you need to create a new management model, switch from management to leadership, manage change, build trust, drive out fear of failure and create productive partnerships in which everyone can offer their unique knowledge and talents. If you know how to help your organization to do this, you can make a decisive difference.

To cope with an unpredictable world you must build an enormous amount of flexibility into your organization. While you cannot predict the future, you can get a handle on trends, which is a way to take advantage of change and convert risks into opportunities.

One of the keys to dealing with change is understanding that change in never over. "Change brings opportunity to those who can grasp it, and the discontinuities of the new economy offer unlimited opportunities."1

The successful companies in the future will be ones wise enough to harness the full potential of the

entire organization in the rapidly changing business environment. "The world is going to be too tough and competitors too ingenious as companies are shaken loose from traditional ways of conducting business. Twinners will be the unbridled firms that are responsive to challenges and adroit in both creating and capturing opportunities. To match a business environment that is more networked within and among companies, the ability to manufacture value will have to be distributed across the company to much a greater extent than in the past."2

Why do need to anticipate change? Becouse we whant to think faster than our competition

Change represents an opportunity for your business and it must be anticipated and prepared for. Foresight and change anticipation is a hallmark of effective leaders. Technology, radical innovations, new business models, globalization, demography, consumer demands and choices all contribute to making today's society one of accelerating change. The drivers of change are numerous and complex, and their impact varies from one sector to another. The way change affects your company depends largely on the capacity of key actors to anticipate and prepare for such an eventuality. Existing business models and strategies may be threatened by changing circumstances. Adapting too late or too little can result in disaster for your business. If you wish to avoid a long and painful adaptation process you must improve your capacity to anticipate and prepare for future change at the earliest interval.

In today's rapidly-changing economic climate, your company will have a competitive advantage if you succeed in integrating change into your business strategy effectively.

The ability to anticipate is one of the key ingredients of efficient speed and change management. "Being able to anticipate that which is likely to occur in the next few months and the next few years is enough to give you an edge over 99% of the population who simply go along with whatever happens".3

How to think faster than our competition

1. It's better to be the first than it is to be better.
2. Being first in any category is going to give you the edge – being the leader comes from being first. It's much easier to get into the mind of consumers first than try to convince people you have a better product or service than the one that did get there first. Improvements are always made to product/service inventions and innovations but the first in has a head start. Once you are the leader, a position mostly gained by being first, it is pretty hard for competitors to dislodge you, as long as you keep your products up to date and of comparable quality.
3. Further, the first in to the market has the opportunity to have its brand name adopted as the generic category name. Once you are first and get the consumers to buy your brand, often they won't bother to switch. People tend to stick with what they've got.

To be able to think fast, you need to "understand the primary drivers of change, work at staying plugged in, constantly search for new combinations, and work on developing a sense of heightened perception."4

The fastest companies in the world think fast because of their ability to:

- anticipate
- spot trends
- create environment that does let the best idea – regardless of origin – win assess accurately and quickly the potential of new ideas.5

Why change management?

You can bring the change about yourself or it can come in ways that give you little choice about its what, when, and how. Fighting against change can slow it down or divert it, but it won't stop it however. If you wish to succeed in this rapidly changing new world "you must learn to look on change as a friend - one who presents you with an opportunity for growth and improvement."6

Most people don't like change because they don't like being changed. When change comes into view, fear and resistance to change follow – often despite its obvious benefits. People fight against change because they:

Resistance to Change in the Workplace: Main Reasons:	
Fear of the unknown.	Change implies uncertainty, and uncertainty is uncomfortable. Not knowing what may potentially happen often leads to heightened anxiety. Resisting change is one of the anxiety-reducing actions.
Fear of failure.	The new order may require skill and abilities that may be beyond our capabilities. There is resistance to trying a new approach as people know how to operate in the existing order, but fear they will not be able to the new skills and behavior that will be required of them.
Disagreement Losing something of value with the need for change.	Associates may feel that the new direction is a wrong direction.
Losing something of value.	All associates want to know how the change will affect them. If people believe they will wind up losing as a result of the change, they will resist.
Leaving a comfort zone.	People are afraid to go after what they want because it would force them to stretch their comfort zones. It's only natural to put off things that scare us, to sidestep goals that require us to leave our comfort zone and take a risk.
False beliefs.	To put themselves at ease and avoid taking the risk, many people fool themselves into believing everything will all work out someday by itself.
Misunderstanding and lack of trust.	People are afraid to go after what they want because it would force them to stretch their comfort zones. It's only natural to put off things that scare us, to sidestep goals that require us to leave our comfort zone and take a risk.
Inertia.	All organizations suffer from inertia to some degree and try to maintain status quo. Change requires effort, oftentimes, a significant one. So, don't underestimate the power of fatigue and burnout.

- fear to lose something they value, or
- don't understand the change and its implications, or
- don't think that the change makes sense, or
- find it difficult to cope with either the level or pace of the change.

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Inertia. All organizations suffer from inertia to some degree and try to maintain status quo. Change requires effort, oftentimes, a significant one. So, don't underestimate the power of fatigue and burnout.

Resistance emerges when there s a threat to something the individual values. The threat may be real or it may be just a perception. It may arise from a genuine understanding of the change or from misunderstanding, or even almost total ignorance about it.

The rate of change in today's world is constantly increasing. Everything that exists is getting old, wearing out and should be replaced. "Revolutionary technologies, consolidation, well-funded new competition, unpredictable customers, and a quickening in the pace of change hurled unfamiliar conditions at management."7

How you change a business unit to adapt to shifting economy and markets is a matter of management style. Evolutionary change, that involves setting direction, allocating responsibilities, and establishing reasonable timelines for achieving objectives, is relatively painless. However, it is rarely fast enough or comprehensive enough to move ahead of the curve in an evolving world where stakes are high, and the response time is short.8 When faced with market-driven urgency, abrupt and sometimes disruptive change, such as dramatic downsizing or reengineering, may be required to keep the company competitive. In situations when timing is critical to success, and companies must get more efficient and productive rapidly, revolutionary change is demanded.

When choosing between evolutionary change and revolutionary action, a leader must pursue a balanced and pragmatic approach. Swinging too far to revolutionary extreme may create "an organizational culture that is so impatient, and so focused on change, that it fails to give new initiatives and new personnel time to take root, stabilize, and grow. What's more, it creates a high-tension environment that intimidates rather than nurtures people, leaving them with little or no emotional investment in the company."9

In the Harvard Business Review article "Leadership That Gets Results," Daniel Goleman cites research which shows that up to 30% of a company's financial results are determined by the climate of the organization.10

And what is the major factor that drives the climate of an organization? It's the leader. In Primal Leadership: Realizing the Power of Emotional Intelligence, Goleman states that roughly 50-70% of how employees perceive their organization's climate is attributable to the actions and behaviors of their leader.

In the new era of rapid changes and knowledge-based enterprises, managerial work becomes increasingly a leadership task. Leadership is the primary force behind successful change. Leaders empower employees to act on the vision. They execute through inspiration and develop implementation capacity networks through a complex web of aligned relationships.

A leader creates the environment that determines people's moods at the office and their mood, in turn, affects their productivity and level of engagement. When we move the curtain a bit, we can see clearly that a leader's bad mood is a source of infection – an emotional contagion that eventually spreads across people to entire units. We can learn a thing or two from leadership in the military. Imagine the effect on troop morale and energy that an "overwhelmed," "anxious," "worried" or "irate" leader would have. And how about a leader who is plagued by uncertainty? Indecision, is contagious. It transmits itself to others. It can become debilitating and habit-forming in an organization, as people take their cues from the leader's state of mind.

Many companies are extremely cautious not to make errors and some are so shielding that they spend enormous amounts of money, time and human effort to research plans thoroughly in an effort to avoid mistakes. Yet case studies in business schools show us time and time again that regardless of this effort mistakes are bound to happen. In addition, the accelerated pace of change and current ease of new entrants to new markets due to technological advantages leave no time for companies to research every possible in and out. For example, by the time that IBM and Compaq decided to create an online sales strategy it was too late. In fact IBM and Compaq did not seem to notice when Dell decided to sell computers over the Internet. How could this be? Well people develop habits. They have emotions. They become blind to things that become familiar. They have their own unique points of view. These factors produce cultures and dynamics that paralyse efforts to do something new. Including looking at small start up firms, like Dell, as a competitive threat and making a quick jump to new, innovative technology. IBM no longer makes PCs and Compaq is foolish for even suggesting that they will be able to compete with Dell online.

Clearly freedoms must now, more than ever, be in place to allow employees to change strategies quickly and without scrutiny. Doing more with less, in less time, is now a survival necessity for firms of all sizes.

The role of learning organization in knowledge management process

The concept of learning organization is in close connection to the concept of organizational change as a means of achieving a dynamic competitive advantage. The fundamental difference is that learning is part of the strategy "oriented to specific resources" and not "oriented to flexible resources", in which the available resources are turned into unique strategic competencies which cannot be copied by other organizations. If we refer to organizations and learning we must also mention what Reg Revans called Active Learning, a method used for personal training, training specialists

and organizational learning. Grouped in small teams (named active learning groups) people approach important and learn from achievements in order to change things. Active learning includes four elements: the person itself, the active learning group, the respective problems and the measures taken in order to solve the problems which allow learning. The set of values that organizations work with and which constitutes the subject of learning is a complex one and has determined theoreticians to establish conceptual hierarchies of knowledge. The model of the five levels11 that we present below reflects the progressive accumulation of the value of the data as they turn into competencies (see figure 1).

Therefore, it is obvious that the data are a priori than isolated elements. When elements are placed into context and combined within a structure, the information acquires higher values. The information acquires new meanings by interpretations and assimilations, thus turning into knowledge. On this level, information is placed inside a mental structure and can be consciously used, for example, in order to anticipate future consequences or to make a decision. By using this knowledge in making different choices we behave in an intelligent way. Eventually, by orienting intelligent behavior to a sense of duty and tactic vision, we can state that this behavior is based on wisdom. Each transition enriches the value of the initial data thanks to human efforts. This model of knowledge building is somewhat similar to the linguistic process of using letters to build words which are then combined into coherent sentences and later into elaborate judgments which can influence behaviors.

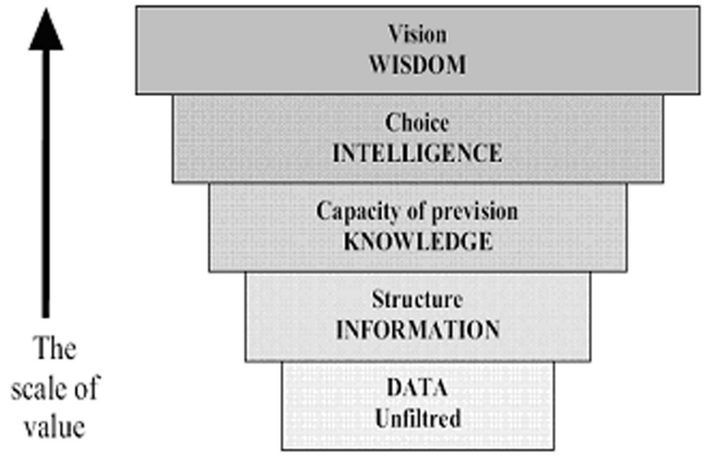

Figure no. 1 The hierarchy of knowledge

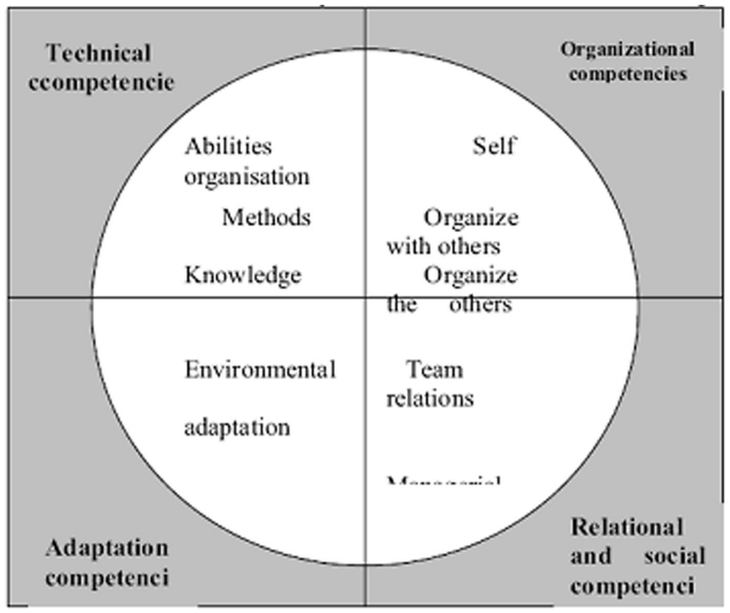

Figure no. 2 The four types of competencies

In order to achieve maximum efficiency, knowledge has to be systematically accumulated and distributed in order to consolidate basic competences and the visions of the organization. On the other hand, the amount of competencies is infinite and there is a need for their systematization. We shall discuss the representation of the classification done by Claude Fluck12, who sees technical competencies, adaptation competencies, organization, relational and social competencies as essential to the future organizations.

In the process of evolution and learning of an organization, its members must share a permanent common goal of developing their competencies. On all markets, competition is becoming harsher and harsher and companies must adapt by developing strategies which center on promoting learning and encouraging new ideas. A learning organization is therefore an excellent source for competitive advantages. Organizations cannot rely anymore on a single leader or on a small leading committee. The more perspectives and points of view, the wider will be the capacity of the company to understand and learn at all levels. The learning organization also promotes the principles of goal complementing between the members, cooperation, self accomplishment etc. A new process is always difficultly accepted and reluctant attitudes cumber the efforts of managers trying to transform learning organizations. This is a very serious matter of overcoming prejudices, unchangeable behaviors and beliefs.

The nature of the learning organization

As we have already shown, in a learning organization, employees get over a passive attitude and choose to constantly develop their capacity of achieving the desired results. Some theoreticians (Chris Argyris) argue that the greatest benefits of this kind of organization are the increase of the capacity for noticing and remedying errors as well as identifying opportunities or inadequate moments. Japanese organizations owe their success to the abilities and the intensive promotion of organizational learning. As far as the modality in which organizations learn is concerned, the “social” way represents the rule. By working together, people learn to achieve the common coals. Individuals help one another to learn and form groups which make the whole organization efficient. Learning is collective and interrelational and contributes to the shaping of an emerging vision. We can consider that learning proper belongs to the following three interconnected areas: individual learning, team learning and systemic learning. Its social character is much more important than the personal aspect, development takes place with the help of the others, dialogue and cooperation are essential components of learning and cultural practices (beliefs, practices, values) are defined by social contacts as well.

The opportunity of initiating an organizational learning lesson can arise any time, but mostly during quality workshops and employee training programs. In this way, attitudes, systems of values and models for organizational behavior can be analyzed. A learning organization isn’t one which develops via continual training programs of its employees but one which grows thorough individual and collective aptitudes. A primary characteristic of the learning organization is its need to be projected and systemically organized, to be conceived as a common direction to progress. Although generally accepted, this direction for action is not a personal initiative of each person but one that needs coordination. Only by using dialogue do individuals gradually learn through mutual questions, common research and exchange of opinions. Through a permanent dialogue, individuals create a climate of trust and can undertake research and explorations and develop cohesive values and conceptions within the organization. However, a permanent dialogue presupposes overcoming prejudices and stimulating group reflection, emotions and actions.

Such an organization should have the following characteristics:

1. to constantly provide learning opportunities;

2. to use instruction in order to achieve its goals;

3. to find a connection between individual performance and organizational performance;

4. to encourage dialogue and to create an environment able to encourage the employees to express their opinions and to take chances;

5. to permanently keep in mind the connection with the environment in which it works.

Moreover, overcoming preconceived ideas and judgements represents another characteristic of the learning organization. That is why individuals who have a capacity to analyze, interpret, transfer

and retain knowledge are appreciated. It is not enough to have multiple points of view, the members of the organization should be capable to revise and reformulate their own beliefs. Among the characteristics of the organization we may also mention the development of a constructive sense, oriented towards novelty, dynamics, flexibility and multiple interconnections.13 In order to achieve a high level of the knowledge management systems, companies must ensure continuity and an efficient access to data, an automatic organization of the data as well as their systematization and storing while conceiving instruments of expertise.

Barriers and opportunities

The ability to learn is limited by certain economic, technological and mostly socio-human factors, which, at a certain level can represent a barrier to progress.

1. Creativity. The rigidity of organizations is caused by the incapacity of their members to acknowledge the imperfection of the present norms and their conceptions of the world. Although complexity and dynamism cause fascination, everybody has a tendency to simplify and fragment responsibilities. Although crises should represent learning and competency development opportunities, people prefer returning to the situation before the crisis. Creativity is refused, new ideas are reluctantly accepted, their authors unfortunately blamed. When faced with complex situations, very few accept the lack of competency. Creativity is, actually, one of the defining characteristics of the learning organization. This characteristic determines the degree of adaptability of the organization, it helps noticing and foreseeing the necessities of the market it caters for. The level of creativity is given by the amount of fluidity (detail and fineness), of originality (singleness) and the frequency with which new ideas arise.

The vitality and the quality of a learning organization may be determined by employing the following questions:

- among the goals of the organization is there the goal of learning the customers’ wishes?

- is risk taking stimulated?

- are the efforts for innovating encouraged without imposing the recovery of the investment?

Some organizations have successfully tested the introduction of a culture of innovation. Managers have had resources for testing the serious ideas. These leaders were forced to listen to all the suggestions of their employees and to justify the rejection of each proposal.

2. The difference between individual learning and the learning organization. In a learning organization models of action which can be applied both individually and to a whole part of the organization coexist. Peter Senge14 argues that there are five individual characteristics that allow leading a learning organization:

- acquiring self-control;

- a clarification and a recheck of mental models;

- the building of a common vision;

- team learning;

- a systemic thinking.

However, we must not equal the sum of individually acquired knowledge and organizational learning. Acquiring knowledge in an organizational context presupposes creative qualities as well as fellowship and cooperation. Aspects such as organizational culture, employee attitudes and a low level of training resources hinder the acquisition of new competencies. On the other hand, mutual trust and respect between members, the wish for learning, facilitate organizational learning.

3. The rigidity of the organization. Some mangers fail to understand the role of organizational learning if the new conceptions do not correspond to standards and regulations. The rigidity of the organization thus blocks innovation. When members take defensive positions, their resistance to learning becomes quite serious.

4. Another barrier to developing a learning culture is the level of personal interactions, as human learning is not identical to technological learning. A lot of people are content with working with synthetic impersonal and quantitative information

of standards, ethic codes, norms and regulations. Work should also involve to a higher degree feelings, emotions, beliefs and life experience. Peter Sange identifies seven misconceptions15 which expose as many organizational learning disabilities, among which we can count: “I am my

job", "everybody is my enemy", "the ultimate rule is to be proactive and circumspect", "objectives should be established n a short-term", "we learn best from our personal experience".

In other words, we are talking about synergistic factors such as:

- creativity;

- abilities for organization and coordination;

- possibilities of communication.

Economic efficiency depends primarily on managing the human and social relationships.

A new conception, a new reality

Never has the necessity for team organization been greater than now, said Peter Senge. Team learning is vital, as it is the teams and not the individuals themselves who are the fundamental learning unities in modern organizations and it is only through them that the organization can evolve. Team learning is the process which generates unity in action and helps develop the capacity of a group to obtain the results wanted by each of the members, starting from a common vision. Therefore, each member of the team must take part in dialogues and discussions.

The first level of collective learning is team learning. An efficient organization depends on the way in which every member distributes resources, offers and receives help, organizes his work and is open to cooperate with the people around him in order to achieve common goals. Such behavior appears only when there is trust and people believe that each member is contributing to the success of the organization and does not use the resources for personal gain, but for the gain of the organization16. It is relevant to mention the fact that learning organizations can adapt to the environment, have a capacity for permanent change and allow both individual and collective learning. The essence of the learning organization is its capacity to use its member's extraordinary mental capacity to create such a process as to lead to its own improvement.

The importance of leaders for learning organizations: qualities, roles, types

Organizational management must continually aim at: change, internal harmony and diversity. The perpetual transformation within the organization (its structure, culture, systems, policies etc.) may lead to a feeling of uncertainty. Both managers and employees must develop abilities and competences which can sustain an efficient functioning of the organization during the process of change. Encouraging opinions and expressing new ideas lead to a constructive conflict and by avoiding extreme actions consensus can be reached (internal harmony). Problems can be solved in multiple ways and the opportunity of displaying solutions may facilitate personal contributions and bring personal satisfactions, but at the same time diversity in managerial decisions brings about competition, risk and stress. The learning organization must renew its conception of leaders. Leaders become designers, trainers, teachers, entertainers, and assistants of learning.

The mangers must change their vision according to which they only have to take decisions and the employees must understand that performing their jobs is not enough. In a learning organization, leadership means knowing how to instruct and accompany. The position of a leader is exclusive, not authoritarian; it is learned and won. Organizational learning may be considered a process through which the organization learns the "art of non-action" according to the Chinese principle Wu-Wei. In essence, the concept doesn't refer to passivity but to wisdom. The manager must examine the situation, listen to the opinions and the perspectives shared by the others, profoundly reflect on the situation and act only when he is convinced about what action is best.

According to specialists, leadership is essential for an organization which accepts, encourages and turns learning to profit. Leadership is essential for stimulating, encouraging the employees by virtue of their personal contribution to organizational learning. Among the principles of leadership, the most important for the learning organization are the following:

- prioritizing organizational learning as part of the global strategy;

- communication (the leaders understand and communicate the others the strategic importance of learning);

- legitimacy (at any level learning takes time and needs resources);

- the power of personal example, if leaders act exemplarily and promote personal involvement and collective work, sustaining and encouraging organizational learning. Leaders represent a source of inspiration for the employees.

Cultural change – a sustained effort

Establishg the culture of innovation requires a broad and sustained effort. Though changing a company's culture is never easy, with the right leadership, cultures can be reshaped and amazing results can accrue. Establishing an attitude of relentless growth is what enables an organization and its people to achieve their goals. The spirit of relentless growth keeps fresh ideas flowing and reinvigorates your company. Today most leaders recognize that "culture" plays an important role in an organization's ultimate success.17 Accordingly, there are many popular strategies for shaping culture: training programs convey vision and values statements to help assimilate new employees; leadership development programs provide managers with tools for becoming "better leaders"; and change management initiatives help drive new structures and programs designed to increase organizational effectiveness. Virtually all companies recognize intellectually that innovation and culture are both important to success. Yet few have explicitly defined strategies for linking and influencing culture and innovation to achieve specific business goals. Most companies have default innovation cultures in which various values, norms, assumptions and beliefs all compete for influence over employees' actual behavior. The dominant ones that win out ultimately shape the culture.

The strategic levers of culture

One of the challenges in defining strategies for shaping culture is that culture is influenced by just about everything a leader does. From major organizational structure redesigns to "passing comments" that convey subtle value judgments, culture is dynamically created and re-created every moment of every day. Understanding the broad strategic levers that influence culture is usually the best starting point.

By viewing culture as the result of various explicit and implicit decisions, actions and events that have transpired over time, it becomes possible to identify the factors that shape and drive culture. The following model suggests that culture results from the ongoing interplay between several variables including:

- The external environment – emerging trends, competition, customer, technology, environmental, regulatory and other factors that influence the organization from the outside
- Strategy and business model – the organization's explicit (or implicit) strategies for competing and growing within the external environment
- Leadership – how the organization's leaders influence strategic direction and day-to-day operations
- Processes – how strategies are executed and how work is accomplished through day-to-day practices and interactions
- Structures – the formal (and informal) organizing principles that enable (or inhibit) collaboration and guide behavior
- People – the skill sets and mindsets of individuals that work together to achieve common goals, including employees, partners, suppliers, etc.
- Metrics & Incentives – the formal (and informal) measures that drive the behavior of individuals, teams and departments
- Technology – Capabilities that provide the basis for providing and delivery value

The external environment influences an organization's overall strategy – as well as its culture and the results it achieves. While managing external forces is challenging if not impossible, an organization's strategy and business model should ideally take into account these external influences that represent opportunities and threats.18 Once strategy is defined, the internal, organizational requirements for the appropriate execution can then be put in place (i.e., strategy must drive

structure). Both culture and business performance result directly from the degree of alignment between the strategy and the organizational requirements. While this model may appear static, managing the levers is a dynamic process that requires ongoing attention.

Idea procurement and implementation

In order to flourish your firm's culture must encourage and nurture ideas rather than kill them. If an employee has a great idea and has it quickly squashed and mocked by their superiors they tend to stop sharing their thoughts in fear of more rejection and humiliation. An antagonistic culture that fights change of any kind is the ultimate idea crusher and will not be able to keep up with a fast changing society. Larry Yukron, owner of Adventure Experts and former Qwest Communication executive, related that several firms in Silicon Valley have installed a "five minute rule."

The Five Elements mean Movement, Change, and Development. They are changing, moving, waning, and expanding all the time.The most important of all is the balance of all five elements. The movements of five elements are stable and predictable when they are in balance, and vice versa.(Five Elements, Norah McIntire)

Balanced Organization: 5 basic elements

Leadership Corporate vision inspires and energizes all employees;Leaders are energized, communicate strategic direction, and lead by example;Leaders inspire and energize people, provide coaching; Leaders create positive change and see change as an opportunity

Culture Shared values link the organization together; all employees live the values; Corporate culture inspires people and nurtures an attitude of relentless growth; Team culture reigns, teams are infused with purpose, personality, and passion; Customer-focused quality culture and continuous improvement culture established

Employees People are sharply aligned with corporate vision and strategies; Individuals and teams are empowered and have a decision-making authority; People hate and fight bureaucracy relentlessly at all organizational levels; Innovators have freedom to experiment, fail, and begin again more intelligently

Performance Motivation systems encourage extraordinary performance from all employees ;Suggestion systems involve all employees in continuous efficiency improvement; Coaching environment helps people unlock their true potential; Effective performance measurement system is established

Capabilities Effective creativity. idea, and knowledge management systems are established; Teamwork is made a religion, cross-functional innovation teams are empowered; Cross-functional synergies are exploited, diversity is leveraged; Leadership development programs help grow leaders at all organizational levels

The rule permits anyone to suggest an idea. Then for the first five minutes after the idea is expressed only positive comments can be made. By the time the idea is talked about for five minutes it has usually spun into an impromptu brainstorm session that cultivates truly great ideas and some form of the discussion is often implemented. Firms today must enthusiastically welcome new ideas and suggestions. If an idea is properly given attention it just may become a solution to a problem, the next great marketing campaign, or even the perfect incubator for your next innovative product or service.

Furthermore, we must be certain to do something with all generated ideas. If we encourage ideas, and then sit on them without taking any action, we will not get ideas generated in the future. In addition, if we must reject or decide not to implement an idea without providing an adequate justification, firms will lose the future goodwill and creativity of these individuals.

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Empowerment

Ideally, empowerment of employees results in increased initiative, involvement, enthusiasm, innovation and speed, all in support of the company's mission. The word empowerment means to authorize, enable, and to permit. Defining and encouraging empowerment is the job of leadership. However, traditional leadership in a multi level organisational structure may be fearful of empowering their subordinates in anxiety that ideas and initiatives from 'below' may undermine their authority and ultimately their position in the firm. This is indeed a struggle but may be overcome by clear, ongoing communication and commitment from the top of the firm down. Middle management needs to be assured that subordinate empowerment is for their personal gain as well as the collective good of the firm. If this cannot be accomplished a non-conforming individual may need to be removed from the firm before a cultural transformation takes place in order to avoid conflict.

Communication

Communication is absolutely essential to give birth to a creative workplace in a mature, seasoned culture. In fact creativity in communication is key to implementing a culture rebirth. As we have mentioned, major changes in organizations often evokes resistance based on fear. Imagine a CEO talking about the need to restructure for greater efficiency with innovation. S/he talks about trends, budgets and so forth. So far, so good. But let that same executive mention the word down size and all of the rational information of needs to reorganize are abducted by the emotional. Leaders need to communicate the corporate culture change initiative in a way that energises and excites while simultaneously examining and overcoming their crew's hesitancy to embrace this same proposition.

Believing in your people

People tend to rise on the occasion that someone truly believes in them. A preacher once said if you place an A on a person's head they will give you an A, but if you put a C on their forehead they will give you a C, no higher. Many times people are looking for someone to be interested in them and hold accountability to. When they find this individual they will produce. It is essential during a cultural transformation that each person in the firm has someone that believes in them and is counting on them to succeed.19

Harvesting emotional energy

Values give meaning to people's lives. Organisational performance is directly related to its ability to tap into its human potential. For many people work is one of the most important ways they are able to give expression to who they are in their search for fulfilment. When a person works for a firm whose values mirror those of their own they will respond by fulfilling their potential and tapping into their deepest levels of creativity. Align your mission statement under a clear set of humane values and through living those values your corporate culture will harvest the emotional energy and the creative potential of your employees.

Accommodating personal idiosyncrasies

Accommodating personal idiosyncrasies may help the creative mind to flourish. Whether it be eating a candy bar at a meeting, a brainstorm session in the wilderness or taking off all day and writing the proposal between 1 and 7 am people must have freedoms to create and produce how and where they want. If firms permit their employees to create the plan to get from A to Z rather than dictate each step in the process they just may spur an otherwise average employee to new heights of creativity and accomplishment.

Positively influencing intrinsic motivation

Intrinsic motivation highly correlates with increased creativity levels. High-level encouragement toward innovation, immediate supervisor encouragement, autonomy and sense of control, optimal challenges, and tasks matched to interests all positively influence intrinsic motivation. Therefore, firms should seek to have their employees do what they love and love what they do. For businesses the first involves matching work well around an employee's expertise. The latter involves creating the environment that will allow employees to retain the intrinsic motivational focus, while supporting their exploration of new ideas.

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EVALUATION OF PUBLIC SPENDING: KEY ISSUES OF FISCAL FEDERALISM

RUXANDRA SAVONEA

Abstract

In the context of an expanding European Union and under the framework of the decentralization system, European Commission should provide funding for horizontal public goods. Due to the diversity and disparities existing in the European Union, the cost-benefit analysis brings benefits as it provides all interested parties with a common tool for project appraisal. In order to ensure a sound background for implementation, project variables must be measurable and avoid general statements. As the cost-benefit analysis is a support tool for project appraisal, the latter must be preceding the commitment of any European Union funds. Consequently, cost overruns may be assessed from the perspective of the added value provided by the implementation of the project. During the previous programming period of 2000-2006, the managing authorities have identified significant bottlenecks in the management of the projects. In this respect, support tools for managing European Union funded initiatives enable quality evaluation and provide long-term benefits. Despite targeted policies aimed at strengthening cohesion at European Union level, significant socio-economic disparities persist between different regions of the Community. Thus, common assessment tools may enable a common approach to development. In order to provide a fair assessment, the evaluation of a project must identify all cost and benefit flows during the project's life span. In addition, the analysis must identify both costs and benefits, which have a positive or negative impact on the rate of return of the project.

Key words: fiscal federalism, cost-benefit analysis, decentralization theory, evaluation, investment project

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Introduction

Initially developed by Musgrave (1959) and Oates (1972), the concept of fiscal federalism approaches the process performed by the central governments to deal with the distribution problem and refer the provision of services to decentralized governments. In this respect, centralized governments should foster local governments to ensure the optimal amount of public services provided at local level. The main fiscal issue that arises during the centralized government system approach is the obligation to provide a uniform quantity of local public goods. Consequently, centralized governments may face welfare losses due to the low capacity to meet the specific demand of public goods.

In the context of an expanding European Union and under the framework of the decentralization theorem (Oates 1972), European Commission should provide funding for horizontal public goods. The issue is strongly related to the spill-over effect. In this respect, externalities arisen from member-state level economic processes should be subject to the centralized approach only in case spill-over effect could be overcome by the member-states involved. In addition, cross-border externalities should be subject to central government mediation. Income redistribution and mobility under European Union fiscal framework are interconnected. Even though the importance of mobility has been rated as "uncompelling" , the efficiency of budget redistribution is directly associated with increase mobility of tangible and intangible capital. Another issue facing European Union is the integration process. Social cohesion problems faced by the enlarged economic union can be managed by the redistribution process. Transfers form the European Commission budget to member-state budget should play a more important role on a short as well as long-term basis. In this respect, an increase in the redistributive role of the European Commission budget should be directly connected to issues of social cohesion arising from a precipitate enlargement. An integrated approach to economic development as it is the case of the European Union may increase the role of income redistribution. During the past programming period, Structural funds as a public investment had a lesser impact due to several key drawbacks.

In this respect, strategic investment projects must be underpinned by sound budgeting actions and undergo several auditing missions and external expertise in order to decide their relevance. In addition, a strategic approach to the selection of projects must be paid to competing project concepts so that the value for money rule applies. Managing authorities have identified significant bottlenecks in the management of the projects. In this respect, support tools for managing European Union funded initiatives enable quality evaluation and provide long-term benefits. Despite targeted policies aimed at strengthening cohesion at European Union level, significant socio-economic disparities persist between different regions of the Community. Thus, common assessment tools may enable a common approach to development and having a more strategic approach regarding the implementation of structural interventions. The added value of structural interventions must be underpinned by sound evaluation techniques, which include the Cost-Benefit Analysis (CBA). The latter is a requirement under the new Structural Funds programming period. Due to the diversity and disparities existing in the European Union, the Cost-benefit Analysis brings benefits as it provides all interested parties with a common tool for project appraisal. In order to ensure a sound background for implementation, project variables must be measurable and avoid general statements. As the cost-benefit analysis is a support tool for project appraisal, the latter must be preceding the commitment of any EU funds. Consequently, cost overruns may be assessed from the perspective of the added value provided by the implementation of the project.

Added value of investment projects

The concept of added value under the framework of Structural Funds is underpinned by the European Commission's perspective according to which "the value added of Community involvement in regional development is not only related to the expenditure incurred as such. Benefits also stem from the method of implementation … which was revised in each subsequent programming period." Cost-Benefit Analysis (CBA) is an accounting strategic tool for evaluating the net economic impact of an investment project. Its relevance is enhanced in relation to the amounts at stake and the overall added value. In the case of public funded projects, the technique aims at establishing whether an investment project falls under the feasibility and economic performance framework. Projects typically involve public investments, but in principle the same methodology is applicable to a variety of interventions, for example, subsidies for private projects, reforms in regulation, new tax rates. The added value of this evaluation tool is represented by the fact that it provides an insight on externalities and price distortions thus fostering the inclusion of market flaws in the evaluation model. Overall, the Cost-Benefit Analysis (CBA) is a forecasting model in respect to the economic impact of an investment project. The most target-oriented component of this evaluation tool is the calculation of the economic return using synthetic indicators. The area of application for Cost-benefit analysis regards the ex-ante evaluation during the selection process for investment projects. Nevertheless, due to its versatility and accuracy, Cost-benefit analysis can be used in the ex-post evaluation process, in correlation with the impact of a structural intervention, as well as regarding "hard" and "soft" projects. Cost-benefit Analysis evaluates the equivalent money value of the costs and benefits provided by Community structural intervention in order to assess its feasibility. Therefore, the costs and benefits of an investment project must be expressed in terms of money value at an updated base value. The Net Present Value (NPV) of an investment project is the core indicator for the economic impact of a project. In addition, from the Cost-Benefit Analysis (CBA) perspective, a project evaluation emphasizes the differences in costs and benefits between a project and base case.

Nevertheless, Cost-benefit Analysis may prevent poor project form being granted Community support when applied in the early stages of the project cycle. In order to provide a fair assessment, the evaluation of a project must identify all cost and benefit flows during the project's life span. In addition, the analysis must identify both costs and benefits, which have a positive or negative impact on the rate of return of the project. In the case of Romania, the analysis is a core issue due to the fact that its market economy is still going through a transition process and the instability of the supply and demand ratio is not stable.

Underpinning evidence for a sound cost-benefit analysis in the case of structural interventions is represented by the technical analysis of the project under which technical characteristics are assessed, as well as a financial and economic analysis.

Indicators for enhancing public spending

In order to perform a cost-benefit analysis on an investment project funded by the European Union, the project must be clearly identified according to Cost-benefit analysis principles. In this respect, all activities of the projects must converge into a coordinated approach to the attainment of the project objective. Due to the fact that the technical analysis provides a technical point of view on the feasibility of the investment project, a socio-economic analysis is performed as a study background.

The rationale for a comprehensive financial analysis is that financial feasibility in itself prevents bottlenecks and provides a guarantee of the project's viability.

$$\sum_{t=0}^{n} a_t S_t = \frac{S_0}{(1+IRR)^0} + \frac{S_1}{(1+IRR)^1} + \ldots + \frac{S_n}{(1+IRR)^n}$$

$$= 0$$

where St is the balance of cash flow funds at time t.

Due to the large scale of investment projects and their life span, the method used for the financial analysis is the discounted cash-flow method, thus prospective expenditure is projected in actual prices. In this respect, the discount rate as "a rate of return used to convert a future monetary sum into present value" allows benefits that accrue following the implementation of an investment project to be compared with current values.

NPV

(S)=

$$\sum_{t=0}^{n} a_t S_t = \frac{S_0}{(1+i)^0} + \frac{S_1}{(1+i)^1} + \ldots + \frac{S_n}{(1+i)^n}$$

Commission Regulation (EC) No. 271/2008 of 30 January 2008 amending the implementing regulation (EC) No 794/2004 foresees that, unless otherwise provided for in a specific decision, the recovery rate will also be calculated by adding 100 basis points to the base rate. In addition, compared to the previous programming period, the Commission recommends a 5% financial discount rate as an indicative benchmark for public investment projects co-financed by the Structural Funds.

During the life span of a structural investment project a significant range of expenditures incur. However, these do not represent benefits or costs as it the case of profits taxes, VAT or subsidies which impact on the value of the input brought by the project and must be corrected in order to foster a sound financial analysis.

Social external benefits could range from increase in life expectancy due to better health facilities to a decrease in the duration of transport because of new multi-modal transport. In reverse, social external costs could be the generation of additional expenditures in the case of a newly created waste treatment plant, which must be connected to utilities by local authorities in whose authority it falls.

Due to the fact that the Cost-Benefit Analysis (CBA) is based on all the actual variables of the market on which the structural intervention takes place, market prices must be replaced by accounting prices or shadow prices, which are calculated using conversion factors. The standard conversion factor formula is:

SCF= (M+X)/(M+Tm)+(X-Tx)

where M is total imports, X is total exports, Tm is taxes on imports and Tx is taxes on exports.

The capacity of the operating net revenues to sustain the structural intervention expenditures constitutes an indicator for evaluating several investment projects. The main financial indicators in terms of economic rate of return are:

- The Return on Expenses (RE)

RE = R / TE x 1OO (%)

where R is return, TE is total expenses

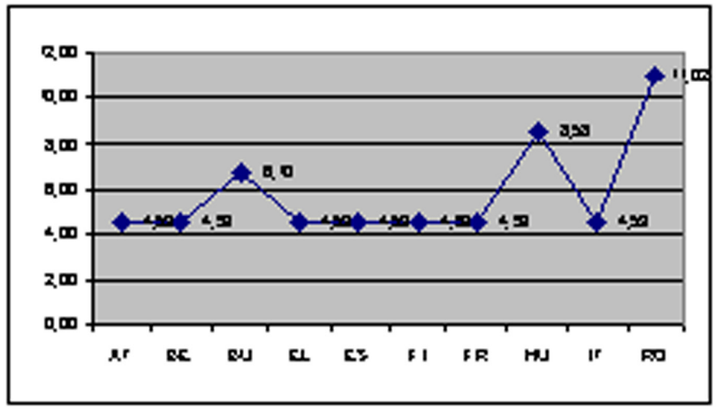
- The Benefit-Cost Ratio (BCR)

BCR = GTI / TE

where GTI is gross total income

- The Break-even Point (BP)

Figure 5. Reference/discount rates and recovery rates as of 1.07.2008



BP = Fc / (GTI – VC) x 100 (%)

Where Fc is fixed costs, Vc is variable costs

The economic return of the investment is also the rationale of decision-making regarding the co-financing rate as the percentage of the eligible costs covered by Community grants.

In order to determine the amount of the EU grant, the Funding Gap rate (R) must be calculated as follows:

R = Max EE/DIC

where Max EE is the maximum eligible expenditure, DIC is the discounted investment cost, DNR is the discounted net revenue.

The amount to which the co-financing rate applies the eligible cots multiplied by the Funding Gap rate:

DA = EC*R

where EC is the eligible cost.

In conclusion, the determination of the maximum EU grant applicable per project is:

EU grant = DA*Max CRpa

where Max CRpa is the maximum co-funding rate fixed for the priority axis in the Commission's decision adopting the operational programme.

CONCLUSIONS

The assessment principles and methods used under the framework of Structural Funds have proved the increasing interest of the Community to foster feasible projects. From the wide area of tools used to underpin the overall evaluation of publicly funded investment projects, Cost-benefit analysis prevailed as the most versatile instrument for this specific purpose. Nevertheless, Cost-benefit analysis is a tailored method of assessment of structural interventions at it does not reflect a judgment regarding a private decision but it is an enhancement guide in the decision-making process, specially designed for collective assessment. The added value of Cost-benefit analysis stems from its adaptability to contextual indicators, which is the case of Community structural interventions. Cost-Benefit Analysis translates positive and negative impact of investment project into their actual money value in order to assess the project's feasibility. Despite the fact that this assessment tool has been developed for large scale "hard projects" such as infrastructure, its wide range of applicability has lead to an increase in its usage, especially due to the common evaluation base provided. Cost-benefit analysis is an assessment technique that allows policy makers to improve the quality of public decision by using a monetary instrument for measuring aggregate financial indicators which provide a valuable medium to long-term perspective on the return of a structural intervention. As proven in

the 2000-2006 programming period, externalities generated by structural intervention impact on third parties but their influence does not propagate through the prices mechanisms. Their influence arises from the project's economic activity but they are not reflected in prices. Such external effects generated by major projects must be quantified according to standard methods and inserted in the analysis as an actual output. Public expenditure associated performance indicators foster an enhancement of effectiveness and efficiency in the delivery of public services in decentralized local authorities by reducing intergovernmental information asymmetries.

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EXPLORING ALCOHOL STRATEGIES AND BINGE DRINKING CASES FROM UK AND POLAND

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Abstract

This paper considers Global, European and the National alcohol strategies for the UK and Poland. It also presents empirical findings from research into binge drinking.

Throughout millennia drinking alcohol has been part of cultural activities in many countries. Tales of heavy drinking, "oceanic drinking bouts" and drinking to become inebriated are not 21st Century phrases, but are statements of behaviour that occurred hundreds of years ago. However, a new phrase, binge drinking, has entered the vocabulary, in the UK and beyond. Binge drinking and harmful alcohol drinking is now on the agenda of most Governments throughout the world as the World Health Organisation has called for joined-up thinking and action to reduce alcohol related harm.

The World Health Organisation is not the world's police, but they are the guiding light in terms of strategies and aims that highlight the harm that alcohol can play on the lives of young and vulnerable people. Many pleas have been put forward suggesting enforcement and self-regulation of drink-driving, violent crime and disorder, alcohol advertising, education in schools and societal promotional activities. From these 'umbrella aims' and objectives' the European Commission has provided clear, specific guidelines, to Member States on how to reduce alcohol related harm. Each government produces their own alcohol strategies to comply and/or support the issues raised by the European Commission. Each county's strategies are different to make them relevant to the culture, business networks and consumer behaviour of their own country. The 'umbrella aims' of the World Health Organisation, the European Commissions strategies and the individual country objectives for Poland and UK will be discussed in this paper.

One specific matter which many Governments are considering is how to encourage consumers to 'cut down on binge drinking'. Binge drinking and its definitions, therefore, are also discussed in this paper. Governments, health and regulatory associations' general definitions of binge drinking are presented and critiqued as being unhelpful. This presented an opportunity to consider what the consumer considers 'binge drinking' to be. Consumers aged between 16 – 28 years of age in England and Poland were, therefore, asked for their definition of 'binge drinking'.

Empirical findings tended to concentrate on "wilful intoxication" or intoxication within a short space of time. Younger respondents also added economic and feeling/being sick as an outcome of 'binge drinking'. Most participants did not see 'binge drinking' as a problem.

Alcohol strategies and 'binge drinking' is likely to remain on many Government agendas for a long time. There are numerous ways that it can be curtailed through increased taxes, minimum pricing strategies and reduced opportunities for young people to buy alcohol. However, 'binge drinking' and alcohol-related harm occurs within a minority of people and the liberty and freedom of the majority should not be curtailed due to the unacceptable behaviour of the few.

Keywords: Alcohol, binge drinking, alcohol strategies, consumer behaviour

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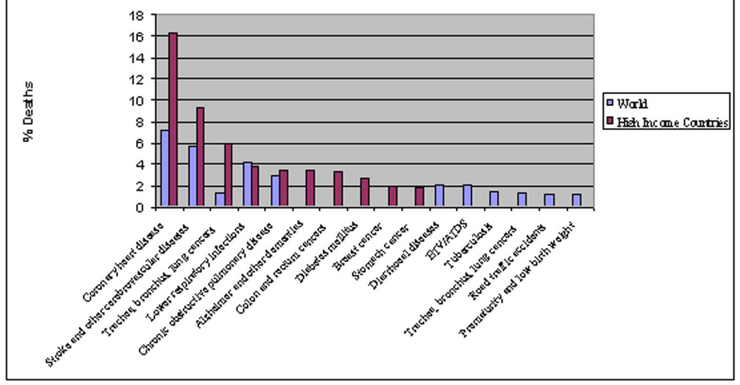
Introduction to Global Alcohol Strategies

Most Governments throughout the world include Alcohol Strategies on their National agenda. Facts and figures draw attention to the stark reality that excessive alcohol damages a person's

heath, wellbeing and contribution to society. The World Health Organisation provides research and scholarly publications highlighting the harm that alcohol can also have on the Nations wealth. Naturally, Governments are in place to care for and guide their populace through education and/ or legislation; as they see fit. And, in response to the pleas from the World Health Organisation and their own statistics Governments across the world are working together to provide clear aims to reduce alcohol related harm.

Statistics detailing world-wide health risks clearly show alcohol as the one of the biggest contributing factors to actual death. Table 1 shows the Top10 Deaths that occur in the World compared with the deaths that occur in High Income Countries such as UK, Germany, France and so on. The type of disease that caused death is of course different in each country. For example diabetes is not prevalent in total world deaths and low birth rate is not common in high income country deaths. However, excessive alcohol consumption causes cirrhosis of the liver, cardiovascular disease and a variety of cancers. These diseases are in the Top 10 Deaths as shown in Table 1 and up to 3.2 million people worldwide that die from alcohol-related causes (Rehm 2003).

Table 1 Top 10 Deaths



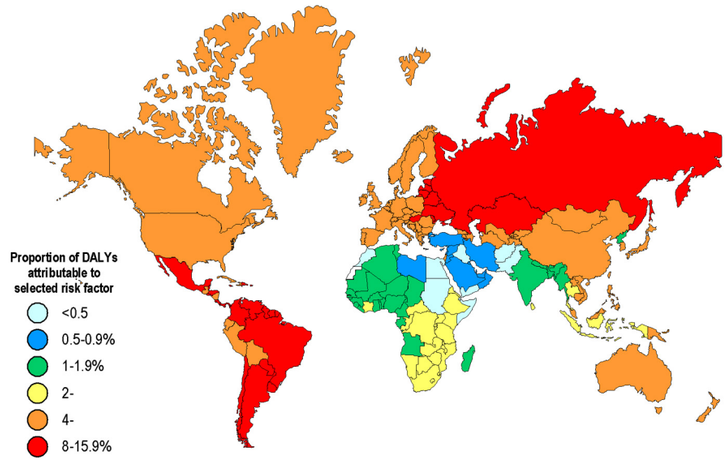
Adapted from World Health Organisation 2002 p. 23

And it is not just deaths that Governments need to consider when developing their alcohol strategies. Time off work, neuropsychiatric disorders and acute disabilities due to drink driving accidents are also attributed to harmful use of alcohol and also take money from the public purse. These additional burdens are known as Disability-Adjusted life-Years (DALYs). Figure 1 below provides a clearer picture of the burden alcohol has in different countries.

Figure 1 shows that alcohol-related disability-adjusted life years (DALYs) are high in countries such as Brazil and Argentina. It is low in countries such as India and Turkey due to alcohol being excluded from many people's lives because of their religion. Approximately 4% of disability-adjusted life years in Europe, Australia, China and America are due to drinking alcohol excessively. Clearly, ill health and/or death due to a person's excessive intake of alcohol is a heavy burden on the individual and the state.

It must be said, however, that the majority of people enjoy the social aspects associated with alcohol. Alcohol and social aspects include a relaxing drink after work, a chance to let "your hair down" a "big night out" in the city or at a house party. Alcohol is also served for a significant purpose in a religious context; such as thanksgiving over the elements of bread and wine of the Anglican Eucharist - in prayer

Figure 1 Global Perspective of Disability-Adjusted Life Years (DALY'S)



World Health Organisation (2002)

Holy God,

As the grain once scattered in the fields

And the grapes once dispersed on the hillside

Are now reunited on this table in bread and wine,

So, Lord, may your whole Church soon be gathered together from the corners of the earth into you kingdom. Amen

Alcohol is also a happy bedfellow when "toasting the bride and groom", "wetting the babies head" and drunk in memory of lost family or friends at a funeral. Therefore, the majority of alcohol drunk has positive effects… but the World Health Organisation provides guidance for all countries to reduce the alcocentric environment in which our young and/or vulnerable people live.

Naturally, countries will need to consider their alcohol strategies in different ways, however, the European Alcohol Action Plan; set out by the European Commission 2006 gives five priority themes and good practices to guide Government's when they complete their individual alcohol strategies

1. Protect young people, children and the unborn child;
2. Reduce injuries and death from alcohol-related road accidents;
3. Prevent alcohol-related harm among adults and reduce the negative impact on the workplace;
4. Inform, educate and raise awareness on the impact of harmful and hazardous alcohol consumption, and on appropriate consumption patterns;
5. Develop and maintain a common evidence base at EU level.

(Eurocare 2007)

Each priority theme has many virtues but some are more difficult to put into practice in a pan-European ormat. For example, the aim to inform, rationalise and provide common evidence may be difficult even for something as simple as the "Standard Alcoholic Drink". The standard alcoholic drink, when considering the amount of alcohol (grams of ethanol) is different across Europe; see Table 3 below.

Table 3 Standard Alcohol Units Worldwide

Standard Drink / Unit Size (in grams of ethanol)	Country
8	United Kingdom
10	Hungary, Ireland, Poland, Spain
12	Denmark, France, Italy,
13.6	Canada
14	Portugal

Adapted from International Centre for Alcohol Policies 2007

The above table considers the 'standard unit' of alcohol. Consumers in each country are advised, by Government suggested "safe limits of daily alcohol consumption". For example:

It is suggested that English woman could "safely drink" 2-3 standard units of alcohol per day. Standard units in the UK equate to 8gms of ethanol (alcohol) or one measure of vodka for example. However, if an English woman orders vodka in Poland, Spain, France, Portugal she would receive higher amount of ethanol (alcohol) than that which she received in England because, as shown in Table 3, the amount of ethanol in the standard alcoholic drink is greater. Therefore, the English woman, who consumes three vodkas in different countries on separate occasions, will receive varying amounts of alcohol (ethanol).

England - 3 standard vodkas x 8.00gms ethanol = 24.00gms ethanol

Poland - 3 standard vodkas x 10.00gms ethanol = 30.00gms ethanol

Portugal - 3 standard vodkas x 14.00gms ethanol = 42.00gms ethanol

Japan - 3 standard vodkas x 19.57gms ethanol – 59.25gms ethanol

Equally interesting is the term 'standard measure'. In the UK a measure of vodka given to the consumer is 30ml; which equates to one unit. The strength of most vodka, and indeed most spirits, is 37.5% ABV (Alcohol by Volume) or 8 gms of ethanol. However, some countries use 'free pour' or have standard measures of 50mls. This means there is no such thing as a Europe-wide standard measure of vodka. Also not all vodka has 37.5% ABV, for example some vodka in Russia and Poland can have ABV as high as 90%! All of these issues make it difficult for Government's to report like for like information and, more importantly, consumer's who travel from country to country have to pay particular attention to "drink safely".

Strategies for England and Poland

In addition to the European Commission's guidelines, cultural attitudes to alcohol, libertarian behaviour of the general public and alcohol's contribution via taxes need to be considered when Government's write their alcohol strategies. Additionally, Governments will need to consider further stark facts, such as the number of litres of alcohol drunk by per inhabitant! Figures published in Europe during 2001 showed that Latvia had the highest number of litres of pure alcohol drunk per inhabitant (18.8 litres per year), Hungary second place (18.2) and Croatia in third place (17.2) (European Addiction Research (2001) By 2004 the order had changed and now Luxembourg (17.54n litres per year), Czech Republic (the) (16.21) and Ireland (14.45) (World Health Organisation 2004). Countries which have a high intake of alcohol per inhabitant may do so for many reasons including the wealth and economic stability of their country and their citizens, a liberal view of alcohol consumption, high employment and so on. Having the highest number of litres of pure alcohol drunk per inhabitant does not necessarily equate to having a nation of 'chronic binge drinkers'. However, increases in alcohol related incidents, disability adjusted life years (DALYs) or death do need to be assessed in conjunction with the nation's alcohol intake when writing alcohol strategies.

Table 2 Alcohol Strategies from England and Poland

England
Improved, and better-targeted, education and communication; Better identification and treatment of alcohol problems; Better co-ordination and enforcement of existing powers against crime and disorder; Encouraging the industry to continue promoting responsible drinking and to continue to take a role in reducing alcohol-related harm. Cabinet Office (2004) p. 13 Reduction Strategy for England March 2004 © Crown copyright 2004
Poland
Adopting education and information measures aimed at decreasing the number of drunken drivers. Propagating a healthy lifestyle. Undertaking activities targeted at offering adolescents attractive alternatives of spending leisure time. Improving the quality of rehabilitation treatment and the national system of support for individuals combating addiction. By means of media campaigns and propagating alcohol drinking culture Wojewódzka (2009)

Wojewódzka (2009)

Whilst England and Poland use different wording for their alcohol strategies the essences are the same. Both countries are keen to improve education, encourage healthy living and develop treatment mechanisms for helping their citizens who have alcohol related problems.

Binge Drinking In Europe

Binge drinking is a relatively new phrase but the activity of excessive, heavy drinking or going on 'a bender' have taken place for thousands of years. The Honourable Bede's (8th Century) referred to 'oceanic' consumption and Dostoevsky's (19th Century) was taken aback that drinking to the point of 'insensibility' occurred when consumers flocked to the city on Friday evenings. Whist learned gentlemen did not call the occurrences "binge drinking" the behaviour is similar to that occurring in the 21st Century. Indeed the International Centre for Alcohol Policies stated over 10 years ago that whilst episodic drinking has occurred for centuries, there is difficulty in providing a definition that could be agreed upon worldwide. Not having a definition makes it problematic when trying to draw comparisons between research projects within a country and across nations. However, some progress has been made in defining 'binge' and 'extreme drinking'.

The two earliest definitions of binge drinking, if we are to use this phrase, came from Broomfield et al (1999) who stated it to be ten or more alcoholic drinks in one session. In this case, one drink is equivalent to one standard unit that equates to approximately 8g of ethanol (see National Health Service (2009) to access the number of units found in alcoholic drinks in the UK). In real terms, one unit equates to a 25 ml measure of vodka if the Alcohol By Volume (ABV) is 40%. One pint of lager which has an ABV of 5% will, however, equate to 2.8 units. Binge drinking therefore, means consuming 10 vodkas or (just over) three and a half pints of standard beer (three and a half pints of beer = 9.8 units). Raistrick et al (1999) at the same time as Broomfield et al (1999) stated that there needed to be a clear differentiation between the amount drunk by men and women because of their different physique and body make up. For example women have a higher proportion of body fat and less water in their bodies than men. Hence, alcohol is less diluted, producing a stronger and speedier effect. Also, a woman's liver does not break down alcohol in the same way that the liver in a man's body does. This is because a woman's

liver produces less dehydrogenise, the enzyme the body uses to break down alcohol. Therefore, to Raistrick et al (1999) suggested a binge is ten units for men and seven units for women.

More recently the UK Cabinet Office 2004 provided many interesting statistics detailing the problems of young people and binge drinking. From those statistics two new definitions were established to enable the general public to understand what 'binge drinking' is and the difference between 'binge drinking' and 'chronic drinking'. 'Binge drinkers' are those ... 'who drank above double the recommended daily guidelines on at least one occasion in the last week' (Cabinet Office 2004 p.11). 'Chronic drinkers' were considered to be those who regularly drank large amounts. These definitions did not satisfy the general public or the media, as it suggested that if men drank between 3-3 ½ pints of lager or 8 vodkas and women drank more than 2-2 ½ pints of larger or 6 vodkas on one occasion in the last week (using the same %ABV lager and vodka shown in the examples above) they could be considered a 'binge drinker'. General opinion said it "was ridiculous" as it was very limiting and involved drinking less than the definition suggested in 1999! More importantly, consumers felt they were being given a very negative "label". To aid scholars, The Journal of Studies on Alcohol and Drugs (2008) stated that when submitting a document to their journal containing the term "binge drinking", it must be referring to extended alcohol intake for periods of, such as two days or more. Additionally, the Journal argues that 'binge drinking' refers to a person who continues alcohol intake to the point of intoxication, and that the normal activities of the man or woman are set aside in order to continue to drink alcohol. Normal activities include, looking after the home, working and general day to day living. This definition provides "factual" behaviour such as when and for how long drinking takes place and has a definite outcome – intoxication. It seems, therefore, that a definition, agreed by Government and academics has not as yet been agreed. It seemed, therefore, a natural step to go outside the walls of Government and academia and ask the general public to define "binge drinking" to ascertain what it means to them.

Empirical Research - Sampling

The research question for the inductive empirical research is "What does binge drinking mean to young people?" The sub-question is "Does binge drinking have a different meaning dependent upon the characteristics of the sample set?" The overriding research question formed the basic discussion during the research process. Empirical research has taken place on three separate occasions with three sample sets, however, the research question, inductive enquiry and data analysis through content analysis was the same for each sample set.

The sample set characteristics are:-

120 participants aged 16 or 17 in their school - England

89 participants aged 18-28 in their workplace - England

25 participants aged 21 –28 full-time workers - Poland

Findings

Qualitative content analysis was used for each sample set.

Sample set 16 or 17 years of age in England

The main content category of binge drinking described by 16 and 17 year olds is ""wilful intoxication"".

"wilful intoxication"

"going out to get drunk"

"drinking excess amount for no other reason than becoming drunk"

"drinking too much just to get smashed"

"drinking excessively because you want to get drunk"

The above statements represent almost a third of the responses from 16 and 17 year old participants. Their understanding of binge drinking is based on a psychological motivation – to get drunk. This understanding does not sit with any of the earlier definitions; therefore, the motivation behind the act of excessive drinking should be taken seriously and investigated further. Two 16 or 17 year old participant did expand further with a hint as to the motivation of binge drinking by stating it is done because of boredom and when feeling upset.

The second most common content category of binge drinking described by 16 and 17 year olds is "High number of units during a short period of time".

High number of units during a short period of time

"drinking 3 to 4 units per hour"

"drinking 6 units of alcohol in a short period of time"

"drinking more than you weekly recommended units of alcohol in one sitting"

"drinking large amounts of alcohol in a short period of time about 5 pints per night"

The above statements suggest that the UK Government's societal television and poster advertising may be having an effect on the knowledge young people have regarding standard alcohol units. Similarly, education in schools includes discussions regarding alcohol; which also may raise awareness of standard alcohol units and the recommended daily standard units of alcohol. Almost a quarter participants, therefore, had similar thoughts to the Cabinet Office's binge drinking definition described above.

Ad hoc definitions from 16 and 1 year olds included economic and physiological elements. For example:

Economic factors included "until you have spent up" and "drinking until you have run out of money"

These above two statements suggest that young people feel they have "binged" when they have spent all the money they have had.

Physiological aspects of binge drinking include statements such as "drinking until you throw up" "getting drunk and waking up with a hangover" and "drinking until you just cannot drink any more".

Sample Set - 18-28 in their workplace - England

Some of the older participants were critical of the term binge drinking by saying...

"It's the Government saying people drink too much...it's against youth culture and targeted at people who just like a drink"

"Some guy in a white coat or the Government says two and a half pints – I have that over lunch and it's not a binge."

However, it seems that 18-28 year old workers are generally aware of the societal advertisements and knowledge of standard alcohol units from school/ work or discussions with family and friends.

High number of units during a short period of time

"Drinking over a short period of time"

"Not knowing your limits and drinking way too much"

"Drinking to that extent where you exceed your recommended daily allowance"

"Drinking far more that you're actually supposed to about 15 double vodkas and 5 pints of lager as well"

The second characteristic suggested by 18-28 year olds certainly seemed to draw from personal experiences of psychological and physical outcomes – such as losing control and behaving erratically. Participants often included the physical element of hangovers as an outcome/consequence of binge drinking.

Psychological/Physical

"Drinking to the extent that you lose control of yourself and your actions"

"Drinking to the point when you are not in control of your emotions or physical being"

"Overdoing it so much that you can't remember what you have done [the night before] and have a terrible hangover".

"When you are in a state and can't stand up"

The narrative data analysis shows that the most often stated category of binge drinking by 16 and 17 year old participants was "wilful intoxication". This is the least stated category by 18-20 year olds. Interestingly, 16 and 17 year olds are not able to buy alcohol from licensed premises, however, the participants advised that drinking alcohol took place in pubs/clubs and bars and not parks or house parties. The motivations to drink alcohol, therefore, are different for new, inexperienced drinkers than their older counterparts. Two 18 to 28 year olds participants however did state that

'binge drinking' was a wilful act by stating is was ...

...“Drinking to get drunk” and “The aim is to consume as much as possible as quickly as possible”.

Sample Set aged 21 – 28 participants are working full time -Poland

Binge drinking in Poland is actually reducing – if using the UK Cabinet Offices definition referring to those people ... 'who drank above double the recommended daily guidelines on at least one occasion in the last week' (Cabinet Office 2004 p.11). The reason for this is due to cultural and industry changes. For example, industry has reduced the standard measure of vodka served from 100ml to between 30 and 40 ml. Also beer is replacing spirits as the “drink of choice” with popular brands including Tyskie, Zubr and Lech. Binge drinking has the same categories as those found by 16 and 17 year olds and 18-28 year olds in full time work.

High number of units during a short period of time

None.

“wilful intoxication”

“Exasperation of drinking to get drunk out of all proportion”

“It's about drinking too much, not to relax, just to get drunk”

“Going out totally to get drunk”

Psychological/Physical

“When people cannot control themselves and drinking becomes a serious problem as they have another drink when either they want it or not.”

“Get rid of the frustrations of the day”

“Drinking to get buzzed and doing things that are out of drink loses control”

The Polish participants did not discuss binge drinking as “drinking over recommended daily amounts” or “standard size of units” or “session drinking”. These elements do not seem part of their collective thought. However, they are aware of “wilful intoxication” as a reason to take part in 'binge drinking' and how drinking can have psychological and physical effects.

The research question sought to establish what binge drinking means to young people aged 16 to 28. Three distinct categories were highlighted in the narrative data, discovered through qualitative content analysis. The three categories are:-

1. “High number of units during a short period of time”

2. “Wilful intoxication”

3. “Psychological/Physical”

The sub-research question was “Does binge drinking have a different meaning dependent upon the characteristics of the sample set?” The narrative data findings do show there to be a difference between the sample sets. Polish participants did not consider binge drinking as an activity connected to the amount of standard alcohol units drunk over a short period of time and yet this was stated many times by both 16 and 17 year old students and 18 to 28 year old participants in full time work. 16 and 17 year old students thought binge drinking was “going out to get drunk” far more often than participants from an older sample set. However, “wilful intoxication” was mentioned by all sample sets. Just as Governments and academics find it impossible to agree on a definition, the empirical work analysed here shows that binge drinking has different meanings to different people. The narrative data does show there are three different “meanings”. However, just as this research was getting towards a useful conclusion of having three classifications of binge drinking a new alcohol problem arrives on the scene.

The New Alcohol Problem on the Scene

'Extreme drinking' is a new term to describe the activities that young people engage in, with known motivations and outcomes. To ensure clarity, the 'extreme drinking' definition sets out five key criteria: these must be involved for drinking to be extreme.

Intoxication must occur, within a short period of time, involves a high number of alcoholic drinks, such that high levels of alcohol in the blood of the young person can be measured. The motivations of extreme drinking are to specifically lose control or 'controlled loss of control' (Measham 2002), to

go drinking to get drunk, to take risks and push boundaries, and to go further than acceptable social levels would allow. The process that takes place during 'extreme drinking' does not happen alone. Martinic & Measham (2008) explain that 'extreme drinking' is a social activity, where peers encourage each other to behave in that way. Because the activity is with friends, the camaraderie is heightened and the experience, shared pleasure, hedonism and it engenders a positive attitude. One of the main outcomes is drunkenness.

When drunkenness is associated with disorderly behaviour there are negative consequences to society at large, but if contained within the social group disorderly behaviour is often self-policed and the “members” kept safe. However, a negative outcome could also be severe reduction in finances and possibly time off work due to the “morning after” effect. The final key aspect of extreme drinking is the alcohol experience. When a group of friends and/or peers engage in this type of activity they demonstrate they can “handle their beer”. Extreme drinking associated with the rituals of sports teams, initiation ceremonies, or Stag and Hen nights is seen as extreme but acceptable. For the most part these are not regular activities. In the context of sport, for instance, there is an increasing awareness of the negative effect of alcohol on sport performance. Also they occur, for the most part, within the boundaries of their own 'community'. This requires a careful social management system, to ensure that the negative effects of this behaviour are contained. It does question, however, the long term wider culture and of the moral development of young people.

Conclusion

The evidence provided by the World Health Organisation shows that excessive drinking is a worldwide problem through premature deaths and disability-adjusted life years (DALYs). Most countries have an alcohol strategy which is formulated from the World Health Organisation's guidelines and objectives from countrywide committees such the European Commission. Alcohol strategies are created based on the specific cultural and health issues. Generally, alcohol strategies have a key role in reducing alcohol related harm through excessive drinking, currently referred to as 'binge drinking' and more recently 'extreme drinking'. Binge drinking is a term which has been used for over 10 years and yet finding a definition, to enable countries to provide with like research results, has not been achieved. Empirical research asking three sample sets “what binge drinking means to them” took place. No consensus of opinion was achieved; however, three clear sub-categories were established. One sub-category which featured highly in each sample set was “wilful intoxication”. Further research should take place as to the motivations behind the desire for “wilful intoxication”.

The behaviour of citizens and their relationship with alcohol does not seem to have changed over the centuries and it would be interesting if the Honourable Bede's (8th Century) and Dostoevsky's (19th Century) would still report 'oceanic' consumption and drinking to the point of intoxication were they to visit us in the 21st Century!

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POLICY, POLITICS AND EVENTS: A CASE STUDY OF SOUTH AFRICA'S 2010 FIFA WORLD CUP™: MANAGING INTERNATIONAL SPORTS EVENTS IN SUSTAINABLE POLITICAL CONTEXT

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Abstract

Governments, according to Mason (2008) and Tassiopoulos (2005) are frequently referred to as the public sector of the events industry. The role of the public sector however in many countries has what seems, at face value, to be contradictory. Governments not only try to regulate events but also have a role in the marketing of events.

On 15 May 2004, South Africa was announced as the winner of the bid to host the 2010 FIFA World Cup™, a decade after the country's first democratic elections. During the bidding process leading up this announcement, the benefits of hosting such a mega event were argued. Apart from branding it as an 'African Cup', in line with the then South African President, Thabo Mbeki's notion of an 'Africa Renaissance' and pan-African solidarity and integration. A second argument focused on the economic benefits of hosting the event.

The vision of the 2010 FIFA World Cup™, according to 2010 FIFA World Cup South Africa (2008): "will seek to strengthen the African and South African image, promote new partnerships with the world as we stage a unique and memorable event that will inspire us to drive our collective determination to be significant global players in all fields of human endeavour".

This case study follows an eclectic approach, which applies the dimensions and variables of sustainability and impact presented by Vanclay (2002; 2003; 2004), Gursoy, Kim and Uysal (2003), Vancouver 2010 and ASTS (2008), and Getz (2007). For South Africa, like many developing countries, development is of critical importance and an important instrument to undo the socio-economic legacy of apartheid. An event such as the 2010 FIFA World Cup™ can result in significant socio-economic development for the country. However, it is the sustainability and socio-economic legacy of the event that will determine this outcome. Here, the study has applied six indicators of sustainability, including the political impact, social context and community cohesiveness, economic spin-offs, social incentives, environmental impact and the social cost. The sustainability of each of these indicators is already challenged in the run-up to the event.

Key words

Politics, impacts, 2010 FIFA World Cup™, planning, destination management, tourism, society, South Africa

Introduction

Governments, according to Mason (2008) and Tassiopoulos (2005) are frequently referred to as the public sector of the events industry. Governments are not commercial organisations focussed on profit, but are organisations that are meant to represent the views of taxpayers and electorates. Getz (2007: 403) states "events are an important motivator of tourism, and figure prominently in the development and marketing plans of most

destinations". "Globally", states Whitford (2008: 1), "governments are increasingly utilising events as vehicles for regional development as they continue to demonstrate a capacity to generate positive commercial outcomes for host regions". Increasingly, according to Nauright (2004: 1326), 'major sporting competitions and tournaments are regarded as "events" to be "marketed" and terms such as "hallmark" and "mega" suggest size really does matter. The lure of large and spectacular events is thought by governments to be an expedient way to attract (or leverage) media interest to a host city which is hoped will translate into an influx of capital through tourism and new investment'.

If the public sector manages and coordinates effectively, a well-designed event strategy has the potential to deliver the social benefits and achieve the following objectives for a destination (Tassiopoulos, 2005: 3):

- provide a means by which to reinforce a destinations' benefits and attributes and generate a favourable image for the destination as a tourist destination (Leveraging the benefits of hosting the event);
- establish a destination as a major tourist attraction by attracting high yield visitors, especially repeat visitors;
- enhance a destinations' competitive position within a country and place it on the global tourist map;
- generate an increased rate of tourist growth;
- truly bring a destination to life, showcasing its brand personality and instilling confidence and pride in its local community;
- maximise the use of, and revenue for, existing facilities
- increased favourable incidental media coverage through the event platform that extends the normal communication reach;
- improve the organisational marketing and bidding capability of the community; and
- Increase community support for events.

The main reason for the involvement of the government sector in events is that the public sector is intended to be impartial with no particular vested or commercial interest; is mandated to represent the whole population and not just a single set of stakeholders or interest group; and, takes a longer-term view of events development than, for example, the private sector. The role of the public sector, however, in many countries has what seems, at face value, to be contradictory. Governments not only try to regulate events but also have a role in the marketing of events. It is noted by Mason (2008) that marketing is usually associated with the promotion of (events) tourism, however, there are incidents when marketing is used as a control measure (similar to de-marketing) of (event) tourism destinations and offerings. Such public sector strategies are often followed, for example, where (event) destinations have fragile environments or their carrying capacities has been exceeded. The public sector has also tended to rely on the education of the (event) visitors in an attempt to modify behaviour in relation to potential and real impacts. Such efforts often involve codes of conduct targeted at event visitors or sectors of the (events) industry in an attempt to regulate behaviour. Legislation aimed at controlling (event) visitor behaviour is increasingly being approved by governments.

The role of the public sector in mega-events is clearly illustrated in South Africa's hosting of the 2010 FIFA (International Federation of Football Associations) World Cup™, the world's largest and most expensive sports event. Soccer is considered as the largest sport industry and spectator sport in South Africa (Mail & Guardian Business News, 26 October 2007: 2). FIFA's competitive international bidding process - with governments only as the bidders - contributes to the prestige associated with hosting the event. National governments have to produce, for example, certain legal guarantees before FIFA announces the host country, as well as hosting the 2010 FIFA World Cup™ being considered a political process.

Since South Africa's first democratic election in April 1994, the country has emerged from its international isolation due to its apartheid policies. Apart from the country's growth in formal diplomatic relations, it has, as indicated in Table 1, also hosted numerous multilateral conferences and major international mega events, which are indicators of its integration into the international community. These events are an effective tool to market or brand South Africa, a revenue-generating industry, an opportunity for infrastructure development, creating employment opportunities, increasing

tourism to South Africa, and as a contributor to nation-building (Van der Westhuizen, 2006; Van der Merwe and Van der Westhuizen, 2006; Van der Merwe, 2007 and Kachkova, 2008).

In 2008, the South African Government outlined its strategy to address some of the country's most pertinent socio-economic challenges. The elements of the strategy include:

- Speeding up growth and transforming the economy;
- Fighting poverty;
- Building social cohesion and state legitimacy;
- Pursuing the values of international cooperation; and
- Building a developmental state (The Presidency, 2008a).

The purpose of this paper is to present a preliminary analysis of South Africa's hosting of the 2010 FIFA World Cup™ in terms of the key indicators of sustainability: social, cultural and political impact; environmental impact; and economic impact. The paper also analyses the politics and policy issues associated with South Africa's hosting of the event. This paper further assesses the increasing impact on South Africa's citizens' lives and indeed the entire development and direction of society in the country.

Table 1: Selection of international conferences and mega events hosted by South Africa since 1994 (The Presidency, 2008: 58)

Table 1: Selection of international conferences and mega events hosted by South Africa since 1994 (The Presidency, 2008: 58)

International Rugby Board (IRB) World Cup	1995
African Cup of Nations	1996
United Nations Conference on Trade and Development (UNCTAD IX) Summit	1996
Non-aligned Movement (NAM) Summit	1998
All Africa Games	1999
Commonwealth Heads of Government Meeting	1999
World AIDS Conference	2000
UN World Conferences against Racism, Xenophobia and other forms of Racism	2001
Africa Union (AU) Summit	2002
World Summit on Sustainable Development (WSSD)	2002
International Cricket Council (ICC) World Cup	2003
Award of 2010 FIFA World Cup	2004
Inauguration of the Pan African Movement	2006
World Association of Newspapers Conference	2007
International Monetary Conference	2007
Global Forum V on Fighting Corruption and Safeguarding integrity	2007
Organisation of Economic Cooperation and Development (OECD) Conference on Tax Administration	2008
Southern African Development Community (SADC) Summit	2008
World Bank Conference on Development Economics	2008
Confederations Cup (Soccer)	2009

Analytical framework

This paper follows an eclectic (or interdisciplinary research) approach to political, policy and impact analysis, which applies the comprehensive dimensions and variables of sustainability and impact (see table 2), developed by Vanclay (2002; 2003; 2004), Gursoy, Kim and Uysal (2003), Vancouver 2010 and International Academy of Sport Science and Technology (AISTS) (2008), Getz (2007) and Grundling and Steynberg (2008), and detailed in table 2.

Generally, as detailed in table 2, this paper considers South Africa's hosting of the 2010 FIFA World Cup™ in terms of the following key indicators of sustainability:

- Social, cultural and political impact;
- Environmental impact; and
- Economic impact.

In 2002, an event strategy, Towards a national event strategy for South Africa, was prepared for the official South African tourism agency, South African Tourism (SAT) and the Department of Environmental Affairs and Tourism (DEAT) (Octagon South Africa, 2002). One of the main conclusions of the Strategy is that 'a clearly articulated and co-ordinated event strategy is needed to ensure that opportunities are maximised and potential pitfalls are minimised' and proposes, amongst others 'a community-orientated approach to eventing in South Africa is required to maximise and distribute event tourism benefits. This is in keeping with South Africa's transformational, equity-orientated and redress developmental agenda' (Octagon, 2002: 112 & 115). The Strategy was intended to inform the South African Government's approach to events, its true impact is however unknown as neither of the two commissioning agencies (SAT and DEAT) ever formally adopted the said strategy.

History of the case

On 15 May 2004, South Africa was announced as the winner of the bid to host the 2010 FIFA World Cup™, a decade after the country's first democratic elections. During the bidding process leading up this announcement, the benefit of hosting such a mega event was argued. Apart from branding it as an 'African Cup', in line with the then South African President, Thabo Mbeki's notion of an 'Africa Renaissance' and pan-African solidarity and integration. A second argument focused on the economic benefits of hosting the event. This announcement was a momentous occasion, particularly given that it was the first time that an African country had been chosen to host a mega-event of this stature. Subsequently, the 2010 FIFA World Cup™ Organising Committee (LOC) was established to oversee preparations towards ensuring South Africa's readiness to successfully host this important event. The Technical Coordinating Team (TCC) was also established to coordinate the preparatory work of national government departments. The TCC has representation from several national departments including the Department of Environmental Affairs and Tourism (DEAT) and South African Tourism (SAT). (DEAT and SAT, 2005: 4).The vision of the 2010 FIFA World Cup™, according to 2010 FIFA World Cup South Africa (2008) 'will seek to strengthen the African and South African image, promote new partnerships with the world as we stage a unique and memorable event that will inspire us to drive our collective determination to be significant global players in all fields of human endeavour'.

Core issues

International standards and practices for sustainable sport events

Internationally, this study has noted that, the following organisations provide standards and practice for sustainable sport events and practices:

- The International Standards Organisation's (ISO) ISO 14001: 2004 environmental management systems assist organisations to minimise their environmental impact and comply with the relevant laws and regulations.
- The Global Reporting Initiative's (GRI) Sustainability Reporting Framework is the world standard in sustainability reporting guidelines vis-à-vis environmental and economic performance of an event.
- The International Olympic Committee (IOC), and, the UN's (United Nation) Olympic Movement Agenda 21, which provides a blueprint for sustainable development
- The British Standards Institute (BSI) has two standards, BS 8900: 2006 Guidance for managing sustainable development and BS 8901: 2007 Specification for a sustainable event management system with guidance for use. BS 8900: 2006 assists organisations to develop an approach to sustainable development. BS 8901: 2007 outlines all the requirements for planning and managing sustainable events.

Table 2: Indicators of the sustainability of the 2010 FIFA World Cup™ in South Africa

Dimension	Variable/Indicator
Political impact	International reputation Legacy Legislation Impact on national, provincial and local governments Regional integration and cooperation
Social context and community cohesiveness	Community involvement Community image Renewed community spirit Preservation of local culture Media coverage Legacy Identity formation and branding Social justice and equity Reconciliation and nation-building
Economic	Cost of event Increased event tourism Employment opportunities Increase standard of living Sponsorships and grants Investment Business opportunities Corporate relocation
Infrastructure	New sport and related facilities (hotels, accommodation) Improved transport system Cost of infrastructure
Social incentives	More recreational opportunities Promote businesses More family-based recreational facilities Enhance community image to outsiders Improved relations between tourists/visitors and residents Showcase of culture Education Expertise
Environment	Pollution Development Event tourism Urban revival and greening of host cities Changes in land use Environmental legacy
Social cost	Increased traffic Increase crime rate Put pressure on local amenities and services Population displacements

- UNEP (United Nations Environment Programme) (Vancouver 2010 and AISTS, 2008: 2, 15-16)

South Africa faces many of the problems experienced by developing countries, in which rapid industrialisation, population growth and urbanisation pose a threat to the quality of the environment. The National Environmental Management Act (Act No. 107 of 1998) (NEMA) is the framework legislation on which most of the subsequent provincial and local authority environmental responsibilities are based. Section 16(4)(b) of NEMA requires municipalities to adhere to relevant Environmental Implementation Plans (EIPs) and Environmental Management Plans (EMPs) when preparing any programme or plan (including the planning and hosting of events); including Integrated Development Plans (IDPs) and Land Development Objectives (LDOs).

The enforcement of environmental legislation however is critical for the protection of eco-systems and the promotion of sustainable development in South Africa. Far too often, the good intentions of laws such as the NEMA are undermined by an inability of provincial and local government to effectively enforce compliance or to monitor developments after the Records of Decisions for individual projects (including the planning and hosting of events) have been handed down.

At the time of writing this paper, the research findings suggests that South African events managers do not need to comply with standards similar to the British Specification for a sustainable event management (BS 8901:2007). However, the SANS 10366:200X health and safety general requirements standard at live events was recently published, according to the Exhibition Association of Southern Africa (EXSA) (2006: internet) by the SABS (South African Bureau of Standards) Standards Division. This standard specifies the minimum requirements for a person or organisation planning, organising and staging a live event. The standard includes the identification of the required control and management processes and services, as well as health and safety management. The latter is most important, as all entertainment events in South Africa are classified as work activities and are therefore subject to the Occupational Health and Safety Act, 1993 (Act No 85 of 1993), as amended from time to time.

This paper, consequently, notes that at the time of its writing that the South African Government does not have any other approved standards for events and that this poses challenges for measuring the impact of events empirically.

Political aspects

Several political events took place since South Africa was announced as the successful bidder in 2004 of the 2010 FIFA World Cup™.

The ruling African National Congress (ANC) party held its 52nd National Conference at the University of Limpopo in Polokwane on 16-20 December 2007. In 2009, South Africans will go to the polls for the country's fourth post apartheid democratic elections. These elections follow on the sacking of President Mbeki in 2008 and the election of Jacob Zuma as the ruling party's president. Zuma is also the party's presidential candidate for the April 2009 elections. Zuma is facing serious allegations of corruption related to South Africa's arms deal and his court appearance has been set for August 2009. Concerns have been raised about the implications of these allegations and the perceptions of his presidency in the run up to the 2010 FIFA World Cup™ event in 2010.

Legacy

States' behaviour is shaped by elite beliefs, identities, and social norms (Mingst, 2004). Therefore, identities are shaped, and changed through ideas and practices. Moreover, states' identities and national interests result from the social identities of individuals. Like Realists, Constructivists regard power as important, but depart from Realists in their claim that power is not only material, but that the power of ideas, culture and language are significant (Mingst, 2004).

Since 1994, the post apartheid South African Government has repeatedly emphasized the moral and normative agenda of its domestic policies and international relations. Furthermore, since 1994, South Africa has proclaimed an identity for itself as that of a global norm entrepreneur, i.e. a state that complies with internationally acceptable behaviour, but also initiates new normative ideas (Geldenhuys, 2006). Thabo Mbeki's, South Africa's president from 1999 until 2008, idea of an African Renaissance is an example of the country's norm entrepreneurship. Here, the objective was to work

towards ending the continent's wars and improve development, as well as speaking on behalf of the continent. Mbeki's idea manifested, inter alia, in, South Africa's bidding and hosting of the 2010 FIFA World Cup™. In fact, Mbeki declared the 2010 events as an 'African World Cup.

Throughout its bidding process, South Africa placed an emphasis on 'making it [the 2010 FIFA World Cup™] an African event, one that will help spread confidence and prosperity across the entire continent', 'South Africa stands not as a country alone – but rather as a representative of Africa and as part of an African family of nations' and 'the successful hosting of the FIFA World CupTM in Africa will provide a powerful, irresistible momentum to [the] African renaissance (Republic of South Africa, 2008a: internet)'.

In constructing it as an African Cup, the South African Government stated that the event is intended to have a clearly defined legacy and social impact:

- 'An event that will create social and economic opportunities throughout Africa'. In fact, South Africa's hosting of the event as an African event is strongly supported by the African Union (AU), which 'seeks to promote sport as an instrument for sustainable economic development and poverty reduction, peace,solidarity and social cohesion.'
- 'To ensure that one day, historians will reflect upon the 2010 World Cup as a moment when Africa stood tall and resolutely turned the tide on centuries of poverty and conflict. We want to show that Africa's time has come' (Republic of South Africa, 2008a: internet).

In November 2006, the African Legacy Programme, a joint responsibility of the Local Organising Committee (LOC) and the South African government, was announced. For the South African Government, 'one of the main inspirations behind South Africa's preparations for 2010 FIFA World Cup™ – that being to leave a legacy for the African continent (Republic of South Africa, 2008a: internet).

The objectives of the African Legacy Programme are to:

- support the realisation of the objectives of the African Renaissance such as the programmes of the African Union's New Partnership for Africa's Development (NEPAD);
- ensure African participation in the event;
- develop and advance African football; and
- Improve Africa's global image and combat Afro-pessimism (Republic of South Africa, 2008a: internet).

Furthermore, the South African Government maintains that the legacy of the 2010 FIFA World Cup™ will be 'different from that typically associated with other large sporting events for three main reasons:

- The legacy benefits are not to be confined to the host country.
- The host country itself has made an undertaking to make the continent-wide legacy one of the core focus areas of preparations for the event.
- The African Union is actively involved in ensuring that the 2010 FIFA World Cup™ legacy agenda is owned continent-wide' (Republic of South Africa, 2008a: internet).

The South African government stated that its contribution to the African Legacy Programme is included in collaboration with African countries in a number of projects in the following areas:

- peace and nation-building;
- football support and development;
- environment and tourism;
- culture and heritage;
- communication;
- telecommunications; and
- Continental security cooperation (Government of South Africa, 2008a: internet).

South Africa, with African states such as Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe are using the 2010 FIFA World Cup™ event to develop seven trans-frontier conservation areas in southern Africa, which will contribute to sustainable environmental development, but also providing opportunities for eco-tourism (Republic of South

Africa, 2008d: internet). The 2010 FIFA World Cup LOC, according to DEAT and SAT (2005), will establish stakeholder relationships with the Regional Tourism Organisation of Southern Africa (RETOSA), to facilitate the development of RETOSA packages, to coordinate efforts to market the southern African region more effectively and to secure that tourists attending the world cup also enjoy the region's tourist offerings.

South Africa's hosting of the 2010 FIFA World Cup™ is stimulating development in neighbouring countries. The Mozambican government, for example, is spending US$51 million on the rehabilitation of a railway line between Maputo and South Africa. It is also upgrading its road network and investing US$600 million in new tourism facilities (Republic of South Africa, 2008d: internet).

The African Union's (AU) development programme, the New Partnership for Africa's Development (NEPAD), has established an Information and Communications Technology Broadband Infrastructure Net (Uhurunet), which is a US$2 billion 50 000 km submarine cable which will be connecting Africa directly to India, the Middle East, Europe and Brazil. Not only will it reduce the telecommunication cost for Africa, but it will be completed to provide telecommunications for the 2010 FIFA World Cup™ (Republic of South Africa, 2008d: internet).

Legislation

The South African Government had to provide FIFA with 17 guarantees in order to be announced as the host. These guarantees cover tourists and FIFA delegations' access to South Africa, a supportive financial environment, intellectual property and marketing rights, safety and security, healthcare services, transport and telecommunications. In September 2006, the South African Parliament promulgated the 2010 FIFA World Cup™ Special Measures Act in order to comply with FIFA's requirements. Amendments to the Value Added Tax Act, Income Tax Act and the Customs and Excise Act were also promulgated to adhere to FIFA's requirements. Some of these guarantees required new legislation. For this, the South African Parliament promulgated the following legislation:

- Merchandise Marks Act, which gives the World Cup protected event status guaranteeing FIFA's intellectual property rights and preventing ambush marketing;
- Revenue Laws Amendment Act, which provides for a supportive financial environment for the event (Republic of South Africa, 2008c: internet).
- The Ministry of Finance has agreed that to waive custom duties, taxes, costs and levies on the import and subsequent export of goods belonging to the FIFA delegation, its commercial affiliates, the broadcast right holders, the media and spectators travelling to South Africa for the 2010 FIFA World Cup™ provide administrative support in handling tax connected to the event, and has guaranteed unrestricted import and export of all foreign currencies to and from South Africa (Republic of South Africa, 2008c: internet).

The political impact of these guarantees is significant as it is supported by 17 government ministries, it is event specific, and, will influence future events in terms of the legal framework that it provides.

The social context and community cohesiveness

Events can be used to revitalise ceremonies and rituals and combining it with skills and crafts. This can inspire and assist with fostering local pride of a host community and to provide the best possible experience to the event attendee. It is further indicated by Nauright (2004) that sporting events are increasingly emulating the Olympic Games by incorporating cultural elements, such as cultural music, opera and art exhibitions, in an effort to present themselves as broader events. These events are commonly used in tourist promotion to present cities and countries as exciting destinations with exotic cultures for tourists to consume. Events are the new image makers of governments indicate Deffner and Labrianidis (2005) which along with place marketing, statement of intent and branded concepts, are the four principal symbolic triggers of the 'creative milieu' or cultural planning of a destination. South Africa has, for example, show-cased its cultural wealth at major events such as the WSSD which it hosted in 2002.

Research by Roux (2007: internet) indicates that during the 2010 FIFA World Cup™, British football

fans are most likely to base themselves in Cape Town, with the second most popular choice of destination being where the supporters' national football teams are based for the duration of the competition. Roux further suggests that whilst fans are based in South Africa for the 2010 FIFA World Cup™ they will be keen to make the most of the opportunity of being in the country. The most popular destinations for supporters during the 2010 FIFA World Cup™ are suggested to be the Cape of Good Hope and Cape Point. British fans are likely to make the most of both wine and cultural tours during their stay with Robben Island and Table Mountain being popular places to visit. The lure of the golf courses and a round or two of golf in South Africa also ranked high in the research. The various other provinces, according to CTRU (2008), have a marketing focus that is generally similar. In particular, Mpumalanga, Limpopo, and Free State will use culture and nature as their marketing focus and are planning cultural routes that would introduce the visitor to the various cultures in the provinces.

Reconciliation and nation-building

Prior to 1994, South Africa's policy of apartheid resulted in racially divided sport, however, since 1994, the political and social significance of sport as an instrument of nation building is recognised with the existence of a Ministry of Sport and Recreation, which formalises this nation-building objective.

South Africa is hosting of the 1995 Rugby World Cup and the 1996 Africa Soccer Cup of Nations is regarded as two events that contributed to nation building. The South African Government is collaborating with African countries on a

number of 2010 FIFA World Cup™ projects that will contribute to the African legacy, in particular, in the areas of peace and nation-building.

Social justice and equity

One of the key factors eroding social cohesiveness in South Africa is persistent income inequality (The Presidency, 2008a: 29), which is one of the contributing factors to rising levels of crime in the country. High levels of crime mean that South Africa is perceived as an unsafe tourist destination.

Social legacy projects

For the South African Government, its social legacy projects for the FIFA World Cup focuses on:

- Arts and culture, relating to the opening and closing events for 2010, the National Symbols Campaign, research on the social history of host cities and develop related publications, a Clean-up Campaign for host cities, and the participation in international architectural exhibitions and art festivals.
- Sports, community development and legacy, which will focus on the 2010 FIFA World Cup™ Volunteer Programme.
- Schools programme such as the recently launched Schools Football World Cup Programme, which will at least 5000 South African.
- 2010 FIFA World Cup Legacy projects, which include sport fields and multipurpose sports centres in disadvantaged communities (GCIS, 2008: internet). These projects will also focus on a sports club support programme, capacity building and placement in Sport Federations, development programmes at grassroots level, talent identification and coach development. Almost R 25m was allocated for these legacy projects. R 17m was allocated for multi-sport code festivals and other recreation events, such as a street-football programme, that will mobilise communities and create awareness of and enthusiasm for the World Cup. A total amount of R337m was allocated to the Leaving a Legacy project (Republic of South Africa, 2008b: internet).

Poverty reduction is one of the United Nation's Millennium Development Goals, as well as that of the stated objectives of the South African Government. Human development can improve through infrastructure development such as accessible and reliable public transport.The Gauteng 2010 FIFA World Cup™ Strategy, for example, includes a provincial infrastructure development programme (Engineering News, 29 March 2007: internet).

Economics

Economic decline is an issue that many governments must deal with. The economic impact

of events is tied to the social fabric of a particular community. It is directly linked to the social health and confidence of a destination and is a big factor in economic growth. The South African Government's budgeting for 2010 FIFA World Cup™ was guided by priorities that 'would leave a lasting legacy' and that 'hosting the event must help South Africa achieve its development goals' (Republic of South Africa, 2008b: internet).

Cost of event

Hosting a mega-event such as the 2010 FIFA World Cup™ is costly. Table 3 illustrates the size of the budgetary allocations for the event. It is estimated that R 2.49 billion will be spend on the Green Point Stadium and R 20 million on the King Senza-ngakhona Stadium (Engineering News, 22 June 2007: internet), whereas government's spending on education and health is proportionally much smaller.

In February 2009, the South African Minister of Finance announced the provision of an additional R 463 million to the 2010 World Cup stadiums construction grant. The national government's overall contribution to stadium construction is estimated to be R 11.5 billion. Additional allocations include R 508 million in 2009/10 and R 210 million in 2010/11 to the World Cup host city operating grant in support of host cities' preparations for the Confederations Cup in 2009 (Engineering News, 11 February 2009: internet).

Increased event tourism

Table 1 referred some of the mega international events that South Africa has hosted since 1994. These events and, for example, an active international branding campaign by the South African Government resulted in a steady increase in tourism to South Africa. See table 4 in this regard. By 2007, the direct and indirect economic contribution of tourism in South Africa has been estimated at R 159. 6 billion, compared to R 104 billion in 2003 (The Presidency, 2008b: 72).

The increase in tourism to South Africa has created more than 400 000 direct employment opportunities (The Presidency, 2008a: 68). It is expected that the 300 000 visitors estimated to visit South Africa for the 2010 FIFA World Cup™ in South Africa (Engineering News, 23 January 2008: internet) will produce similar positive results.

Infrastructure development

For the South African Government, some of the main intended economic and social impacts of the event are improved infrastructure, logistics, communications and security.

Between 2006 and 2010, the South African government will invest more than R400 billion in the country's infrastructure, which includes rail freight services and energy production, to communications, airports and ports of entry. By 2008, the South African government's total contribution to infrastructure and stadiums amounted to R17.4 billion, which includes:

- R9 billion for the improvement of transport and supporting infrastructure; and
- R8, 4 billion for the construction of five stadiums and upgrading another five (Government of South Africa, 2008b: internet).

For this, the South African Government has completed the National Transport Operational Plan (NTOP) in 2007. Each host city has received funding to develop its own transport plan (see table 5). In addition to the NTOP, the Public Transport Infrastructure and Systems Grant (PTIS) for the 2010 FIFA World Cup™ has been increased from R9,2 billion to R13,6 billion (Government of South Africa 2008b: internet).

The implementation of the PTIS has gathered momentum with most of the infrastructure either under construction or scheduled to start construction this year. In addition, operational transport planning is at an advanced stage. By October 2008, revised PTIS allocations to host cities amounted to:

- Johannesburg: R2,832 billion
- Tshwane: R2,069 billion
- Ethekwini: R1,691 billion
- Cape Town: R1,030 billion
- Nelson Mandela: R586 million
- Mangaung: R425 million
- Mbombela: R421 million
- Rustenburg: R324 million
- Inter-city buses: R500 million

Table 3: Budgetary allocations for the 2010 FIFA World Cup™ (as at 2007) (Republic of South Africa, 2007: 6)

INFRASTRUCTURE	Rand
Transport & supporting infrastructure	9 billion
Stadiums	8.4 billion
NON-INSTRATRUCTURE	Rand
Sport & recreation	379 million
Arts & culture	150 million
Safety & security	666 million
Health	286 million

Table 4: Tourism to South Africa (The Presidency, 2008a: 68)

	1998	2001	2004	2007
Foreign arrivals	5.73m	5.79m	6.68m	9.10m

Table 5: Selected transport projects in host cities (Republic of South Africa 2008b: internet)

City	Transport-related project
Buffalo City	East London and Bisho Airports upgrading
Cape Town	Upgrading of access roads to Green Point Stadium CCTV installation on major access roads
City of Johannesburg	Upgrading of Nasrec Precinct and OR Tambo Airport Construction of the rapid Gautrain
Ethekwini	Improve transport linkages to stadium and CBD precinct Upgrade of airport roads and major highways
Mangaung	Elizabeth Street Pedestrianisation
Mbombela	Improved access to stadium precinct access Upgrade rail station and platform
Nelson Mandela Metro	Rehabilitation of airport access Rehabilitation of Motherwell to Addo road
Polokwane	Widening of streets to upgrade stadium precinct
Rustenburg	New Provincial ring road around Phokeng via N4 Sun City Upgrades New ring road around Royal Sports Palace Improved access to airports

- Non-host cities: R414 million (Government of South Africa 2008b: internet).

Improved access to airports

South Africa's national event bidding strategy has prioritised bidding to a number the major sports federations, according to DEAT and SAT (2005a), including the bidding and hosting of the 2020 or 2024 Olympic Games. The infrastructural investment for the hosting of the 2010 FIFA World Cup™ will set the stage for the successful bidding and hosting of other mega events in South Africa.

Environment

Governments, according to Mason (2008), often require that Environmental Impact Assessments

(EIA) be conducted prior to the development and staging of new mega-event projects. EIA's usually attempt to prevent environmental degradation by providing decision-makers information about the likely consequences of developmental actions and usually require the completion of the assessment of the project prior to development. The EIA's not only consider whether there is likely to be an impact but also its intensity. The socio-economic and environmental impact of sport events is widely accepted. Common environmental threats posed by sport events include air pollution, indoor air quality, toxic chemicals, pesticides, water pollution, noise pollution, cigarette smoke, depletion of the zone layer, climate change, and habitat and biodiversity loss (UNEP, 2008: internet). The Nairobi Declaration on Sport, Peace and Environment, adopted in 2005, for example, acknowledges 'the principles of sustainability' and supports 'the inclusion of the environment as the third pillar of Olympism. It also acknowledges 'the direct link between peace, security and the protection and sustainable management of the environment' (UNEP, 2005: internet).

In its 2006 State of the Environment Report, the South African Government identified worrying indications that economic growth and development are main contributors to environmental degradation (The Presidency, 2008a: 42). In an effort to counter this development, and in preparation for the 2010 FIFA World Cup, the SARTOSA Government has instituted the Green Goal Programme, which is a collaboration between the Local Organising Committee and the Department of Environmental Affairs and Tourism (DEAT), the governments of Norway and Germany, the United Nationals Environment Programme (UNEP). The Green Goal Programme focuses on:

- Setting of the minimum achievable environmental targets for 2010 projects. This includes stadiums, training venues, the International Broadcast Centre, fan parks, public viewing areas, transport systems and accommodation.
- A campaign to raise awareness on environmental issues (GCIS, 2008: internet).

In July 2008, the South African Department of Environmental Affairs and Tourism (DEAT) released a sustainable development policy, People-Planet-Prosperity. The sustainable development policy of the South African government (DEAT, 2008), which is set to influence development standards beyond 2010. It refers to a number of 'strategic priority areas for action and intervention that are necessary to reach the desired state of sustainable development':

- Enhancing systems for integrated planning and implementation;
- Sustaining our ecosystems and using natural resources efficiently;
- Economic development via investing in sustainable infrastructure;
- Creating sustainable human settlements; and
- Responding appropriately to emerging human development, economic and environmental challenges (DEAT, 2008: internet).

Furthermore, the Bill of Rights in the South African Constitution (Act 108 of 1996) guarantees the right of every South African to have 'the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.' This right has been legally formalised in its definition of sustainable development in the National Environmental Management Act (Act No. 107 of 1998): 'Sustainable development means the integration of social, economic and environmental factors into planning, implementation and decision-making so as to ensure that development serves present and future generations (DEAT, 2008: internet).

Social cost

Human development

Since 1994, an improvement vis-à-vis governmental delivery of social services and an overall improvement of human development are evident (Statistics South Africa, 2007: 1-20). Despite these improvements, South Africa still ranks medium in terms of the Human Development Index (HDI). In 2007, it, as indicated in table 6, ranked 121st in terms of global human development standards (UNDP, 2007: 236).

Table 6: South Africa's human development indicators 2007 (UNDP, 2007: 236, 239, 328, 332, 355-360)

Human Poverty Index for Developing Countries (HPI-1)	Human Development Index (HDI)	Gender-related Development Index (GDI)	Gender Empowerment Measure (GEM)
Measures deprivations vis-à-vis longevity, adult literacy & standard of living	Measures achievement on longevity, adult literacy & standard of living	Measures inequalities between men & women vis-à-vis longevity, adult literacy & standard of living	Measures opportunities vis-à-vis political and economic participation and decision-making, and power over economic resources
55	121	107	n/a

Transport

One of the lasting legacies of apartheid is the country's poor transport infrastructure. The City of Cape Town's 2020 Transport Plan's theme 'How to achieve sustainable mobility for 2010 and beyond' is one illustration of the importance of infrastructure development associated with the World Cup. The Plan is intended to contribute to the Cup's 'transport infrastructure legacy' and includes, amongst others the upgrading of rails and commuter networks, station upgrades, improve safety and security, expansion of the Cape Town International Airport, and road upgrades (Mail & Guardian Transport, 26 October 2007: 1).

Safety, security and crime

On 11 April 2001, 43 fans died in a stampede at a soccer match at Ellis Park. As a result of an enquiry, various deficiencies in the procedures followed at the match were identified. Since then, problems at other live events have also gained media attention, including former President Mbeki's narrow escape from injury when a temporary stage cover collapsed at the Union Buildings (EXSA, 2006). Consequently, in 2004, the Safety at Sports Recreational Events Bill was introduced. The purpose and objectives of the Bill is to provide safety and security of participants and spectators, risk analysis, safety certificates, the powers and functions of a National Event Inspectorate, event ticketing and accreditation requirements, spectator access, vendor control, procedures for appeals and offences, and measures to prevent ambush marketing (Sports & Recreation South Africa and Patrick Ronan, 2004: 3). However, by early 2009, the Bill was still being debated and refined at the South African Constitutional Court by the various Government Departments and Organisations that are impacted by the said Bill.

South Africa's crime rates, as tables 7 and 8 indicate, are considered to be very high. Serious concerns have been raised about the safety and security related to the World Cup, which will be a month-long event with 64 matches played in all nine South African provinces and a safety and security budget amounting to US$36m (Burger, 2007: internet).

The South African Government was required to provide FIFA with guarantees pertaining to the event's safety and security. Thus, it will have to secure the 2010 FIFA World Cup™, as well as continue with normal policing amidst high crime rates.

Table 7: Serious and violent crimes in South Africa (per 1000 of population) (Burger, 2007: internet)

	1994/5	1999/2000	2005/06
Murder	66.9	52.5	39.5
Attempted murder	69.1	65.4	43.9
Rape	115.3	122.8	117.1
Aggravated robbery	218.5	229.6	255.3
Common robbery	84.2	173.5	159.4

Table 8: Car hijackings and cash-in-transit robberies (Burger, 2007: internet)

	2001/02	2002/03	2003/04	2004/05	2005/06
Hijackings (per 100 000)	35.4	32.3	29.7	26.7	27.4
Cash-in-transit robberies (number of incidents)	238	374	192	220	383

During South Africa's hosting of major international events such as those in table 1, effective safety and security arrangements resulted in no serious incidents. In fact, the safety and security standards at these were recognised by the United Nations (UN) after the World Summit on Sustainable Development (WSSD) and subsequently adopted for all future UN events (Burger, 2007: internet). In June 2008, the South African government submitted a General Safety and Security Plan to FIFA (GCIS, 2008: internet).

The high crime rates (as depicted in Tables 7 and 8), reports of human trafficking for the event and an existing inefficient criminal justice system (Altbeker, 2007) are indicative of the enormous challenges that need to be overcome for the event and its sustainability. By 2009, the South African Department of Justice has made progress vis-à-vis its main role during the event, namely is to provide court facilities, prosecution, adjudication, language court interpreting and guidance in legislation services. It has benchmarked on criminal justice issues with Germany as the hosts of 2006 FIFA World Cup, dedicated courts nearer to the 2010 FIFA World Cup™ stadiums to adjudicate over matters emanating from the events and an anti-racism campaign, which will focus on sport. The initiative will be done in collaboration with Sports and Recreation South Africa, the Local Organising Committee and FIFA (GCIS, 2008: internet). The latter is extremely important in the wake of severe xenophobic activities that occurred in South Africa during 2008.

Pressure on local amenities and services

Since 2008, South Africa has experienced an electricity supply crisis. Concerns were raised that an increase in demand during the World Cup may result in more outages. In a response to these concerns, Eskom, the state power utility, has allocated R 300 billion for the construction of new power stations until 2013 (Engineering News, 23 January 2008: internet). Eskom has also guaranteed that World Cup-related projects such as stadium construction and the event itself will be protected from power disruptions. This, however, comes at a cost. In 2008, the South African Government has approved electricity tariff increases for local governments. This was justified on the basis that these increases will provide funding for electricity infrastructure rehabilitation. Government has made an additional R120 million available for the rehabilitation of host cities' municipality distribution

networks which are 2010 FIFA World Cup™-related (GCIS, 2008: internet). However, the sustainability of these efforts is questionable. During a report back on government's progress on preparations for the World Cup, it was stated that 'The process of acquiring Generators is underway' (GCIS, 2008: internet). Moreover, Government has indicated its inability to sustain these technical and supply demands with the establishment of an Electricity Technical Working Group comprising of all host cities, the Department for Minerals and Energy, and the National Energy Regulator (Nersa) (GCIS, 2008: internet).

Population displacements

In order to construct state of the art Olympic facilities for the 2008 Olympic Games in Beijing, the Chinese government forced large numbers of people to move (The Economist, 2 August 2008: 11). Fears have been raised, according to Project 2010 (Internet), that South Africa may follow the example of many other cities around the world by 'demolishing the livelihoods of the poor' when it hosts the 2010 FIFA World Cup™. South Africa has a history of 'gedwonge verskuiwings' (forced removals) and, by 2009, tens of thousands of South Africa's poorest people have already been evicted from inner-city suburbs ahead of the 2010 World Cup. The country's Supreme Court of Appeal (SCA), for instance, recently allowed Johannesburg City, which has two world-cup stadiums, to evict 300 squatters from inner-city buildings classified as unsafe by the Johannesburg municipality. Johannesburg has evicted thousands of the country's poorest people from 125 buildings since the 2001 launch of its urban-renewal plan for 235 buildings on its list of 'bad buildings', mainly hotel and apartment-block construction and refurbishment.

Evaluation and conclusion

For South Africa, like many developing countries, human and infrastructural development is of critical importance and an important instrument to undo the socio-economic legacy of apartheid. An event such as the 2010 FIFA World Cup™ can result in significant socio-economic development for the country. However, it is the sustainability and socio-economic legacy of the event that will determine this outcome. Here, we have provided a preliminary analysis by applying six indicators of sustainability, including the political impact, social context and community cohesiveness, economic spin-offs, social incentives, environmental impact and the social cost. The sustainability of each of these indicators is already challenged in the run-up to the event.

These indicators of sustainability resonate closely with that of the South African Government, the initiator and underwriter of the event. The South African Government's strategy to address some of the country's most pertinent socio-economic challenges include

- Speeding up growth and transforming the economy;
- Fighting poverty;
- Building social cohesion and state legitimacy;
- Pursuing the values of international cooperation; and
- Building a developmental state (The Presidency, 2008a).

In order to determine the political sustainability of the event, a level of analysis approach is instructive. Four political levels are identified here: local and provincial, national and international. In addressing the political impact of the event, the intended international legacy reputational: hosting an successful African Cup. Regionally, the impact will be political in terms of closer regional integration as well as economic. Nationally, the government's commitment is clearly evident..Domestically, FIFA required specific legislative changes, whereas local and provincial governments of host cities are predominantly overspending their allocated budgets.

By 2009, fifteen years after the end of apartheid, South Africa remains a highly unequal society. The lack of deeply embedded racial and economic reconciliation among South Africa is still a matter of concern. Reconciliation is also challenged by regular outbreaks of xenophobic violence against foreigners, refugees and immigrants from the continent. There are concerns that these outbreaks – coupled with soccer hooliganism – can occur during the Cup. These challenges form the basis of the South African Government's strategy to building social cohesion.

The capital expenditure for RETOSA bidding, planning, preparing and hosting the event is unparalleled in South Africa. The central and regulatory role of the South African Government reflects that of a developmental state. In an address at the University of Zurich in January 2008, the President of the South African ruling party, the African National Congress, Jacob Zuma (2008: internet), reiterated the need to build a developmental state, which he defined as: 'This presupposes active state intervention in the economy of the country and a sound mechanism to address the needs of the people. We have come to the conclusion that a complete free market economy, without any form of state regulatory intervention, will not be able to address the huge and unacceptable backlog in service delivery, and eradicate poverty and under development'. However, Government has entered into numerous public-private partnerships (PPPs) to complete infrastructure projects such as the Gautrain and some of the stadiums.

Hosting an international event such as the 2010 FIFA World Cup™ is a huge responsibility for any country. For South Africa, it is expected that the event will improve our international reputation, attract much needed foreign direct investment, contribute to an improvement in human development, without compromising on environmental standards. The cost involved to host an event of such magnitude is staggering for a developmenting country such as South Africa. On the eve before the kick-off in June 2010, South Africa's hosting of the event is affected by three major challenges: the global financial crisis, the stability produced by the new government after the April 2009 elections, and the completion of all preparations on time.

It is also important to analyse the event in terms of its contribution to testing theories of the applied sciences. First, indicators of sustainability should be reconsidered. Can sustainability be universal, i.e. does sustainability and impact have the same meaning in developing and developed countries?

Second, sustainability and impact should be measured after the event. For this, a revision of current indicators is required. More importantly, who will be accountable?

Third, the role of sport bodies such as FIFA and the IOC should be reconsidered, as these organisations, amongst others, wield considerable power.

Fourth, major mega events, such as the 2010 FIFA World Cup™, present opportunities for empirical research on consumer behaviour – especially in developing economy contexts.

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LEISURE EXPERIENCE AND AUTHENTICITY

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Abstract

The purpose of this paper is to investigate a new trend in consumer behavior which posits that certain tourist segments desire new forms of leisure experience that are characterized by a high level of existential authenticity. The results of the paper are twofold: firstly, the paper suggests that more attention be given to the interdisciplinary relationship between the concepts of identity, existential authenticity and consumer behavior in the field of leisure; secondly, initial exploratory and descriptive findings of a survey with 100 international tourists, 4 interviews with Cypriot hotel providers and strategic decision makers as well as two focus groups with Cypriot tourists are provided in order to identify a clearer research focus as a basis for a later much broader investigation into the association between tourist expectations based on identity and existential authenticity and marketing strategies. The research findings, so far, imply a gap between an increasing body of knowledge in the field and its actual application in practice.

Keywords: Authenticity, existential authenticity, identity, tourism, marketing

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"In postmodern society, tourism becomes a commodity to be consumed...the tourist consumes images or representations of a society; and any reality is obscured by many levels of representation."

(Pretes, 1995, p. 2)

Introduction

An indication of the relevance of the identity concept is provided by Gecas and Mortimer (in Honess and Yardley, 1987, p. 265) who liken existential identity to the individual's sense of uniqueness and continuity as "each new present gives the individual a new perspective on the past and the future (in the form of goals, plans and aspirations)". Although its influence on marketing still seems to be underrated, the concept of identity, especially salient identity, comprising the individual's self-concept consisting of multiple identities and structured in a hierarchical order (Burke, 1980, quoted in Reed, 2000) has been applied to marketing in general (Laverie, 1995; Reed, 2000; Laverie et al., 2002; Arnett et al., 2003) and to consumer behavior in particular (Bear et al., 2002; Reed, 2002; Reed, 2004; Kaufmann and Giesinger, 2007). Integrating the relationship aspect, Mead holds that 'identity is a dynamic phenomenon, which can develop only in social interaction, however, is simultaneously

the precondition for its functioning" (Cudic, 2001: p.35 translated by Kaufmann et al, 2008).The continuous development of the identity concept has been concisely summarized by Kaufmann et al., (2008) and by Lengkeek (2001) who expresses it in 'layman's terms' thus, "holiday makers experience the places where they are on holiday in different ways" (p. 173).

The five modes of tourist orientation

In an attempt to identify the experiences that enhance the tourist's self-esteem, self-respect and individual identity through her/his constructed view of the authentic, the focus is on the perceived importance of experience and authenticity. We investigate the concept of authenticity from a constructivist perspective in order to better conceptualize the tourist experience thereby facilitating a re-evaluation and a reconstruction of the tourism product to better meet the expectations of the tourist. Utilizing Cohen's (1979) modes of tourist experience model the argument is made that the tourist is no longer content with the recreational aspect of the experience but seeks to satisfy higher order needs which can be illustrated by means of a continuum with the 'recreational' at one end, moving through to 'diversionary'; 'experiential'; 'experimental'; and 'existential' at the other.

Lengkeek (2001, critiquing Cohen (1979), summarizes the five modes of tourist orientation describing the leisure-seeker as one who wants to break out from his/her everyday life to something 'meaningful.'

"The 'recreational' mode – individuals step outside the normal and the ordinary in search of entertainment;

The 'diversionary' mode – a person breaks out of the stress of everyday life for a moment;

The 'experiential' mode – proceeds from the awareness that ordinary life lacks richness and more authentic experiences of social life, culture and nature must be sought elsewhere;

The 'experimental' mode – alienation deeply affects the individual who is in danger of losing her/himself in everyday life and who makes the effort to rediscover her/himself in another context, either nature or a social world, that is foreign;

The 'existential' mode – one is living in the wrong place and at the wrong time; a better world is sought elsewhere, in the tourist location and, if possible, on a permanent basis."

(Lengkeek, 2001 p. 175)

Tourist Behavior influenced by identity and authenticity

The postmodern tourist then, is in search of more than what one could call the 'traditional' experience which focuses on just getting away from home to relax in order to return to everyday activities, rejuvenated and ready to face the routines of life. Subsequently this paradigm requires that the leisure seeker (tourist; consumer) has to be investigated from a perspective which takes into account her/his identity and whether this aspect will play a significant role in the leisure experience. However, one cannot investigate issues of identity without simultaneously taking into account the concept of authenticity, a construct not without its own vagaries and diverse definitions (Olsen, 2002; Urry, 1990).

MacCannell (1999) can be named a pioneer of bringing authenticity to the centre of tourism studies leading to a broadening of the debate by both supporters and critics who have used the authenticity construct as a means of investigating tourist motivation and experience (Bruner, 2001; Halewood and Hannam, 2001; Taylor, 2001; Wang, 2000). Wang (2000, cited in Olsen, 2002) added another level to the debate by introducing the idea of 'existential authenticity.' Williams (2004) comprehensively discusses and summarizes most influential research concerned with the interrelationship between authenticity and existential authenticity to tourist experiences. Referring to Berger (1973) Williams (2004, p. 219/220) holds: "In common sense terms, existential authenticity denotes a special state of being in which one is true to oneself, and acts as a counterdose to the loss of "true self" in public roles and public spheres in modern Western Society". Furthermore, he (ibid, p. 220) quotes Neumann (1992, p. 183) indicating the existence of existential authenticity in tourism: "Travel often provides situations and contexts where people confront alternative possibilities for belonging to the world and others that differ from everyday life. Indeed, part of the promise of travel is to live and know the self in other ways". In the same vein,

Reisinger and Steiner (2006, p.481) clarify: "Authentic tourism refers not to consumption of the real or genuine (Reisinger and Steiner, 2006), but rather to individual and personal tourist experiences that contribute to one's sense of identity and connectedness with the world".

According to the literature, on the one hand there is a hierarchy of tourist identities which impact the leisure experience, and on the other the tourist has expectations of an authentic experience which is ambiguous in terms of definition and delivery. Taking above mentioned Williams' (2004) notion of being 'true to oneself' into account existential authenticity and authentic experience might well be interrelated. In this context, Olsen (op cit) warns that by attempting to deliver an authentic experience, to the tourist, the creators of that experience are delivering a 'fake' authenticity. "What might be argued is that more and more of the activities in tourism attempt to create experiences that might be labeled authentic… this implies an altering of the tourist role and that the individual is situated in new roles where authenticity is assumed a reachable state"(Olsen, 2002 p. 160). How then is the tourism industry to deal with these dichotomies? What research strategies are available to the discerning scholars and practitioners in their quest for an effective marketing strategy (i.e. Customer Relationship Marketing) that will successfully target and affect the tourist? It is hoped that this brief introduction to the complex issues involved might provide food for thought and further investigation to those wishing to take the discourse to another dimension.

Methodology

This research reflects and presents work in progress being currently in its third out of four designed stages. The first stage consisted in the literature review to assess the relevant conceptual constructs. The second descriptive stage hypothesized a correlation between the concepts of tourist satisfaction, service behaviour, Customer Relationship Marketing as a key corporate strategy and identity. The third stage still has to be completed by investigating the perceptions of international tourists as to identity and existential authenticity related as well as authenticity perceptions. The findings of the previous three stages will inform the fourth explanatory stage resulting in a constructivist conceptualization of the interrelationships of identity, existential authenticity and authentic tourist experience from an international tourist perspective. The model will be the basis for educational/training implications and the development of differentiated corporate marketing strategies.

The overall aim of this research is to identify the tourist experiences and tourist provider services perceived to enhance the tourist's self-esteem, self-respect and other factors of identity through her/his constructed view of the authentic. The research objectives derived from this research aim are:

1. Investigate to what extent the tourism product should and does address the tourists' identity.
2. Investigate the concept of authenticity from a constructivist perspective in order to better conceptualise the tourist experience.
3. Provide recommendations for effective Marketing strategies and tactics based on the interrelationship of the authenticity, identity and relevant marketing concepts.

Triangulation is recommended for social research (Bryman, 2001). Data triangulation uses different data types while methodological triangulation uses different types of methodologies (Sayer, 1992).

Exploratory and descriptive findings

Descriptive quantitative research

The aim of the following empirical analysis concentrates on investigating the relationship between the different types of identity, national identity, character-identity, social-identity and existential identity, international tourists' perceptions of service behavior and customer relationship marketing. The research is based on a convenience sample of a survey of 100 international tourists selected at major tourist attraction sites in Cyprus. A respective index for each of those identities has been created consisting of an arithmetic mean of the included variables for each of the identities. Indicators for the social identity are, for instance, the variables "Reflecting your social class and status" and "Address your professional role". Based on the used scale for the variable, the index ranges as well from 1 to 5 (with 1 meaning very important and 5 meaning not important at all). One research objective referred to

investigate the influence of the respective identity on tourists' satisfaction. In this respect, table 1 reflects a significant correlation of only one identity index, that of the social identity. At the same time, a strong internal correlation amongst the different types of identities could be recorded pointing to the construct validity.

A second research objective consisted in the investigation of the correlation between the different identities and specific factors of service behavior and Customer Relationship Marketing. As depicted by table 2, this correlation could be validated with respectively high significant correlations. Interestingly, character identity (personal values and self-respect) has the highest positive correlation with service behavior followed by existential identity (i.e. opportunity to make new experiences). National identity (i.e. ethnicity and culture) is correlated highest with CRM factors.

Based on the existing correlation the question arises what role those identities play when it comes to explaining the assessment of service behavior and relations. Therefore a regression-model was developed for both variables by including the given types of identities. As can be seen in table 3 for the case of service behavior the identities play a quite weak but not neglect able role with the character identity being the most dominant factor.

Table 1: Identities and satisfaction

		Overall satisfaction with service	Social Identity	National Identity	Character Identity	Existential Identity
Overall satisfaction with Service	Pearson Correlation	1	-.218(*)	-.156	-.097	-.056
	Sig. (2-tailed)		.030	.123	.336	.577
	N	100	99	99	100	100
Social_Identity	Pearson Correlation	-.218(*)	1	.495(**)	.431(**)	.108
	Sig. (2-tailed)	.030		.000	.000	.285
	N	99	99	99	99	99
National_Identity	Pearson Correlation	-.156	.495(**)	1	.340(**)	.291(**)
	Sig. (2-tailed)	.123	.000		.001	.003
	N	99	99	99	99	99
Character_Identity	Pearson Correlation	-.097	.431(**)	.340(**)	1	.390(**)
	Sig. (2-tailed)	.336	.000	.001		.000
	N	100	99	99	100	100
Existential_Identity	Pearson Correlation	-.056	.108	.291(**)	.390(**)	1
	Sig. (2-tailed)	.577	.285	.003	.000	
	N	100	99	99	100	100

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table 2: Correlations between identity, Service Behavior and CRM

		service behavior	CRM
Social_Identity	Pearson Correlation	.380(**)	.288(**)
	Sig. (2-tailed)	.000	.006
	N	94	91
National_Identity	Pearson Correlation	.330(**)	.402(**)
	Sig. (2-tailed)	.001	.000
	N	94	91
Character_Identity	Pearson Correlation	.542(**)	.356(**)
	Sig. (2-tailed)	.000	.000
	N	95	92
Existential_Identity	Pearson Correlation	.442(**)	.347(**)
	Sig. (2-tailed)	.000	.001
	N	95	92

** Correlation is significant at the 0.01 level (2-tailed).

Table 3 Explaining the assessment of service behavior with identity (multiple regression analysis- initial explanatory research)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.554(a)	.307	.300	.53774
2	.600(b)	.360	.346	.51958
3	.630(c)	.396	.376	.50759

a Predictors: (Constant), Character_Identity

b Predictors: (Constant), Character_Identity, Existential Identity

c Predictors: (Constant), Character_Identity, Existential Identity, Social Identity

Table 4 Explaining the assessment of CRM with identity (multiple regression analysis)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402(a)	.161	.152	.59104
2	.477(b)	.228	.210	.57030

a Predictors: (Constant), National Identity

b Predictors: (Constant), National Identity, Character Identity

For the variable relationships only a low value of R-square can be reached, although in the former analyses a significant correlation was recorded. Possibly there is a moderator variable not yet included in the analyses.

Exploratory qualitative research

A case study (Cyprus setting) was chosen as a research method. Two qualitative research techniques, more specifically in-depth interviews with 2 hotels' managers and 2 experts/ strategic decision makers as well as two focus groups with 6 Cypriot tourists were conducted so as to contrast the views of providers and consumers of tourist services. Each focus group discussing tourist experience lasted approximately one and a half hour. Each interview lasted approximately one hour and concentrated on tourism experiences each hotel offers and on marketing aspects. The practitioners were asked the following questions:

1. What is the observed current tourist's identity?
2. Are tourists observed to have higher order common needs/criteria or share common motivators of behaviour?
3. Are the recreational services provided sufficient to cover tourists' needs?
4. Is the tourism product addressing tourists' identity?

Data gathered from focus groups and in-depth interviews were recorded and transcribed. Data from the interviews were analyzed using content analysis. The interviews and the focus groups were contacted in the Greek language. A detailed category grid has been developed. In the following, the key qualitative findings are summarized.

Identity

The research participants' perception of "identity" was often related with the notion of behaviour in the sense of: "our experiences usually determine our behaviour". Different identities/behaviours were acknowledged since experiences are individual in nature. Although the research participants referred to different tourist categories they mentioned that a distinguishable identity does not exist. All participants reported that identity `depends on the family environment, the place of origin, the age, the lifestyle, the activities and interests one has' and, more specifically, as far as the tourists are concerned, their identity category `depends on the original aim of their trip'. Generally, the findings imply that whilst a more general awareness of identity seems to exist, a significantly higher degree of knowledge transfer regarding the differentiated factors of the concepts of identity and/or existential authenticity is required.

Identity and the tourism product: standardization as to common needs and diversification due to increasing differentiated needs

The commonly expressed opinion was that "a mechanism for the recognition of the needs should exist". A specific participant reported that "the supplier of tourist services has to observe the needs of tourists since via the interaction with the consumer you can even identify a need and create your own consumers". On the other hand, what the experts reported was that `specialisation and differentiation should exist' as long as different market segments do exist.

The need for cleanliness, safety, hospitality and quality of service was reported by most participants

to be common needs. All the consumers ask for some basic standards despite different levels of available budgets. Pointing to higher order needs becoming increasingly common, one respondent commented: "Henceforth, even having ecological conscience is something which is not compulsory but indirectly each tourist demands it".. Another higher order need which can be a common order need seems to be "continuously seeking of new experiences". The differentiation of these needs are, according to the research participants, triggered by the tourist's characteristics, disposable income, hobbies, interests and activities. Seemingly, the diversionary motive was stated as the most prominent one, a more detailed and conscious differentiation of motives as to experiential, experimental or existential ones could not be identified. Trying to investigate the concept of authenticity from a constructivist perspective in order to better conceptualise the tourist experience (research objective 2), the research proceeded with a focus on higher order needs the tourists might have. As it has been already mentioned, a common need of tourists is to make new experiences. Pointing to the diversionary motive it has been reported by most respondents that "we search experiences that will remove from us from the daily routine" and, according to the experts, "the tourist search for different experience based upon her/his interests that will give her/him an out of the ordinary experience". Answering the question of what is this experience it was marked that it "can be anything, from us learning of a new culture to the simplest experience that one cannot find in his daily life, such as a calm meal". Again, the answers reflect that practitioners and tourists alike lack detailed knowledge on sub-categories or indicators of identity and/or existential authenticity.

Cyprus and the actual tourism product: a critical reflection

A common statement of all the participants was that "Cyprus offers the sun, the sea and hospitality". The safety is another characteristic of Cyprus despite the fact that a part of Cyprus is be known to be an island under continuous Turkish military occupation. The hospitability factor was reported extensively, since it is one of the many possible factors that attract tourism to the island. Cyprus is referred to as "an island with history, culture and hospitality". The experts reported that Cyprus can be proud for many of its hotel units. Specifically, it was stated that "we have specialised hotel units that are an adornment for Cyprus and are recognized internationally". In conjunction with well educated personnel, the particular hotel units being renewed constantly without curtailments, tourist satisfaction and high levels of repeat tourism have been achieved. The development of tourist arrivals, however, should lead to a more critical reflection of this statement. After impressive annual growth rates between 1959 and 1973 (32.6%), 1975 and 1985 (45%) and 1985 and 1999 (8.87%) the figure of tourist arrivals stagnates since 1999 having achieved in 2006 a level of 2.400.924 tourists (information from the Cyprus Government Statistics Department). Comparing these figures with the statements of the respondents relating to customer loyalty, one could conclude that the island loses potential to attract new customers. This conclusion will be confirmed by the following statements.

Referring to the desired diversification, agro-tourism and his growth in the Cypriot space (see also Gronau and Kaufmann, 2009) were extensively mentioned. Such lodgings types have been created in various points of the country, which have been subsidized and developed attracting mainly international but also local tourists. Exemplified by two statements, generally however, it has been stated that "Cyprus does follow the observed differentiation trend but not to the necessary extent" or "Cyprus does not follow the differentiation of needs". Repeatedly, consumers as well as experts have pointed out that even if certain lodgings make Cyprus internationally recognised and proud, Cyprus in its entirety, contrary to previous years, falls short of the tourist product. Three respondents mentioned in this respect: "a stagnation in our tourist product is observed"; "consumers differentiate quicker than the tourism sector copes"; and "the needs are increased and the services fall back".

Unfortunately, so a debatable view of a respondent regarding core aspects of marketing and consumer orientation, "Cyprus follows the needs of the tourists and not the contrary".

Contradictory views have been elicited regarding the 'value for money' relationship of the Cyprus tourist product. Even if it was reported by some that the cost for vacations in Cyprus is quite high and, henceforth, with the same pecuniary sum a Cypriot can make vacations in a new destination, there are many of those that support that Cyprus has satisfactory prices for what it offers.

The importance of the Human Resources for the tourism success has been unanimously mentioned by all the participants. It has been stressed that in previous years Cyprus was famous for its hospitality. Following statements point to demand to catch up as to the management of cultural diversity and reflect dissatisfaction with both, international as well as local personnel: “Nowadays wherever you go for vacations in Cyprus you are being served by foreigners”; “the foreigners cannot promote the Cypriot culture”; “there is alienation to our culture”; “the glamour that existed in the old days has ended, in the old days somebody was proud for working in the tourism sector, and nowadays you find capable personnel with difficulty, because there is no interest from our local population”.

To remedy this situation, experts reported that “we should have constant and educated personnel in order to provide qualitative services”. One respondent indicated the aspect of adequate remuneration by stating: “the businessman tries to gain more, paying less”…

In addition, beyond the need for more diversification and differentiation, unanimously perceived by experts and tourists, concerted activities have been suggested by participants: “We have to give a try for the resources to be spent more focused” or: “Public and Private sector should co-ordinate although the legislation is obsolete and does not help”. Also, the need for better promotion was expressed. Despite the fact that the new means provide the possibility for better promotion and publicity (as via the internet), the common report has been that “we do not do our best to promote our country”.

Conclusions, limitations and further research

The second and third stage, so far contributed to shed light on various interrelated phenomena of the tourism product of Cyprus highlighting the need for differentiation and diversification. Based on the literature review this diversification could be based on positioning the tourism services to segments differentiated by identity and existential authenticity factors. A general awareness of the concepts, especially, with respect to the heightened importance of experiences which, even have been described as representing common needs, is given by experts and tourists alike. The sub-categories and/or indicators of identity and existential authenticity which might form the basis for diversification strategies and tactics do not seem to be known. It seems that there is a gap between research and the increasing body of literature and the practical materialization and utilization of the acquired insights in the tourism industry in Cyprus. This implies that efforts of an intensified knowledge transfer should be undertaken. The qualitative research also underlined the complexity of the research topic referring to multidisciplinary concerted actions relating, for example, to education/training in cultural diversity management and public-private co-operation. An initial descriptive survey with international tourists validated the hypothesis of a correlation between the identity concept, perceived service behaviour and Customer Relationship Marketing. Also, the assessment of the service behaviour by identity factors could be explained by 37,6 % (adjusted R Square). This moderately low explanatory value, however, as well as a lack of significance of identity factors when correlating identity with tourist satisfaction (only social identity was significantly correlated) points to some lessons to be learned from the limitations of the research for the final fourth quantitative research stage which will be conducted after a further exploratory study with international tourists:

- the sample size of international tourists should be significantly increased to provide for higher levels of reliability and differentiation as to countries and cultures. Other measures in this context might refer to test-retest or parallel tests to assure thorough understanding of the phenomena under investigation. The wording of the questions, both in quantitative as well as in qualitative research is perceived as a challenge, especially as practitioners and tourist do not seem to be fully aware and knowledgeable about the concepts. When interviewing international tourists the concern for conceptual equivalence is regarded as crucial as well.
- the questions should provide for even higher levels of differentiation as to identity factors and authenticity motives.
- More comprehensive and valid measurements of identity and existential authenticity will be used.

- The interrelationship between existential authenticity and perceived authentic service will be investigated.
- The possible existence of moderator variables will be investigated.

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CONSUMER'S BEHAVIOUR AND DEMAND OF LOCAL PRODUCTS: THE CASE OF MCDONALD'S AND ITALIAN LOCAL PRODUCERS ALLIANCE.

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Abstract

In recent years, consumers' interest for local products increased. In fact, they started to consider a characteristic of superior quality the local nature of the products. Furthermore, their interest in the products with European Quality Certification (PDO, PGI, TSG) has increased, because they consider this certification an added value for the products.

Many food companies are trying to respond to this demand, by adding local products in their offer. The aim of this paper is to analyse the strategy acted by McDonald's Italia with some important Italian local producer associations (Consorzio Speck Alto Adige and Consorzio Parmiggiano Reggiano), which consists of introducing some Italian products with European Quality Certification in their offer. In this way, MacDonald's is able to attract that segment of consumers interested in locally produced food and the local producers can promote their products in a national perspective.

In this paper we want to investigate the implications for the development of the local economy.

KEYWORDS: retailing, consumer behaviour, local products, European Quality Certification.

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Introduction

In recent years, consumers' interest for local products increased. In fact, they "are increasingly concerned to know where products come from and how they are produced" (Dimara & Skuras, 2003) and they have started to appreciate the local nature of the product (Mattiacci & Vignali, 2004). Furthermore, they started to consider a distinctive characteristic of superior quality the local nature of the products (Dimara & Skuras, 2003; Skuras & Dimara, 2004; Codron et al., 2006; Pantano 2008; Mattiacci & Vignali, 2004).

Hence, consumer's interest in the origin of product and the place of production has increased (Dimara & Skuras, 2003; Codron et al., 2006), in particular for those products with European Quality Food Certification.

As consequence, the most important retailers in Italy acted principally a new strategy to exploit this market, by launching new lines of local products (with a new brand), realized by local producer, i.e. adopted by Auchan and Carrefour (Pantano, 2008). In this way, the firms combine global elements with local ones. In particular, this is the strategy used by McDonald's. In fact, it is possible to define McDonald's as "glocal" company, because it is able to combine elements of globalization and localization (Vignali, 2001). It applies this strategy to all elements of the marketing mix (ibid., 2001).

In the scenario of the increasing demand of local quality products, also McDonald's (in particular McDonald's Italia) has added to its offer some products with European Quality Certification to exploit the demand of local products.

This paper aims to investigate how it is possible to exploit international food industries to promote Italian local products and, thus, promote local economy development.

To achieve this task, we chose to analyze the case of McDonald's Italia.

In fact, the case-study method is a powerful tool in particular when the aim of the research is that of obtaining the greatest amount of information regarding a given problem or phenomenon. The analysis of a single case may not be the most appropriate strategy, but nevertheless it can provide useful information in which this case is extreme (Flyybjerg, 2006). McDonald's Italia is one of the most important Food Companies in the world, and it is the first in Italy which introduced products with European certification in its offer.

Furthermore, the case-study method is preferred only in the analysis of contemporary events, most of all when it is not possible to manipulate or modify the most relevant behaviour (Yin, 2003).

The first part of the paper refers to the main characteristics of local products and European Quality Certifications. The second one refers to the analysis of McDondald's Italia and its strategy to improving its offer by introducing products with European Quality Certification and the consequences of this introduction on the local economy.

Local and national products

Local food products can be defined as food or beverage produced in a specific region (Smith & Xiao, 2008).

It is important to underline the main characteristics of the local products and the main differences from the national ones. In particular, it is possible to make a comparison between local and national products from the point of view of market characteristics (Mattiacci & Vignali, 2004): demand, market approach, characteristics of product, structure of market leaders, communication and branding, prices and sales.

As regards demand, national products are distributed throughout the territory in a homogeneous manner and the models of consumption are uniform and recognised; local products, on the other hand, are distributed in a differential manner across the territory (they may be particularly concentrated in some areas, while others are not served at all); moreover, models of consumption vary from place to place. The market for national products is a mass market, in which companies invest heavily in finding ways to differentiate their product from that of their competitors in order to carve out a segment of the market; with local products the situation is quite different: they already have their, albeit limited, market niche, but few are able to break into the mass market.

As for product characteristics, national ones have a constant level as regards quality, and are generally involved in an ongoing process of innovation aimed at finding ways of maintaining their share of the market and hopefully increasing sales, while for local products innovation means meeting and maintaining the stringent quality standards, which is by no means an easy task. Companies making national products are usually large-scale, frequently multi-national with branches in different countries; they focus their efforts on expanding market share and utilise complex managerial models. Companies producing local goods instead are small or medium-sized, often run as family businesses (thus using relatively simple managerial models) and they frequently come together with similar operators to form consortiums.

For generic products, the brand name plays a fundamental role in marketing strategies aimed at increasing product awareness and desirability; sometimes these sales techniques become more important than the product itself. As regards local products, the brand name plays a lesser role. Unlike local products national products belong to a different marketing typology; their prices are generally lower despite higher spending on advertising and marketing because they can exploit economies of scale connected with mass production, while local products produce lower quantities, often through the use of traditional methods that are certainly less technologically evolved. National products are mainly sold through large-scale retailers in shopping centres and supermarkets, whereas local products are sold in small specialist stores or farm shops where they are made, even if there has been a notable increase in interest of late on the part of large-scale retailers in local food products.

It is possible to identify nine main characteristics of local products (Mattiacci & Vignali, 2004):

- territory;
- business technology;
- basic norms;
- industrial methods;

- time;
- tradition;
- specialisation;
- identity;
- nutritional benefit (in the case of food products).

There are close links between a local product and a certain area, which are expressed through the packaging, the ingredients, or the methods of production used. Generally local products (and this is particularly the case with Calabrian products) are produced traditionally by hand in limited numbers.

There is a series of norms both at national and European level that describe and authorise the making of such products and, in some cases, provide certificates guaranteeing the genuine nature and the local nature of the item.

The industrial nature, usually small or medium-sized businesses, and the artisan methods of production imply a higher production cost compared to other goods without these characteristics. In fact, local products have usually been sold by the producers themselves or through or small scale retailers (Soberman & Parker, 2004).

These products are the outcome of local traditions both as regards how they are made and for their shape and flavour (in the case of food products); moreover, they are closely linked to a specific place which is bound up with the item's identity

As regards food products these can also be more genuine because they are made with natural ingredients without the addition of preservatives or other chemical substances, and thus they should have a higher nutritional value compared to similar mainstream products.

Because of the traditional way in which they are made, local products have a particular need for a technological evolution in order to meet the demands posed by government regulations for greater food safety and higher quality as well as growing consumer expectations (Sado Kamdem et al., 2007). These products have the dual need to be on the one hand accepted by consumers, and on the other to respect the parameters that define their unique identity; with reference to this a number of new labels have been created certified by the European Union (Pérez Elortondo et al., 2007).

European Quality Certification

EU has set up three specific certificates to guarantee local products (EU, 2008), which are considered an adding value to farm produce (Reitano & Calomino, 2008; Reitano & Pantano, 2008). The details of which -as regards the first two- were published in the Official Gazette of the European Union on 31.3.2006:

- PDO, Protected Designation of Origin (Figure 1); this certificate serves to designate the name of a region or a particular place where an agricultural product or food item, possessing a determined set of characteristics, was made; the quality and nature of the item in question must be the specific and exclusive creation of a particular geographical environment and the production, transformation and packaging of the item must take place in the said area;

Figure 1: Logo of the European certificate of Protected Designation of Origin (PDO).

- PGI, Protected Geographical Indication (Figure 2); this certificate serves to designate the name of a region or a particular place where an agricultural product or food item, possessing a determined set of characteristics, was made. The product, in particular must originate from the region; its quality reputation or other characteristics can be attributed to the identified geographical region and the production of the item and/or transformation and/or packaging takes place in the said area.

Figure 2: Logo of the European certificate of Protected Geographical Indication (PGI).

The third category has been stipulated on the basis of EU regulation CE 2082/92:

- TSG, Traditional Speciality Guarantee (Figure 3); this certificate serves to guarantee the quality and nature of a product, its mode of production and transformation as well as the main characteristics of the ingredients. Unlike the other two certificates (PDO and PGI), however, TSG is based on the specific connection between traditional methods of production or the composition of the product with a determined area but it also makes clear that the product in question can also be produced elsewhere.

Figure 3: Logo of the European certificate of Traditional Speciality Guarantee (TSG).

Italy is the country with the biggest number of local products with European Quality Certification (Mipaf, 2009). In fact, these products are 235 (both PDO and PGI). The consequence of this value is the increasing consumers' demand of this kind of products in Italy (Pantano, 2008).

For this reason, also McDonald's is trying to exploit this new market. Recently, in France introduced local products (even if without European Quality Certification): the raclette façon française (sandwich with a typical French bred), the fondue façon Suisse (sandwich with the famous Swiss Emmental cheese) and the forestier façon italienne (sandwich with Italian smoked ham).

Local products in territorial marketing

Territorial marketing is all about connecting various areas, towns and villages with particular products in an attempt to entice the consumer to choose those rather than other products (Solomon Stuart, 2005).

Despite differences in the literature there are wide agreement with the idea that the territory plays the same role as the product in marketing strategies; in other words, the territory itself has become a product like any other (Reitano & Zinno, 2006). Consumers are aware of and influenced by what a territory can supply and provided. They are satisfied, the territory gains in appeal and increases its value (Testa & Buccione, 2006).

The objective of territorial marketing is to identify the strategies that enable the spread and appeal of local resources with the aim of promoting territorial development and attracting an influx of new economic resources, because it is not enough in itself to possess a resource, one has to know to integrate it with other resources if one wants the value of the territory to grow (ibid., 2006).

In recent years, in order to meet the challenge of increased competition between different areas, new kinds of tourism have emerged focusing on the unique characteristics of different places; these might be of an eno-gastronomic nature, for example local beers, wines and so on (Plummer et al. 2005; Yuan et al., 2005; Santich, 2004; Getz & Brown, 2006; Brown & Getz, 2005; Kivela & Crotts, 2006), or it may concern other "products" which are produced exclusively in certain areas. An example of this could be tourism aimed at the rediscovery of the ancient musical traditions (Mason, 2004).

Gastronomy clearly can be used as a powerful marketing tool to promote tourism (Hjalager & Richards, 2002; Kivela & Crotts, 2006; Smith & Xiao, 2008). In Italy, for example, wine and food routes have been set up aimed at the rediscovery of local culinary traditions as a way of orientating and stimulating tourism.

To meet the demand for new kinds of tourism and encourage it further many countries have begun to create a series of demonstrations and events (Lee et al., 2004), with the specific aim of promoting their own local products (Prentice & Andersen, 2003).

The most important events of this nature in Italy are orientated exclusively to promoting local food products. Among these mentioned should be made of Vinitaly (the most important event dedicated to wine organised every year in Verona) or the Chilly Pepper Festival -il festival del peperoncino- in Diamante (the main event dedicated to chilly peppers and its by-products organised every year in Diamante in Calabria).

The alliance between McDonald's and Italian local producers associations

McDonald's was born in 1954 in Illinois by the alliance between Ray Kroc and McDonald brothers, and the firm has grown rapidly in all over the world.

The main keys to its international success has been, the brand awareness, the location of its restaurants, the brand image, the large offer and an accessible price for many people and the exploiting of franchising opportunities (Vignali, 2001).

In fact, franchising is one of the most used strategies to maximize the firm's financial performance in the restaurant industry and it contributed to a rapid growth of this industry (Koh et al., 2009). Furthermore, some studies carried out that "restaurant firms choosing through franchising may have significant advantages over firms that are pursuing growth through company-owned outlets" (Hsu & Jang, 2009) For this reason, an important percentage (about 50%) of the sales in restaurant industries comes from franchising (Combs et al., 2006). In particular, the keys characteristics of franchising are two. "First, franchising typically occurs in business where there is a notable service component that must be performed near customer", "the second key characteristics is that franchise contracts typically reflect a unique allocation of responsibilities (ibid., 2006).

Thanks to this strategic alliance, McDonald's was the first to commercialize the food on a global scale, this process "has been accelerated by technological innovations in food preparation and preservation" (Finkelstein, 2003). "The standardized products delivered through the chain restaurant are considered appealing because of their guaranteed quality. In this respect, a much-touted promise of McDonald's has been its reliability and cleanliness" (ibid., 2003).

Because of its rapid growing, many studies focused on the McDonalds effect on the food demand, and on its consequences on the social life (Ritzer, 2001; Finkelstein, 2003).

Actually, McDonald's has over 20,000 restaurants in over 100 countries.

In 1985, McDonald's opened the first restaurant in Italy (in particular, in Bolzano), subsequently the firm opened new restaurants in all the country. In 1999, it opened the 200th restaurant in Italy, and in 2000 McDonald's launched the sandwich Crispy McBacon, which was the first product created and launched only in Italy.

Currently, in Italy there are 380 McDonald's restaurants and 12.000 employees. Total consumers are about 180 mln per year, with an average of 600.000 per day. In 2007 in Italy the sales were 678 mln of euros (9% more than the sales of 2005).

In 2007 for the first time McDonald's Italia launched a new sandwich with an element with an European Quality Certification: the 280gr al Parmiggiano Reggiano, which is a cheese with a PDO certification.

This sandwich has been available in the restaurants for 13 months, with a higher price than the other sandwiches. This price is justified by the consideration that for most consumers the principal indicators of quality are price and brand name (Brucks et. al., 2000). In fact, consumers tend to perceive a product with a higher price as being of better quality than similar objects which cost less (Schindler, 2006).

This product comes from the alliance between McDonald's Italia and the Consorzio di Parma (the association of Parmiggiano Reggiano producers).

In particular, McDonald's in its advertising underlined the link of the new product with the cheese with the PDO certification, which considered one the most famous Italian local products.

Furthermore, the firm in 2008 launched two new sandwiches, Boscaiolo and Tirolese, with the Sudtiroler Speck Alto Adige PGI, which is particular smoked ham, for a limited time (few months). These sandwiches has been launched again for two months in 2009.

These products comes from the alliance between McDonald's and the Consorzio Speck Alto Adige (the association of the Sudtiroler Speck Alto Adige producers).

The advertising focused on two particular messages: the limited period to taste the sandwiches and the presence of a product with PGI certification. In this way, the consumer can perceive the whole sandwich with a higher quality, because of the PGI smoked ham, even if only an element of the sandwich has the certification.

McDonald's message is the high quality of its offer, in fact there are several products with European Quality Certification. In particular, the offer of some of these products only for a limited period and their characteristic of scarcity influence consumer to consider these products rare (Catry, 2003). In fact, also cheep products can exploit the opportunity of a voluntary scarcity to attract more consumers interested in exclusive goods less expensive then the luxury ones. Furthermore, McDonald's can attract consumers interested in products with European Quality Certification.

McDonald's Italia with the two Italian local producers associations exploited the temporary use of an established brand name to gain access to new markets, this alliance is one of main advantages of cobranding strategies (Walchli, 2007; Geylani et al., 2008). In fact, these two brands "coexist in an effort to enhance the value of a products" (Washburn et al., 2004), furthermore it aims to reinforce the brand's image (Geylani et al., 2008).

Conclusions

The alliance between Italian local producer associations (Consorzio Speck Alto Adige and Consorzio di Parma) and McDonald's allowed local producers to promote their products in a national perspective. In fact, these associations allow them to improve the innovation process of their products. Furthermore, this innovation support the production of local goods and allow their producers to respond to the new requests of the market (Casabianca, 1997). In fact, thanks to the alliance with McDonald's Italia, the local producers seem able to exploit the opportunities offered by the net of McDonald's restaurants.

These producers acted a particular communication strategy, by expanding their demand on the national territory. The main aims of this kind of communication are (Brondoni, 1987):

1. increasing the demand of some goods
2. managing the demand and limiting the main competitors
3. maintaining the global offer.

Other Italian local producers, therefore, could first improve their communication strategies by focusing on the quality of their products and secondly on the presence of European Quality Certification. Furthermore, they could also exploit the opportunities offered by the main Food Companies operating in Italy. In this way they would play a more visible role in the Italian market and their products could be selected to be included in their offer. Hence, they could create a contact with consumers who prefer to buy this kind of product also in restaurants. In addition, Italian local producers could use their local gastronomic specialities as a key-factor to attract more tourists, by inviting them to taste all specialities in situ (i.e. the production place). Moreover, the regions could develop marketing strategies to promote these local products in a global scenario based on this elements.

In conclusion, the diffusion of local products on the national territory can influence consumers to really visit the production place of the local products and, in this way, increase the gastronomic tourism in that zones.

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